

<b>REPORT TO:</b>	<b>SCRUTINY &amp; OVERVIEW COMMITTEE</b> <b>15th December 2015</b>
<b>AGENDA ITEM:</b>	<b>6</b>
<b>SUBJECT:</b>	<b>PRE-DECISION SCRUTINY: PERFORMANCE AND PROPOSED BUDGET 2016-17</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate Resources and S151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate Resources and S151 Officer)</b>

<b>ORIGIN OF ITEM:</b>	<b>This item is contained in the Committee's work programme</b>
<b>BRIEF FOR THE COMMITTEE:</b>	<b>To scrutinise the financial performance of the Council in 2015/16 and the proposed 2016/17 Council Budget.</b>

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 The report sets out the context and challenges faced by the council in setting a balanced budget for 2016/17. The report also gives details of the forecast financial performance of the Council for 2015/16. This is in advance of the final budget decisions being made by council in February 2016.
- 1.2 The whole of local government has had to manage grant reductions from national government since 2010. Croydon has seen a **46%** reduction in its support from central government on a like for like basis up to 2015/16. The spending review outlined a further **56%** cut to Revenue Support Grant by 2020, this is the biggest cut proposed to any part of government. One of the key responses from the Council to this challenge has been our transformation programme, Croydon Challenge which was launched in 2015 to drive through the transformation of Council services. The programme has focused on making our council more efficient but critically more effective, through our focus on the

right outcomes, and delivering services to the public that changes people's lives for the better. While we focus on managing this challenge, we have also been demanding the government take immediate action to deliver a Fair Funding Share for the People of Croydon. This has become even more relevant in the last 6 months as the new government have taken action in year to further reduce the grant the council receives in key areas. There is still a great deal of uncertainty about the grant the council receives for Unaccompanied Asylum Seeking Children. The Leader of the Council met with the Immigration Minister on the 21<sup>st</sup> October but at the time of writing this report we are still awaiting a formal response and therefore have uncertainty over the grant for 2015/16 and 2016/17. The total risk is approximately **£4m per annum**. The spending review on the 25<sup>th</sup> November provided further clarity on the continuation of the deficit reduction programme and its impact on local government over the period until 2020. The impact on Croydon will not be clear until the Local Government Draft Settlement which is expected in the middle of December. The key issues from the spending review are set out under paragraph 2.

- 1.3 The choices made in this budget reflect the clear priorities set out in the Ambitious For Croydon manifesto 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 our residents.

## **2.0 The 2015 AUTUMN STATEMENT**

- 2.1 The Chancellor of the Exchequer published the government's joint Spending Review 2015 and Autumn Statement on 25 November 2015, setting out public expenditure plans for 2016/17 to 2019/20. The announcement included both headline funding allocations to local government and a number of policy announcements that will have financial and service implications for local authorities. In many cases, there is currently a lack of clarity over the detailed arrangements for these announcements and so there is uncertainty on the direct impact on Croydon. It is important to note that there does not seem to be any clear move to correcting the current unfair funding of Croydon Council.
- 2.2 The analysis below is based on applying the headline national figures to Croydon's current funding levels. However, it is possible that at an individual authority level there may be changes that differ from the national average. Therefore, until the Provisional Local Government Finance Settlement is announced (mid- December) Croydon's actual allocations will not be known and therefore there is still uncertainty about a key element of the council's income.
- 2.3 At this stage the assumptions behind the national figures are not known. It is therefore necessary to make certain assumptions in order to forecast the level of reduction in Revenue Support Grant (RSG) for Croydon. It is important to remember that whilst RSG is a major source of resources for Croydon, it only represents **24%** of the funding for the overall revenue budget for 2015/16, with other income sources of Council Tax (50%) and Business Rates (26%) accounting for a higher proportion.

- 2.4 Table 1 shows the Croydon's forecast RSG reductions prior to the Spending Review alongside the upper and lower estimates of what the Spending Review announcement on RSG funding could mean.

**Table 1 RSG loss projections**

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Higher Cuts estimate	-13.3	-28.9	-38.6	-44.4
Lower Cuts estimate	-12.7	-27	-34.8	-39.4
<b>Prediction prior to SR15</b>	<b>-14.2</b>	<b>-26.6</b>	<b>-37.6</b>	<b>-39.1</b>

- 2.5 Table 1 shows that Croydon's prediction prior to SR15 is in line with the lower level of reduction and only slightly lower than the higher forecast cuts. There has been a high degree of uncertainty regarding the funding levels prior to the announcement, with some authorities and local authority groups predicating much higher funding reductions. Therefore, at this stage, Croydon appears well placed in terms of forecasts.

- 2.6 In addition to Revenue Support Grant funding amounts, the following policy announcements were also made. There is limited information available at this stage regarding these, as further information is to be published in the coming weeks. It is therefore not possible in each case to quantify the financial implications for Croydon of these.

## 2.7 Adult Care Precept

- 2.7.1 The government is to allow local authorities with adult social care responsibilities, the power to raise an additional 2% through council tax to fund adult social care. The 2% would be in addition to the council tax referendum limit (yet to be announced) and would need to be used for adult social care only. A 2% increase to council tax in 2016/17 for Croydon would be worth **£2.7m**. It is not clear whether there will be additional responsibilities or whether this is simply the Chancellor creating a new precept as opposed to national taxation, based on his speech.

## 2.8 Better Care Fund

- 2.8.1 The government announced that £1.5bn will be made available to local authorities to add to the Better Care Fund by 2019/20. Croydon currently receives 0.62% of the national allocation. If this percentage was applied to the additional £1.5bn, it would be worth **£9.5m** to Croydon in 2019/20. There is still a high degree of uncertainty about the timing of this increase, although it is clear that the increase will not start until 2017/18.

## **2.9 Public Health Grant**

- 2.9.1 There will be savings made to Public Health funding, with 3.9% average real terms saving per annum over the next five years (therefore assumed to mean from £3.4bn in 2015/16 to £3.1bn by 2020/21) and that the ring fence will be maintained for 2016/17 and 2017/18. Croydon currently receives 0.67% of the national allocation. If this percentage was applied to a reduction of £0.3bn nationally, it would result in a loss of **£2m** per annum in Croydon's allocation by 2020/21.

## **2.10 Business Rates**

- 2.10.1 The Chancellor re-iterated previous announcements regarding the move to 100% business rates retention by the end of this Parliament and the report indicated that the government will consult shortly on this area. Key features of the move to 100% business rates retention will include the ability for directly elected Mayors to increase the local rate for specific infrastructure projects and the ability for local authorities able to reduce rates locally. The current system and top ups and tariffs will remain and will be the key tool for the government to re-distribute resources in line with assessed need.

## **2.11 Fixed Assets**

- 2.11.1 Local authorities will be able to spend 100% of fixed asset receipts (excluding Right to Buy) on the revenue costs of "reform projects" (details to be announced alongside the provisional settlement). This provides greater flexibility than previously existed.

## **2.12 Small Business Rate Relief**

- 2.12.1 There will be an extension to the doubling of small business rate relief (SBRR) in England for 12 months to April 2017. This measure is revenue neutral for Croydon, as the government compensates authorities for the lower business rates collected.
- 2.12.2 As previously announced, the government confirmed that the current review of business rates will report at Budget 2016 and it will be fiscally neutral (it remains to be seen if this is neutral nationally, or at an individual authority level).

## **2.13 Schools**

- 2.13.1 The Spending Review has protected the core schools' budget in real terms, enabling the per pupil rate for the Dedicated Schools Grant to be protected in cash terms.

2.13.2 The government will introduce the first national funding formula for schools, high needs and early years. The government will launch a detailed consultation in 2016 and implement the new formulae from 2017/18. At this stage it is unclear what the exact impact for Croydon will be.

2.13.3 There will be investment of “£3bn over the Parliament to open 500 free schools and provide 600,000 additional school places, rebuild and refurbish over 500 schools and address maintenance needs. However, again the methodology for allocating these funds is not clear.

## **2.14 New Homes Bonus**

2.14.1 The government is to consult on reforms to the New Homes Bonus, including means of ‘sharpening’ the incentive to reward communities for additional homes and reducing the length of payments from six years to four years. This will include a preferred option for savings of at least £800 million, which can be used for social care. Details of both reforms will be set out as part of the local government finance settlement consultation, which will include consideration of proposals to introduce a floor, which is intended to ensure that no authority loses out disproportionately. New Homes Bonus was worth £9.6m to Croydon in 2015/16. Until the consultation is published, it is not known how changes to the scheme will impact Croydon.

## **2.15 Pension Fund**

2.15.1 The government will publish guidance for pooling Local Government Pension Scheme Fund assets into up to six British Wealth Funds, containing at least £25 billion of scheme assets each. The government is inviting administering authorities to come forward with their proposals for new pooled structures in line with the guidance to significantly reduce costs, while maintaining overall investment performance.

## **2.16 Housing**

2.16.1 There will be a cap on the amount of rent that Housing Benefit will cover in the social sector to the relevant Local Housing Allowance. This will apply to tenancies signed after 1 April 2016, with Housing Benefit entitlement changing from 1 April 2018 onwards.

2.16.2 Additional Discretionary Housing Payment funding will be made available to local authorities to protect the most vulnerable, including those in supported accommodation.

2.16.3 The government plans to deliver 400,000 affordable housing starts by 2020/21, focused on low cost home ownership. In addition, the government plans to release public sector land with capacity for 160,000 homes. It will also be offering £2.3 billion in loans to help regenerate large council estates and invest in infrastructure needed for major housing developments.

### 3 Revenue Budget - 2014/15 to 2016/17

- 3.1 In order to help understand the make-up of the council's revenue budget, table 2 below provides an analysis of funding and expenditure by service lines.
- 3.2 This shows clearly the balance between central government grant and locally raised income (Council tax and Business rates). The details on expenditure set out the balance of expenditure across the range of council services and clearly show importance of the People department and the control of those costs to our financial strategy.
- 3.3 The table also sets out changes from 2014/15 through to 2016/17 based on the draft budget options for 2016/17. This clearly shows the areas of service where most reduction in cost has been made which mainly relate to the Place and Resources department.

**Table 2 – Revenue Budget – 2014/15 to 2016/17**

<b>Funding</b>	<b>2014/15 Budget £'000</b>	<b>2015/16 Budget £'000</b>	<b>2016/17 Budget £'000</b>
Revenue Support Grant	80,485	61,367	43,417
Business Rates Top up and income	65,944	67,204	TBC
Council Tax	132,650	139,161	TBC
Core Grants - Education Support services/New Home Bonus/ Council Tax and Admin Support	15,286	14,784	TBC
<b>Total</b>	<b>294,365</b>	<b>282,516</b>	<b>TBC</b>

<b>PEOPLE</b>			
Early Intervention and Family Support Service	10,664	9,412	9,412
Children in Need Service	12,924	14,063	13,699
Looked After Children	16,888	16,888	17,088
SEN Transport	6,322	7,031	8,031
School Standards and Commissioning	2,717	2,395	2,395
Libraries	5,515	4,611	4,394
Culture	768	768	768
Learning Disability	37,752	37,191	39,161
Physical Disability	8,588	8,588	9,538
Older People	32,238	31,590	32,419
Mental Health	11,063	10,726	10,726
Vulnerable Adults and Supported Housing	7,423	7,474	7,122
Temporary Accommodation/Housing Needs	4,242	3,118	3,358
<b>People Total</b>	<b>157,104</b>	<b>153,855</b>	<b>158,111</b>

<b>PLACE</b>			
Regulatory Services	4,958	3,754	2,994
Parking and Highways	(1,827)	(1,684)	(2,894)
Other Environment and Leisure Services - Street Cleansing/Kerbside Recycling/Refuse Collection	14,021	13,564	13,421
Waste Disposal	12,511	12,361	10,761
Leisure Services	1,250	1,116	1,051
Green Spaces	5,027	4,887	4,887
Planning and Regeneration	4,117	3,911	3,032
<b>Place Total</b>	<b>40,057</b>	<b>37,909</b>	<b>33,252</b>
<b>RESOURCES</b>			
Finance	7,094	5,586	4,741
Facilities Management	8,449	9,984	7,984
Legal and Democratic	2,535	2,602	2,272
IT	14,397	9,764	7,992
HR	1,374	1,997	1,814
Customer, Transformation & Communication Service	14,776	10,545	9,387
Strategy, Communities and Commissioning and Voluntary Sector Funding	4,309	4,049	3,648
Public Health (Expenditure £20.235m)	0	0	0
<b>Resources Total</b>	<b>52,934</b>	<b>44,527</b>	<b>37,838</b>
<b>Corporate items</b>			
Pensions Deficit	8,447	9,432	9,432
Concessionary Fares	14,714	15,413	15,913
Levies	1,523	1,523	TBC
Interest Payable on Borrowing	13,925	18,422	TBC
Carbon Credits	435	435	0
Contingency	1,000	1,000	0
Efficiency Dividend	3,226	0	0
Redundancy	1,000	0	0
<b>Total Expenditure</b>	<b>294,365</b>	<b>282,516</b>	<b>TBC</b>

#### 4 Financial Position – 2015/16 Quarter 2 Position

- 4.1 Understanding the budget position for the current year is a key part of assessing the budget for future years. The updated position for 2015/16 was reported to Cabinet on the 14<sup>th</sup> December. Due to increased demand for a number of services in the People department and also further in year cuts to our grant funding this year remains a hugely challenging budget to deliver. Table 3 gives a summary of the forecast outturn and the significant areas of overspend:

**Table 3 - Summary of Major Variances over £500k**

Department	Major Variances > £500k	Departmental Forecast	
		Qtr 2 £'000	Qtr 1 £'000
PEOPLE			
SEN Transport	Whilst transport demand remains high, the position continues to improve since Quarter 1 following the commencement of the contract framework on 1 <sup>st</sup> September	982	1,351
Looked After Children	Increase in Special Guardianship Orders and adoption allowance costs paid to carers. Increased demand in Leaving Care costs. Additionally, three high cost placements have begun since the Quarter 1 position was estimated, which will run from September to year-end (and beyond) Use of agency staff to fill vacancies.	1,875	1,045
Adult Care Placements	Continued rise in demand for services. Staffing vacancies being filled by agency workers. Increased legal costs due to increased caseloads, although expenditure is being offset by an increase in independent living fund grant income.	6,618	6,599
Temporary Accommodation	Increasing demand arising as a result of the housing benefit cap, resulting in the need for additional placements and staff to manage demand.	3,866	3,655
	People Department variances below £500k	-500	-207
PEOPLE Total		12,841	12,443
PLACE			
	No variances over £0.500m	-	-
	Place Department variances below £500k	-200	-253
PLACE Total		-200	-253
RESOURCES			
All Divisions	Review of expenditure	-	-1,000
	Legal Services – over-achievement of legal income	-505	-
	Resources Department variances below £500k	-497	-27
RESOURCES Total		-1,002	-1,027
NON-DEPARTMENTAL BUDGETS			
	Use of contingency	-1,000	-1,000
	Interest Payable savings	-1,500	-1,500
	Minimum Revenue Provision (MRP)	-3,000	-3,000
	Additional Grant Income	-1,500	-1,500
	Collection Fund surplus	-2,500	-1,000
	Non controllable overspends within CALAT and Looked After Children	880	-
	Anticipated prudent impact of in-year recovery actions	-500	-
NON-DEPARTMENTAL BUDGETS TOTAL		-9,120	-8,000
TOTAL VARIANCE		2,519	3,163



4.2 After a range of actions has been put in place since early in this financial year we are not in a position where we are only £2.5m short of a balanced budget for 2015/16. Given the scale of savings required, increased demand and further in year cuts this represents strong progress since June.

4.3 The People department overspend is clearly the most concerning in terms of the Council's financial strategy. Strategies are now being put in place by in a number of specific areas to address the above pressures, which are set out below:

**4.3.1 Think Family / top 50 families (review of high cost cases):-**

- undertake a holistic review of the highest costing families, looking at average costs, household composition, number of services known to;
- looking for how services and provision can be joined up to prevent the need for intervention;
- looking at options for health funding, greater intervention from particular support.

**4.3.2 Demand Management :-**

- Work ongoing to review how to manage the growing demand for People department services and implement a sustainable approach that will create a clear operating model that allows management of demand within available financial resources.

**4.3.3 Placement Review:-**

- Creation of a regular Adult Social Care Placement Review Panel, which reviews all care placements greater than £250 per week. To ensure the correct level of support is provided and in the most cost efficient manner.

4.4 A number of other council wide actions are also being implemented as detailed below:

- Recruitment pause (this applies to interim, permanent and fixed term posts and also interim extensions)
- Launch of council wide voluntary severance programme
- Review of all long term interims (over 12 months) with target for all to leave by the end of December 2015

**5. Budget Position for 2016/17**

5.1 This section sets out the detail of the draft budget assumptions and proposals for 2016/17. Given the level of uncertainty that still exists in terms of our government grant these are obviously subject to further change. The council continue to have to deliver savings as a result of reduced grant income from government and also continued demand pressures in key services. Currently our grant reduction is estimated at **£17.950m** for 2016/17, this is a

combination of loss in RSG alongside potential loss in specific grants. The final figure will be confirmed in the local government settlement. The current distribution formula takes no account of increasing population and changes in demographic and need. This makes the challenge for boroughs such as Croydon even greater.

### **Demand Growth 2016/17**

- 5.2 The People department where there is currently an overspend in 2015/16 is where growth has been allocated in the 2016/17 to ensure that this reflects the changing levels of demand and need for services. The key areas are detailed in Table 4 below and also set out in detail in Appendix 1c. This growth will be continued to be monitored until February when the budget is approved to ensure that the most accurate estimate is made. The current estimate of departmental growth is **£8.7m**.

**Table 4 – Demand Growth – Major Areas**

<b>Description</b>	<b>Detail</b>	<b>Amount</b>
Learning Disabilities	To realign the budget with the current demand for the service in 2015/16.	1.950
Domiciliary Care Older People	To realign the budget as a result of rising demand and the complexity of cases.	3.000
Transitional Growth Physical Disabilities	Increased numbers of children with disabilities moving to adult services	0.800
SEN Transport	Increasing demand and the complexity of needs of the service users has put pressure on the budgets and costs for transporting children with SEN to and from school. Increases in volumes are also predicted in the region of 5% year on year	1.000
	<b>Total</b>	<b>6.750</b>

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

- 5.3 The major ones are set out below;
- 5.4 **Inflation assumptions** – Public sector pay limited to 1%. **This has a cost of £1.1m.**
- 5.5 **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. A detailed review of contracts across the council has been undertaken. Appropriate

provision has been made based on detailed work on a contract by contract basis. **This has a cost of £1.6m.**

- 5.6 **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 generates income of £0.1m**
- 5.7 **Pensions** – following the tri-annual actuarial review completed for April 2014 the employer's contribution rate was agreed as increasing by 1% from April 2016 which will see it increase from 14.1% to 15.1% of pensionable pay. **This has a cost of £1.0m**
- 5.8 **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 is £15.413m. **The cost increase expected in 2016/17 is £0.5m**

#### **Local Taxation / Collection Fund**

- 5.9 Alongside grant, 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.
- 5.10 **Council Tax base:** the number of domestic properties in the borough is described as the Council tax base. An increase in council tax base will enable a higher level of general fund budget to be supported from any given level of Band D equivalent Council Tax. It is anticipated that there will be an increase in the Council tax base of 2.6% compared to the 2015-16 base, which will enable a further £3.5m 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%

**Table 5 - increase in Council Tax Base**

<b>Year</b>	<b>Council Tax base</b>	<b>Band D equivalent £</b>	<b>Council Tax funding £</b>
2015-16	113,893	1,171.39	133,413,121
2016-17	116,881	1,171.39	136,913,234
<b>Change</b>	<b>2,988</b>	<b>0</b>	<b>3,500,114</b>

- 5.11 **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. 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. There has been a council tax surplus of the last three years as the tax base has grown and collection rates have improved. Business rate localisation has led to some added risks for the council particularly in relation to appeals from businesses that can go back a number of years. The council has to provide for these even though these may go back a long time before the April 2013.

## **9. Savings and the Croydon Challenge 2016/17**

- 9.1 In order to present a balanced budget for 2016/17 significant savings are required as set out in the earlier elements of this report. The approach continues to be underpinned by the transformational programme Croydon Challenge.
- 9.2 The Croydon Challenge is the council's transformation programme comprising of 35 projects which looks at every aspect of the council that focuses on three key strategic objectives
1. Independence
  2. Growth
  3. Liveability
- 9.3 The Croydon Challenge will contribute significantly to the savings required to deliver a balanced budget over the next three financial years. Progress is continuing to be made on this area and examples of these projects are:-
- 9.3.1 **Digital by Design** : The digital and enabling programme is forecast to save the council £11.5 million towards the Croydon Challenge over the next three years. Whilst the programme is designed to deliver substantial benefits, it will also improve services for residents and make our processes and systems work better, using digital solutions where appropriate to make it easier and more efficient to get things done. Over the last six months the programme has concentrated on reducing customer demand via the contact centre by developing a number of new online applications for our residents, improving web pages and by making changes to our Interactive Voice Response more customers are able to self-serve, eg residents can now apply and pay for parking permits on line. The focus of the programme is now to work with services to understand ways in which back office processes can be improved, implementing change; upgrading Customer Relationship Management technology and introducing a new online learning system.
- 9.3.2 **Asset Management**: The Asset Strategy for Croydon sets out how the Council intends to manage its corporate property estate which includes the vision, objectives and priorities over the next five years. A positive start has already been made and in the last year a review of the Council's estate has been undertaken and a number of opportunities to terminate leasehold properties, let surplus space, redevelop sites or dispose of surplus assets have been identified. Such rationalisation has so far included the surrender of part of the office space in Park Lane, letting Lantern Hall and the disposal of a

golf course. Plans to release other properties over the next year include Leon House and Janette Wallace House and the letting of space in Bernard Weatherill House to a mixture of other government departments and potentially to private tenants. In order to release this space, council staff will be working in a more flexible way and the space utilisation within the building will be further improved. These changes form a key element of the Enabling our Workforce project to make the best use of space and have the right technology in place. Getting the asset strategy and use of buildings right will reduce our running costs and make the Council more sustainable with the potential to contribute over £3m savings towards the Croydon Challenge target by 2018. In addition the facilities management contract has been reviewed, and are re-procuring services in line with future needs for our buildings to generate further savings.

- 9.3.3 **Digital Advertising**-Digital Advertising: This project will look at the opportunities for the council to advertise on it's land to generate an income for the Council. Work on the procurement on a partner is starting in the new year and it is expected to have an arrangement in place by December 2016.
- 9.4 Progress on all savings options is now much more of a continual process rather than an annual one and a number of the options in the appendix on savings are not new proposals and may have been to Cabinet in their own right or out to consultation where appropriate.
- 9.5 Appendix 1 (a-c) set out the total departmental savings currently being proposed for 2016/19. There is an appendix for each council department setting out the detailed proposals. The total of the proposals for 2016/17 is **£15.75m**, for 2017/18 **£12.24m** and 2018/19 **£0.96m**.
- 9.6 Although there are still budget gaps for the period 2017/19 there are a number of ideas being driven forward in the people department which were specifically referenced in 4.3 which will support the closing of the gap as the projects are developed further over the remainder of the year. We expect to be in a position to present an update on these proposals to Cabinet in July 2016.

## **10. CAPITAL PROGRAMME**

- 10.1 In November Scrutiny Committee received a report on the capital programme which detailed the projected expenditure of schemes in the context of the budget strategy with details of progression of schemes within their allocated budget and timescales.
- 10.2 The report also sets out the rationale behind the setting of the capital programme and how this translates into the capital budget and provided the committee with details of the asset management strategy, and details of how the programme is funded.

- 10.3 The future capital programme is looking to reduce the borrowing requirements of the Council while still delivering the Growth and infrastructure required for Croydon's ambitious plans.
- 10.4 The Council is doing this in a number of ways, by seeking further devolution and powers through the Croydon Growth Zone, and by setting up a Revolving Investment Fund (RIF), the main focus of which will be to support the delivery of new homes across the borough although it could also invest in commercial opportunities where they arise.
- 10.5 The Council has also been able to reduce its borrowing costs through accessing a loan facility from the European Investment Bank (EIB). A contract has been signed with the EIB that will offer cheaper alternative sources of long term financing relating to the Council's Education Strategy, generating substantial savings of interest payable on the Authority's overall debt in the future.
- 10.6 Cabinet acknowledged in the Autumn Financial Statement in September that the current Education Estates Strategy has become unaffordable given the reducing revenue grant of the council. As a result the council is investigating a policy to only provide school places where they are funded by central government, and allowing other providers to fill the gap.
- 10.7 The capital programme will be agreed by Cabinet and Council through the budget setting cycle in February 2016.

## 11. HOUSING REVENUE ACCOUNT

- 11.1 The future position of the HRA remains subject to uncertain in light of policy proposals issued by the government. Two such proposals are explained further below, but not enough detail is available at the present time to accurately calculate the financial loss faced by the council. Work remains ongoing to review the options for reducing expenditure in the HRA particularly in relation to the rent reduction of 1% which has been mandated by government but also to respond to the issues below. This will be reported to Tenants and Leaseholder panel in January and as part of the budget setting Cabinet report in February.
- 11.2 **Disposal of "high value" properties:** The Government has previously 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 900 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 300 homes each year

- 11.3 **Pay to Stay:** 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.

## **CONSULTATION**

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

## **12 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 12.1 The report is submitted by the Assistant Chief Executive (Corporate Resources) and Section 151 Officer)

## **13 COMMENTS OF THE COUNCIL SOLICITOR & MONITORING OFFICER**

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

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

## **14 HUMAN RESOURCES IMPACT**

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

Approved by Heather Daley, Director of Human Resources

## **15 EQUALITIES IMPACT**

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

- A community leader

- A provider and commissioner of services
- An employer

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

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

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

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.

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

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

- Engage communities



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

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

**REPORT AUTHOR AND CONTACT: RICHARD SIMPSON, ASSISTANT CHIEF EXECUTIVE (CORPORATE RESOURCES AND SECTION 151 OFFICER)**