

Scrutiny & Overview Committee Supplementary Agenda



5. Budget Scrutiny 2023-24 (Pages 3 - 106)

Cabinet Report and Appendices - Revenue Budget and Council
Tax Levels 2023/24

Katherine Kerswell
Chief Executive
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Simon Trevaskis
Senior Democratic Services & Governance
Officer - Scrutiny
simon.trevaskis@croydon.gov.uk
www.croydon.gov.uk/meetings

This page is intentionally left blank

Agenda Item 5

LONDON BOROUGH OF CROYDON

REPORT:	Cabinet
DATE OF DECISION	22 February 2023
REPORT TITLE:	Revenue Budget and Council Tax Levels 2023/24
CORPORATE DIRECTOR / DIRECTOR:	Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)
LEAD OFFICER:	Jane West, Corporate Director of Resources
LEAD MEMBER:	Councillor Jason Cummings Cabinet Member for Finance
KEY DECISION?	NO. The recommendations set out below are not executive decisions and therefore are not key decisions. The final decisions are to be recommended to Full Council for consideration at the meeting scheduled for 1 March 2023.
CONTAINS EXEMPT INFORMATION?	No
WARDS AFFECTED:	All

1. SUMMARY OF REPORT:

- 1.1 On 22 November 2022 the Council's Section 151 Officer issued a Section 114 notice to make it clear to all Members of the Council that it faced a financial situation of an extremely serious nature with significant estimated unfunded financial deficits forecast from 2023/24 onwards. Alongside the S114 Notice, the Council's Medium Term Financial Strategy was published and subsequently presented to Cabinet on 30 November 2022 which set out in detail the financial projections for the Council through to 2025/26. It also identified that there were still legacy gaps in the Council's open financial accounts going back to 2019/20 estimated at £74.6m for which government support needed to be sought.
- 1.2 The MTFS Update report demonstrated significant gaps in the Council's budget each year for 2023/24, 2024/25 and 2025/26. Previously the government had assisted the Council by granting Capitalisation Directions of £150m over the period from 2019/20 to 2023/24 of £70m, £50m, £25m and £5m which allowed the Council to finance ongoing annual revenue spend from capital resources including borrowing, an action which goes against normally accepted good financial practice. The MTFS Update report identified that the impact of the Capitalisation Direction approach is to continue to push up the Council's debt into the future. Continuing to use the Capitalisation Direction approach was one of the major reasons that the Council's fundamental financial unsustainability was continuing to grow. The report noted that the Council was facing an existential question. With the existing government model of extraordinary financial support for local councils, can the Council ever reach financial sustainability given its borrowing commitments and levels of negative equity now and in the future?
- 1.3 The report proposed that consideration be given to approaching the government for a new model of extraordinary financial support. It set out a number of alternative solutions which

were, in order of priority:-

- The write off of Croydon's debt – the MTFs Update report said that the preference was for the government to write off all the Council's debt as it had done for the NHS debt at the start of the Covid pandemic. The report suggested that if this was not possible, then the request was for a write off of the Council's debt by the amount that will reduce Croydon's debt management costs to a 'proportion of net budget' more usual across local government. The reasoning behind this was that, due to poor governance and decision making in the past, the Council holds a lot of toxic debt which is not asset backed and is in effect 'negative equity'. As such it can never escape from this.
- Spreading any MRP (principal repayments) for the Capitalisation Directions over a longer period than the 20 years currently specified by government.
- Reducing the interest rate charged by the Public Works Loan Board on the capitalisation directions by at least the 1% surcharge but preferably further.
- Reallocation nationally of asylum seekers currently housed in Croydon by government departments which are creating a disproportionate and unfunded strain to the Council's budgets.
- Reduction in the number of ex-offenders currently housed in Croydon by government departments, a practice which is creating a disproportionate and unfunded strain to the Council's budgets
- Permission to increase Council Tax beyond the national cap.
- Permission to use the Growth Zone business rates more flexibly within the designated area eg to cover clearing graffiti, all street cleaning and bin collection, all community safety work.
- Capitalisation Directions to deal with legacy issues.
- Capitalisation Directions to smooth the transition to financial and operational sustainability.
- Reform of local government funding to fully reflect demographic demand in Croydon.

1.4 The subsequent work on budget setting from November 2022 onwards identified a fixed annual budget gap of £60m which was impossible to resolve without a level of savings that would hollow out Council services to residents and put vulnerable people at risk. Following discussions with government over the following months, the ask of government was refined to:

- Consideration to be made by government of a council tax increase of up to 10% beyond the Referendum Cap of 5% in 2023/24, so 15% in total providing £22m per annum additional income
- Agreement to a write off of £540m of the Council's debt during 2023/24 to restore financial sustainability by reducing the annual cost of the Council's debt by £38m thus reducing the council's debt levels to be in line with other councils, (albeit still at the upper end of that comparison) .
- As it was very unlikely a debt write off could be achieved by mid February 2023 in time for the Council to set the Council Tax, the request was for a bridging Capitalisation Direction in 2023/24 of £63m to allow the Council to set a balanced budget (the base model £85m gap reduced by the 15% Council Tax proposed above)

- 1.5 The request noted that should the Council Tax increase of 15% and the 2023/24 debt write off be agreed, no further Capitalisation Directions would be required for future years as the Council would be able to become financially sustainable.
- 1.6 A request has also been made of government to provide the Council with a Capitalisation Direction of £161.6m to cover the historic finance issues that have been revealed through the Opening the Books programme. The Council needs to correct a range of misstatements in its legacy accounts from 2019/20 which are currently still not fully closed. This was more than the £74.6m previously identified in the MTFs Update report in November 2022. The Council's Provision for Bad Debt was found to be understated by £46m rather than the £20m previously assumed and a decision was made to include the potential £70m gap in the accounts caused by wrongful accounting for Croydon Affordable Homes and Tenures, instead of the £9m previously assumed. With three years of accounts still open, there remains a risk that further legacy issues will be uncovered.
- 1.7 The government has announced that the Council can increase its Council Tax by 10% above the Referendum Limit of 5% **and the Council is expecting confirmation by the end of February that the government are minded to issue a Capitalisation Direction of £63m to deal with the remaining budget gap in 2023/24, plus a Capitalisation Direction of up to £161.6m in relation to the outstanding legacy issues facing the Council.** Discussions are ongoing between government and the Council in relation to all the other options that could be deployed as set out in 1.3 above.
- 1.8 The Council's financial position is completely unsustainable without new action being taken. There has to be a shared solution between government, the Council and residents as council tax payers and as service recipients and this is being worked through, initially with the limited tools available such as significant savings proposals, increased council tax levels and capitalisation directions. The Council will continue to speak with government about alternative forms of government support that reduce the huge and ongoing financial cost of the Council's debt burden such as the write off or the award of an annual exceptional grant equivalent to the ongoing debt charges generated by the toxic negative equity. The Council is also committed to reducing its operating costs at more than twice the rate of other London Boroughs. It recognises the financial pressures that council tax payers are facing in this period of economic challenge and therefore the impossibility of the full solution being from increases in Council Tax.
- 1.9 The Government appointed Improvement and Assurance Panel (IAP) have been briefed throughout the process on the Council's financial assumptions and ask of Government, The IAP have been supportive of the Council's direction of travel and the need to request additional financial support from Government given the scale of the challenge facing Croydon.
- 1.10 There has been well documented poor judgement and flawed decision making that has created the financially unsustainable position the Council is currently in. The Council is anticipating it will be able to publish new reports in the near future that explain in greater detail than previously possible, what went wrong and the actions it intends to take to hold individuals to account.
- 1.11 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992. The 2023/24 revenue budget proposals are set out regarding:
- A council tax increase of 12.99% and a 2% increase in the adult social care precept levy.
 - Proposed savings, demand pressures, and inflation.

- Legacy financial issues and budget corrections
- Fees and charges
- Budget risks, reserves and balances
- An update on discussions with government.

2. RECOMMENDATIONS

The Executive Mayor in Cabinet is asked to:

- 2.1 Consider the responses to the budget engagement with residents and businesses as set out in Section 10 and Appendix I.
- 2.2 Consider and have due regard to the equalities impact assessment undertaken on the budget proposals as set out in Section 15.
- 2.3 Approve the responses to the Scrutiny and Overview Committee recommendations (to follow) on the budget proposals as set out in Section 20.
- 2.4 Approve that Directors be authorised to implement their service plans for 2023/24 in accordance with the recommendations within this report, the Council's Constitution, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required regarding the Equalities Impact Assessment
- 2.5 Propose to Full Council for approval an increase in the Croydon element of the 2023/24 council tax charge by 12.99% (Band D £203.95).
- 2.6 Propose to Full Council for approval a 2% increase (Band D £31.40) in the 2023/24 Adult Social Care precept levy.
- 2.7 Note, based on the Mayor of London's draft consolidated budget, a 9.7% (Band D £38.55) increase regarding the Greater London Authority precept.
- 2.8 Propose to Full Council for approval the calculation of budget requirement and council tax as set out in Appendix G and note that the inclusion of the GLA precept will result in a total increase of 13.93% (Band D £273.91) in the overall Croydon council tax bill.
- 2.9 Propose to Full Council for approval the setting of the Council's own total net expenditure budget for 2023/24 at £340.911m.
- 2.10 Propose to Full Council for approval the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as set out in Appendix C.
- 2.11 Propose to Full Council the proposed £10m budget in 2023/24 to support delivery of the transformation programme.
- 2.12 Propose to Full Council for approval that the Corporate Director of Resources be authorised to collect and recover National Non-Domestic Rate and council tax in accordance with the Local Government Finance Act 1988 (as amended), the Local Government Finance Act 1992.

- 2.13 Note the revenue budget assumptions detailed in the report and budget projections to 2025/26 made by the Corporate Director of Resources in agreement with the Chief Executive and with the Corporate Management Team.
- 2.14 Note the Council's request for a capitalisation direction from the Department of Levelling Up, Housing and Communities [DLUHC] of up to £300.6m (£161.6m in 2022/23 regarding legacy finance issues and £139m regarding 2023/24 to 2025/26, annually £63m, £38m and £38m respectively).
- 2.15 Note that all Directors will be required to report on their projected financial position compared to their revenue estimates in accordance with the 2023/24 monthly financial performance reporting timetable.
- 2.16 Note the statement (section 11 of the Report) of the Corporate Director of Resources, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates.
- 2.17 Note that the provisional Dedicated Schools Grant allocation for 2023/24 will increase by £26.310m to £427.688m (section 12 of the Report).

3. BACKGROUND

- 3.1 Croydon's finances, and those of the wider local government sector, are under strain from the sharp upturn in inflation, the impact of cost-of-living pressures on local communities and an increase in demand for essential social care and welfare services. The financial challenge for Croydon is compounded by significant, and independently well documented, local legacy (governance, financial, service delivery and structural) issues.

National Background

- 3.2 The Chancellor of the Exchequer gave an update on the state of the public finances and the performance of the economy in the Autumn Statement¹ 2022. The economic and fiscal outlook set out in the Statement included:
- A forecast increase in interest rates to levels not seen since the 2008 financial crisis.
 - A forecast increase in Consumer Price Index (CPI) inflation to a 40-year high of 11% in Quarter 4 2022 before dropping sharply in 2024.
 - A forecast rise in national unemployment of 505,000 from 3.5% to a peak of 4.9% in Quarter 3 2024.
 - A material worsening in the medium-term fiscal outlook over the past year due to the weaker economy, higher interest rates and higher inflation

¹ Autumn Statement - HM Treasury 17 November 2022

- 3.3 The uncertain national financial environment makes local authority financial planning (including detailed forecasting and modelling) and good financial management more difficult. The rise in the cost of living will increase demand for needs based local services, such as homelessness prevention, impact on income collection rates and increase pay and supplier costs. These impacts are embedded within the 2023/24 Croydon budget proposals with £32.9m set aside as an inflation provision – an increase of £4m from the 2022/23 provision - and a provision of £5.5m for additional economic demand pressures. A range of departmental demand pressures are also met and incorporated within the proposed budget.
- 3.4 The Government’s Autumn Statement recognized some of these issues by raising the referendum cap for council tax increases to 3% (from 2%) and letting social care authorities levy an additional 2% (from 1%) adult social care precept. The government have also delayed their expected Adult Social Care reforms to 2025 and this has enabled some additional funding to be made available. This has also prevented further additional costs needing to be funded at present. In total government grant funding has increased by £7.1m from 2022/23 to 2023/24.
- 3.5 On publication of the Final Local Government Finance Settlement (LGFS)² the Government acknowledged the specific financial pressures faced by Croydon by announcing that the referendum cap for this authority is for a council tax increase of 12.99% and 2% for the adult social care precept. The Croydon budget provides for the maximum available tax increase of 14.99% which will generate £32.3m of additional income - an extra £21m compared to the 4.99% increase set out in the Autumn Statement. The Croydon budget proposals include an increase in support of £2m to protect those low income households that cannot afford to pay their council tax.
- 3.6 More broadly the Local Government Association, in response to the Autumn Statement, have emphasised that essential local services such as social care, planning, waste and recycling collection and leisure centres, continue to face an uncertain future. Demographic growth and an increased complexity of need are adding to social care and other service pressures. These issues are impacting locally and this budget provides an additional £7.6m for adult social care and health demand pressures and as well as recognizing pressures on other council services.

Local Legacy and Structural Issues

- 3.7 The Council’s Executive Mayor has made clear that his number one priority is to “balance the books” and make Croydon a financially and operationally sustainable council which listens to residents and provides good quality services. One of Mayor Perry’s first acts was to launch an ‘Opening the Books’ review to assess the Council’s balance sheet and all financial assumptions and deal with any outstanding legacy accounting issues.
- 3.8 The ‘Opening the Books’ review identified substantial legacy accounting corrections that have one off and ongoing implications for the Council’s budget and revealed how fragile the Council’s level of resilience is to withstand any

²The LGFS was published on 6 February 2023

changes to its forecast budget assumptions over the Medium-Term Financial Strategy period. It also highlighted how structural issues in the Council's finances, such as its level of non-asset backed debt (or negative equity), and disproportionately high level of debt, are preventing the Council's recovery.

- 3.9 The seriousness of the Council's financial position resulted in the Corporate Director of Resources and S151 Officer deciding that Croydon Council's budget is not financially sustainable for the next financial year and issuing a Section 114 Notice from 2023/24 onwards. The section 114 Notice was issued on 22 November 2022. A report was presented to Cabinet on 30 November 2022 and a further report was presented to Council on 12 December 2022, both of which set out the reasons why the S151 Officer has reached this conclusion.
- 3.10 The 30th November 2022 Cabinet report detailed the immediate measures required under the S114 Notice. It also concluded that the Council cannot solve its financial issues on its own and set out a range of requests of government for extraordinary financial and other support.
- 3.11 Subsequent to the issuing of the Section 114 notice the Council has continued to hold discussions with the Department of Levelling Up, Housing and Communities (DLUHC).
- 3.12 To date the specific financial pressures faced by Croydon have been recognized by DLUHC through the announcement that the referendum cap for this authority is for a council tax increase of 12.99% and 2% for the adult social care precept.
- 3.13 The discussions with DLUHC include a request for capitalisation directions of £300.6m. ***This is under consideration and the current budget proposals assume that this will be agreed.*** £161.6m of the requested capitalisation directives relates to legacy financial issues that predate 2023/24 whilst £139m is concerned with the financial years 2023/24 to 2025/26 (£63m, £38m, and £38m respectively).
- 3.14 A budget is now proposed for 2023/24 that includes:
- Savings and change proposals of £33.1m
 - Budget increases of £11.3m to meet demand pressures
 - Budget corrections of £49m to correct structural and legacy issues.
 - Additional income of £28m from a 12.99% council tax increase
 - Additional income of £4.3m from the application of a 2% adult social care precept levy increase.
 - A provision of £32.9m for inflationary pressures (pay and contract).
 - A request for the government to issue capitalisation requests of £316.6m (including £161.6m regarding legacy issues) over the next 3 years.
 - Setting aside £3.7m of new Adult Social Care grant funding pending clarity from government on how it can be used.
- 3.15 The budget proposals also include measures to strengthen the Council's future financial resilience:

- Investment of £10m is proposed in 2023/24 and £5m per annum from 2024/25 onwards in transformation work to change the way the Council operates
- A provision of £5.5m regarding economic demand pressures
- Creating a new Hardship Fund of £2m to provide additional support for low income households that cannot afford to pay their council tax.
- The set aside of £5m per annum as a contingency budget to manage financial pressures.

4. THE 2023/24 BUDGET AND COUNCIL TAX REQUIREMENT

4.1 The determination of Croydon's 2023/24 net budget requirement of £340.911m and council tax requirement of £247.759m is set out in Table 1. The medium-term forecast, to 2025/26, is set out in Appendix A with a departmental and subjective budget summary for 2023/24 provided in Appendix B (to follow for Budget Council). Beyond 2023/24 the medium term forecast highlights a potential budget deficit of £4.277m for 2024/25 and £0.802m in 2025/26. This will inform the financial strategy developed for setting the 2024/25 budget.

Table 1 – 2023/24 Budget and Council Tax Requirement

	£'m
Expenditure base budget rolled forward from 2022/23	316.109
Inflation	32.946
Economic demand pressures	5.500
Council tax – hardship support	2.000
Demand pressures	11.283
Budget correction of legacy issues	49.037
Savings and change proposals	-33.098
Transformation programme	10.000
Contingency funding	5.000
Net cost of borrowing (including new capitalisation directions)	57.919
Reserve set aside of new adult social care grants (pending clarity on their use)	3.734
Gross Budget Requirement	460.430
Core Grants	-38.651
Increase in Adult Social Care Grants	-3.734
Section 31 grant for under indexing the business rates multiplier	-12.419
Government capitalisation directive (£5m existing & £58m new)	-63.000
Use of earmarked reserves (council tax income guarantee)	-1.715
Net Budget Requirement (as per the budget book)	340.911
Prior year collection fund deficit	1.986
Revenue Support Grant	-16.711
Business rates (local income and top-up Grant)	-78.427
Council Tax Requirement (including the adult social care precept)	247.759

5 BUDGET ASSUMPTIONS

5.1 Budget estimates are exactly that, estimates of spending and income at a point in time. The key assumptions that underpin the 2023/24 budget estimate are set out below.

Inflation and Economic Demand Pressures.

5.2 Inflationary pressures have increased markedly over the past year with the December 2022 Consumer Price Index (CPI), the measure targeted by the Bank of England, standing at 10.5%. Whilst this has eased since the October 2022 peak of 11.1% inflation has not been at this level since 1981.

5.3 The drivers behind the sharp upturn in inflation are varied but include the upsurge in energy prices following the Russian invasion of Ukraine, disruption as the world and UK economy recovers from the Covid-19 pandemic and labour shortages.

5.4 In the medium-term the government's central economic forecast, contained in the 2022 Autumn Statement, predicts that 2023 CPI will remain significantly above trend at 7.4% before dropping in 2024. The forecast reduction is due to the anticipated impact of national monetary policy and an easing of the current drivers.

5.5 For Croydon an inflation provision of £32.9m is proposed for 2023/24. This is considered prudent given the current, and forecast, rate of inflation and uncertain national economic background. The provision consists of:

- Catch-up inflation of £1.3m to fully fund 2022/23 pay and contract pressures.
- An allowance of £11.2m for the 2023 pay award. This is consistent with the 2022 pay award and assumes a flat rate increase of £2,226 per full-time equivalent employee plus an increase in relevant national insurance and employer contributions. This equates to an approximate increase of 6.5% in current employee budgets.
- An allowance of £20.4m for contract inflation. This is unchanged from 2022/23 given the government forecast that 2023 CPI inflation will remain significantly above trend.

5.6 The use of the 2023/24 inflation provision will be controlled corporately and drawn down in accordance with the national pay award and agreement of specific departmental pressures. The latest report³ of the Bank of England Monetary Policy Committee highlighted downside and upside risks to their latest inflation forecast, for example the downside impact if geopolitical tensions and supply disruption ease more quickly, or upside risk if there is a sharper-than-expected tightening in global financial conditions. For Croydon the risk that actual inflationary pressures will be significantly more, or less, than budgeted will be closely monitored with updates provided within the monthly Cabinet financial performance reports

5.7 For 2024/25 the forecast budget allows for a lower inflation provision of £17m with a provision of £12m per annum thereafter. This assumes that inflationary pressures ease in line with government forecasting.

3 November 2022

- 5.8 An increase in inflation does not only affect council costs. For example, the rising cost of living may have a broader impact on:
- A greater demand for council services, such as social care, homelessness prevention.
 - Reduced income streams, e.g from council tax, parking or leisure.
 - Contract negotiations with key suppliers and requests for additional funding.
 - The need to provide additional short-term support to residents.
- 5.9 A £5.5m provision is set aside within the 2023/24 budget proposals in recognition of the potential impact of economic demand pressures on Croydon. The funding will be held corporately and any use reported through the monthly Cabinet financial performance reports in line with the Council's Scheme of Delegation. A budget of £2m is also set aside as a new Council Tax Hardship Fund to protect low income households that find themselves in financial difficulty due to the increase in the Council Tax.

Demand Pressures and Legacy Budget Corrections

- 5.10 Budget increases are necessary to meet demand pressures, such as those arising from demographic growth, and to correct legacy issues. The 'Opening the Books' review identified substantial legacy accounting corrections that have one off and ongoing implications for the Council's budget. A summary of the proposed budget changes, by department, is set out in Table 2 with the individual proposals set out in Appendix C.

Table 2 – 2023/24 Demand Pressures and Budget Corrections

Department	Demand Pressures £'000s	Legacy Budget Corrections £'000s	Total £'000s
Children, Young People and Education	0	5,188	5,188
Adult Social Care and Health	7,621	1,648	9,269
Housing	0	5,286	5,286
Sustainable Communities Regeneration and Economic Recovery	1,180	14,759	15,939
Assistant Chief Executive	1,230	2,001	3,231
Resources	1,195	11,271	12,466
Corporate	57	8,884	8,941
Total	11,283	49,037	60,320

- 5.11 The Opening the Books project was launched by the Mayor in July 2022 to improve the Council's understanding of current financial risks and to work towards a sustainable financial future. Extensive work has been done on the Council's budgets and accounts to establish its true financial position.
- 5.12 The latest estimate is that legacy financial failures will cost £161.6m to the end of 2022/23. The adjustments required are:

- £70m for the correction to Croydon Affordable Homes/Croydon Affordable Tenures (this issue is not yet concluded with the Council's external auditors but the maximum adjustment is being assumed for the purpose of setting the 2023/24 budget)
- £40m (£10m per annum) for corrections from 2019/20 to 2022/23 regarding the realignment of the HRA, General Fund and Capital programme recharges
- £5.6m for the historic minimum revenue provision debt repayment correction
- £46m regarding the historic bad debt provision shortfall.

5.13 The council is seeking extraordinary financial support from government, also known as a capitalisation directive, of £161.6m to finance all the legacy adjustments prior to 2023/24.

5.14 There is an on-going impact of these legacy adjustments in 2023/24 and beyond. Namely:

- £9.6m per annum regarding the realignment of HRA and General fund recharges
- £2m regarding salaries wrongly capitalised
- £2.6m regarding the increase in MRP. This is shown as an increase in the net cost of borrowing.

There are also debt financing costs regarding the capitalisation directive of £161.6m. Overall debt financing costs⁴ are budgeted to increase by £13.6m from 2022/23 to 2023/24.

5.15 The monthly 2022/23 budget monitoring and the Opening the Books work have identified further examples of inaccurate budgeting across the Council. These are now corrected. Most notably pressures of £19m (6.8% of the net budget requirement) arose in the setting of three specific budgets for 2022/23:

- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better reflected in the assumptions for projected activity in 2022/23
- New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
- A deficit in the Housing Benefit budget for 2021/22 was only picked up at the very end of the 2021/22 financial year and therefore was not built into the 2022/23 budget.

5.16 The proposed budget corrections for legacy issues are detailed in Appendix C. In total they amount to £49m, 14% of the net budget requirement, for 2023/24.

⁴ Interest payable and the minimum revenue provision

5.17 As well as correcting legacy and 2022/23 budget issues the 2023/24 budget proposals respond to local and national pressures. These amount to £11.3m and include:

- £7.6m for demographic and cost pressures in Adult Social Care.
- £1.1m regarding Croydon’s contribution towards the cost of TfL’s freedom pass. This is due to higher costs charged by the transport operators and higher usage as part of Covid recovery.
- £1.0m regarding the impact of the 2022 rates revaluation on properties held by Croydon.

Savings and Transformation

5.18 Given Croydon’s financial challenges, the Council must reduce its expenditure significantly over the medium-term. That will mean difficult decisions on the services the council provides and ultimately, as set out in the Mayor’s Business Plan, the council will need to do less and spend less in the future.

5.19 Although unable to identify sufficient savings to meet the projected budget gap for 2023/24, £36.2m of savings are proposed for 2023/24. The proposed savings were developed through a series of Star Chambers over the summer. They also incorporate confirmed future year savings that were put forward in the March 2022 General Fund Budget Report. The proposed savings are detailed in Appendix C and summarised by department in Table 3.

Table 3 – Proposed 2023/24 Budget Savings and Change proposals by Department

Department	£000s
Children, Young People and Education	6,920
Adult Social Care and Health	12,243
Housing	2,305
Sustainable Communities Regeneration and Economic Recovery	1,859

Assistant Chief Executive	2,924
Resources	6,347
Corporate	500
Total (Appendix C)	33,098
Debt financing saving from asset disposals ⁵	3,000
Overall	36,098

5.20 Rather than leave services hollowed-out, the future savings programme will consider stopping some areas of discretionary spend entirely whilst focusing on the Mayor's priorities.

1. The Council balances its books, listens to residents and delivers good, sustainable services.
2. Croydon is a place of opportunity for business, earning and learning.
3. Every child and young person in Croydon has the chance to thrive, learn and fulfil their potential.
4. Croydon is a cleaner, safer and healthier place, a borough to be proud of.
5. People can lead healthier and independent lives for longer.

5.21 Examples of early savings being delivered through Transformation in 2023/24 include:

- A programme of asset disposals to generate capital receipts that will partially mitigate the Council's increasing reliance on external borrowing. The current modelling allows for annual receipts of £50m per annum from 2022/23 to 2025/26 and incremental estimated revenue savings of £3m per annum. Despite this saving the overall net cost of borrowing is budgeted to increase by £24m by 2025/26. This increase is mainly driven by the need to use new capitalisation directions.
- A saving of £1.483m from a review of the housing benefits service

5.22 The Mayor asked officers to draw up a programme of cross-directorate transformation savings to drive the Council's financial recovery. The initial programme, and current estimated cost, is set out in Appendix D and already consists of over 30 projects. Expenditure of £5.934m is currently forecast of which £4.622m is due to be charged against the 2022/23 Capital Programme under the government's Flexible Use of Capital Receipts programme. The balance of £1.312m, and other 2023/24 costs, will be charged against the newly established £10m revenue budget for delivering transformation. Providing capacity to deliver the transformation plans safely and sustainably is a key priority. Work is underway to resource this.

5.23 The Government appointed an Improvement and Assurance Panel (IAP) to provide external advice, challenge and expertise to the Council, along with providing assurance to the Secretary of State that the Council was delivering against the previously agreed Croydon Renewal Plan.

⁵ This saving is reported through the net cost of borrowing budget.

5.24 Discussions have continued with the IAP regarding the pace of change that can be sustainably delivered. It was advice from the IAP that led to the £10m transformation revenue budget being established for 2023/24. This is included in the MTFs, although it is reduced to an ongoing budget of £5m from 2024/25 onwards. The IAP also advise the Council that the target level of savings deliverable each year beyond 2024/25 should not exceed £20m as continuing to deliver £40m in savings each year, in line with the last two years and plans for £36m next year, is not sustainable. This £20m target is modelled within the MTFs for 2024/25 and beyond.

Net Cost of Borrowing

5.25 Historic decisions regarding the capital programme mean that the Council's outstanding General Fund debt is disproportionately high compared to most councils. The revenue cost of financing that debt represented 14% of the Council's original 2022/23 net budget when most councils are in the range of 5-10%.

5.26 As well as having a high level of debt Croydon's future borrowing costs are impacted by:

- The need for the Council to ensure a prudent sum is set aside each year, within the revenue budget, for the long-term repayment of debt. This sum is known as the 'minimum revenue provision (MRP)' and it is recognised as prudent practice for a Council's MRP to be at least 2% of its underlying need to borrow (known as the Capital Financing Requirement). The proposed agreement of a new MRP strategy that will meet the minimum 2% threshold is recommended in the Treasury Management Strategy Report (due to be considered as part of the suite of Finance Reports going to Budget Council). On an on-going basis the new MRP strategy will add £2.6m per annum to the original 2023/24 budget estimate.
- The Council's General Fund external debt was £1.3 billion at April 2022. Of this sum £346m (33% of the brought forward total) is redeemable in year. The average interest at which the £346m was originally borrowed was 0.7% compared to current long-term borrowing costs in excess of 4%. The interest payable on external debt is budgeted to cost £7m more per annum in 2023/24.

5.27 Overall an increase of £17.5m is made in the 2023/24 budget for the net cost of borrowing. This takes account of the increase in MRP, additional loan refinancing costs and impact of the additional capitalisation directions, movement in the 2023/24 capital programme and adjustments to the investment income earned by the Council. This takes the proportion of the Council's net budget spent on borrowing costs to 17%.

Government Grant and Business Rates Funding

5.28 The Final Local Government Finance Settlement (LGFS) was announced by a written Ministerial statement on 6th February 2023. The core grant and

revenue support grant funding receivable by Croydon in 2023/24 is set out in in Appendix E. There is a net increase of £3.383m from 2022/23 in general grants and an extra £3.734m regarding adult social care.

5.29 The provisional local government finance settlement confirmed that the government are pushing back their planned reforms regarding the 'fair cost' of adult social care to 2025. The government funding that was set aside for this reform is now released, alongside other resources, for the following adult social care grants:

- £1.399m regarding a new adult social care discharge fund
- An increase of £2.335m in the market sustainability and improvement fund (this replaces the previous market sustainability and fair cost of care funding).

5.30 The terms and conditions regarding the additional adult social care grants are not yet confirmed but are expected to be for improvements to adult social care and to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector.

5.31 For budget purposes it is assumed that the additional social care grants will be set aside as a reserve prior to 'passporting them' to adult social care. Clarity is required from government on the use of the additional funding and what sum, if any, can be used to meet existing adult social care growth and inflationary pressures.

5.32 The Council received a New Homes Bonus Grant allocation of £1.646m in 2023/24. This grant has reduced significantly in recent years and the 2023/24 payment is the last 'legacy' payment due in respect of prior government commitments. The future of the grant is uncertain in 2024/25 and is not included within the future Croydon grant forecast. No other major reforms are expected to the grant distribution methodology in 2024/25 with a government review expected in time for 2025/26.

5.33 The business rates forecast is summarised in Appendix F. It is based on the annual government return (NNDR1) submitted by Croydon by the 31 January 2023 deadline. The 2023/24 forecast includes a drawdown from the business rate relief reserve (which was funded from government grant) of £12.1m that offsets a prior year adjustment made for rate reliefs granted during the covid-19 pandemic.

5.34 A complication regarding business rates is that a revaluation, the first since 2017, is effective from 1 April 2023 that will change the rates payable for all businesses in Croydon. The impact of the revaluation on the income receivable by Croydon is expected to be neutral as compensating adjustments should be made through the business rates system.

5.35 Table 4 sets out, using draft data⁶, a high-level analysis of the underlying impact of the revaluation on different types of business within Croydon. Whist

⁶ Issued by the Valuation Office Agency (a government executive agency) in November 2022. The revaluation will come into effect on 1 April 2023 based on rateable values from 1 April 2021.

the average increase is 7.5% there are marked differences between property types. Transitional arrangements will apply to 'smooth' the impact of those values that increase. The Croydon increase of 7.5% is above the England average of 7.3% and below the Outer London average increase of 11.3%.

Table 4 – Increase in Rateable Values Since 2017

Category	Percentage change in rateable value since 2017
Treasury Retail	-13%
Industry	+42%
Office	+23%
Other	+5%
Average	+7.5%

5.36 The increase in rateable values will impact on Croydon as a business ratepayer. A provision of £1.0m is included within the 2023/24 growth proposals for this purpose and a further £0.75m in 2024/25

6. REQUEST FOR GOVERNMENT SUPPORT

6.1 The scale of the financial challenge facing Croydon Council means that it cannot become financially and operationally sustainable without significant, new and different central government assistance.

6.2 The Council is in dialogue with central government over the type, and level, of such support. Previous government support involved the award of Capitalisation Directions which allowed the Council to charge revenue costs to capital. This meant in-year running costs in 2020/21, 2021/22, 2022/23 and 2023/24 of £70m, £50m, £25m and £5m respectively could be funded from either selling assets or through borrowing with the costs spread over 20 years.

6.3 The current MTFs modelling sets out the full scope of what government support may be required to bridge the estimated annual shortfalls of £63m for 2023/24 and £38m for 2024/25 and 2025/26. This report has also set out in 5.12 above that there is a need for a £161.6m legacy adjustment for which a Capitalisation Direction is also being requested. This is higher than estimated in November 2022 as, for the purposes of budget setting, the assumption has been made that a charge of £70m will need to be made to reserves in respect of Croydon Affordable Homes/Tenures in 2019/20 even though this issue is not yet concluded with the Council's external auditors.

Table 5 – Request for Government Support

	£'m
Legacy issues to 2022/23	161.6
2023/24 - Existing	5.0
2023/24 - New	58.0
2024/25	38.0
2025/26	38.0
Total government support	300.6

- 6.4 Allowance has been made within the budget forecast for the additional flexibility granted within the LGFS for Croydon to increase Council Tax by 12.99% and the Adult Social Care precept by 2%. For financial planning purposes it is assumed that the remaining government assistance will again be provided through capitalisation directives. This requires this debt to be repaid over 20 years and interest charged on the debt at a 1% surcharge over normal local government borrowing costs. This cost is included in the 2023/24 budget and future MTFs. By 2025/26 it is estimated that the external interest payable on the Council's debt and sum set aside for revenue debt repayment (MRP) will be £65.2m which is an estimated 19% of the net budget requirement. Most other local authorities have debt revenue financing costs in the range of 5-10%.
- 6.5 The Council is making the case to central government that the Extraordinary Financial Support model they have in place with its sole reliance on Capitalisation Directions has hindered Croydon's return to financial sustainability. The debt repayment burden this generates requires the Council to deliver a disproportionately high and unsustainable level of savings in order to fund the annual cost of repayment. As an example, had the previous £150m in Capitalisation Directions had not been required, it is estimated that the current debt financing costs would be £9m per annum lower.
- 6.6 As well as the greater flexibility regarding council tax levels, requests from the Council include spreading the debt repayment over a longer period (say 100 years), reducing the 1% surcharge on local government borrowing and most importantly the write-off of historic council debt of £540m. Such a write-off would re-establish debt on a par with other councils and deliver an estimated saving of £38m per annum in debt financing costs and would mean the Council becomes financially sustainable.
- 6.7 The budget forecast will be updated in accordance with the on-going discussions with central government.

7. COUNCIL TAX BASE AND CHARGE

- 7.1 The determination of the tax base is delegated to the Corporate Director of Resources (S151) Officer and is 137,230.9 Band D equivalents for 2023/24. This is an increase of 860 Band D equivalent households from 2022/23 to 2023/24. The report agreed by the Corporate Director of Resources (S151) Officer is attached as Appendix G with the main changes summarised below:
- An uplift of 1.13% in the assumed number of properties in accordance with the average Croydon growth over the past 5 years.
 - A reduction, due to current year trend data and concern over the the impact of increasing cost-of-living pressures, in the assumed collection rate from 98.5% to 97.5%.
- 7.2 The Band D council tax charge for Croydon is calculated by dividing the council tax requirement by the council tax base. The figures for 2023/24 are:

A	Croydon Council Tax Requirement	£247,759,412
B	Tax Base (Band D equivalent)	137,230.9
A / B	Band D Charge	£1,805.42

- 7.3 This represents an increase in the Croydon element of the council tax charge of 12.99% and a 2% levy for the adult social care precept. The weekly increase in the Band D charge for the Croydon element of council tax is £4.51 (annual £235.35 and daily £0.64)
- 7.4 As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and council tax increases with compulsory referenda on council tax increases above limits it sets. For 2023/24 the relevant basic amount of council tax of Croydon London Borough Council has been determined by government as being excessive only 'if the authority's relevant basic amount of council tax for 2023-24 is 15% (comprising 2% for expenditure on adult social care, and 13% for other expenditure), or more than 15%, greater than its relevant basic amount of council tax for 2022-23'.

8. PRECEPTOR'S COUNCIL TAX REQUIREMENTS

- 8.1 The Greater London Authority's (GLA) precept is also funded from council tax. The following table analyses the total amount to be funded and the resulting proposed overall Band D council tax level.

A	GLA Council Tax Requirement	£59,577,423
B	Tax Base (Band D equivalent)	137,230.9
A / B	Band D Charge	£434.14

8.2 The Mayor for London has proposed a Band D charge of £434.14. This is subject to formal approval by the Mayor for London following the London Assembly meeting of 23 February 2023. The proposed charge represents an increase of £38.55, or 9.7%, compared to 2022/23.

9 TOTAL 2023/24 COUNCIL TAX REQUIREMENT

9.1 The overall amount to be met from the council tax, subject to confirmation of the GLA precept, is £285.792m.

A	Croydon Council Tax Requirement	£247,759,412
B	GLA Council Tax Requirement	£59,577,423
C	Total Council Tax Requirement	£307,336,835

9.2 In accordance with the Local Government Finance Act 1992, the Council is required to calculate and approve a council tax requirement for its own budgetary purposes (section 9) and then add the separate council tax requirements for each of the preceptors (section 10). The requisite calculation is set out in Appendix H.

9.3 The Council must then set the overall council tax for the Borough. These calculations must be carried out for each of the valuation bands, A to H. The amount per Band D equivalent property is calculated as follows:

A	Total Council Tax Requirement	£307,336,835
B	Tax Base (Band D equivalent)	137,230.9
A/B	Band D Charge	£2,239.56

Prior year Collection Fund adjustments

9.4 The Local Government and Finance Act 1988 requires that all council tax and non-domestic rates income is paid into a Collection Fund, along with payments out regarding the Greater London Authority precept, the business rates retention scheme and a contribution towards a Council's own General Fund. Adjustments are made to future years for the difference between the actual, and budgeted income collected.

9.5 For Croydon a net council tax collection fund deficit of £2.428m is estimated for 2022/23 (after allowance for the government regulation that allowed the 2020/21 estimated deficit due to the impact of Covid-19 to be spread over three years). The Croydon share is estimated at £1.986m. Croydon currently

holds an earmarked reserve established during Covid, that was established to offset future council tax or business rate income adjustments. The 2023/24 Budget provides for £1.715m of this reserve to be used regarding the Croydon share of the prior year deficit.

10. BUDGET ENGAGEMENT

10.1 An update on the Medium-Term Financial Strategy 2023/24 to 2025/26 was considered by Cabinet on 30 November 2022. It was agreed that there should be a period of public engagement on the proposals for returning the Council to financial and operational sustainability that included:

- The savings options
- The transformation programme
- The list of assets for disposal.
- The closure of Whitehorse Day Centre.
- The closure of Cherry Orchard Garden Centre

10.2 The Council recognizes that it is very important that there is an opportunity for Croydon's residents, businesses, partners, voluntary and community sector and other interested parties to ask questions on these matters and to feedback their views and concerns.

10.3 A public engagement programme was launched with residents, businesses, partners, the voluntary and community sector and other interested parties on the revenue budget and capital programme proposals set out in the 30 November 2022 Cabinet Report.

10.4 Change of this degree is also unsettling for the Council's staff on whom we rely on to deliver the Council's services. Staff have been communicated with about the Council's financial situation and staff and trade unions will be formally consulted as required.

10.5 The Budget Engagement programme ran from 1 December 2022 to 8 January 2023 on the Council's online platform. The results on the consultation are set out in Appendix I.

11 VIEWS OF THE DIRECTOR OF FINANCE

The robustness of the budget estimates

11.1 Under Section 25 of the Local Government Act 2003, the Corporate Director of Resources (Section 151 Chief Finance Officer) is required to include, in the budget report, her view of the robustness of the 2023/24 estimates.

11.2 Budget estimates are exactly that, estimates of spending and income at a point in time. This statement about the robustness of estimates cannot give a guaranteed assurance about the budget but gives Members reasonable assurances that the budget has been based on the best available information and assumptions. For the reasons set out below, the Corporate Director of Resources is satisfied with the accuracy and robustness of the estimates included in this report:

- The budget proposals have been developed following guidance from the Corporate Director of Resources and have been through a robust process of development and challenge with the Executive Mayor, Scrutiny and Cabinet Members, the Chief Executive and the Corporate Management Team, service directors and managers.
- The 'Opening the Books' review has identified substantial accounting corrections that have one-off and on-going implications for the Council's budget. These are recognized in the proposed 2023/24 Budget and Medium-Term Financial Strategy to 2025/26.
- Constructive dialogue has been undertaken with central government and the Improvement and Assurance Panel with Croydon gaining additional flexibility to increase 2023/24 council tax by upto 14.99% (including 2% for adult social care expenditure)
- An increased provision of £32.9m is set aside for inflation and takes reasonable account of potential future pay awards and the government forecast⁷ for continued inflationary pressures.
- A £5.5m provision has been set aside regarding economic demand pressures.
- The revenue budget proposals provide for the Council to hold an unallocated contingency of £5m to meet unforeseen budget pressures.
- Service managers have made reasonable assumptions about growth pressures which, following corporate challenge were not manageable within current budgets, and have resulted in additional essential investment
- Rigorous mechanisms are in place to monitor sensitive areas of expenditure with regular assurance meetings held to ensure that all proposals within the medium-term financial strategy are managed well and that budgets remained on track during the year.
- The use of budget monitoring in 2022/23 to re-align budgets where required with mitigating actions identified to meet budget pressures and growth provided when needed. As a result of the stringent approach to monitoring, the latest Month 8 Financial Performance Report predicts that the Council is likely to be able to balance its in-year budget pressures.
- Key risks have been identified and considered.
- Prudent assumptions have been made about interest rates payable and the budget proposals comply with the requirements of the Prudential Code and Treasury Management Strategy. The revenue effects of the capital

⁷ Autumn Statement 2022 – Inflation forecast to be 7.4% in 2023.

programme are reflected in the budget with an increase of £17.5m in the revenue net cost of borrowing.

- Allowance is made for the debt financing costs that will arise from the requested additional capitalisation directions.
- Fees and charges have been reviewed and the recommendations made are incorporated within the budget
- Corporate and Directorate Management Teams have been involved in the detailed development of the proposed savings and have confirmed their deliverability.
- Cabinet Members have reviewed and challenged all budget proposals. In addition, the relevant Scrutiny Committees have considered the budget proposals they wished to.
- A prudent approach has been adopted on the local share of business rates income and council tax income receivable with detailed financial modelling used to support the forecast.
- A new Hardship Fund of £2m has been set aside to protect those low income households that find themselves in financial difficulty due to the increase in Council Tax.
- Regular benchmarking is undertaken against 'statistical neighbour councils' to ensure budgets are not unreasonable.

Risk, revenue balances and earmarked reserves

11.3 Under Section 25 of the Local Government Act 2003, the Corporate Director of Resources (Section 151 Officer) is required to include in budget reports, her view of the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority.

11.4 Reserves play a crucial role in good public financial management. They enable investment in service transformation and provide resilience against unexpected events or emergent needs. As one-off resources they can only be spent once. The Council has a well documented history of the imprudent use of reserves to balance its budget. It is the view of the Corporate Director of Resources that next year's budget proposals only include prudent and appropriate use of reserves to meet one off costs.

11.5 Croydon faces a range of substantial financial risks that may require the use of reserves. These include:

- Key departmental financial risks as set out in Appendix J
- The outcome of discussions with central government on the Council's request for additional capitalisation direction / assistance of £300.6m.
- A further upturn in inflation and impact of the rising cost of living. Against this risk the Council has set aside an inflation provision of £32.9m and a £5.5m provision regarding economic demand pressures on services.
- Addressing pent-up demand as part of the Covid-19 recovery.

- Hospital discharge delays and pressures in the adult social care sector regarding social care waiting times, fee rates and workforce capacity.
- There is a risk that the number of children in care or the number of homeless families in the borough increases beyond what can be accommodated within existing budgets
- The risk of recession and impact on demand for council services and income streams, such as business rates, council tax or parking charges.
- Additional financial issues coming to light as part of the Opening the Books project and the continued external audit of the past 3 years of the Council's annual accounts.
- It has been concluded that monies received by the Council in relation to Croydon Affordable Homes were incorrectly treated and needs to be reversed in the 2019/20 accounts. This report assumes that the impact is a £70m charge to the Council's reserves but discussions are not yet concluded with the External Auditor, Grant Thornton, and therefore the charge may be larger, or smaller. This is a prudent assumption.
- The impact of the wider economy on major Council development projects and future capital receipts.
- The future impact on London of the government's 'levelling-up' agenda and wider local government finance reform (such as business rates).
- A significant upturn in interest rates. This would impact on both the core borrowing undertaken to finance the historic capital programme and future borrowing regarding the use of capitalisation directives.
- The impact of, and costs of tackling, climate change.
- The challenge of identifying further significant future savings that balance the budget over the longer-term. The current MTFS modelling identifies a target for new savings of £20m per annum beyond 2023/24. However, there is an annual £38m shortfall driven by the cost of that debt in the Council's ongoing annual budget which is currently assumed to be funded from annual Capitalisation Directions from government, which in turn will generate more cost pressures from their annual MRP payments. This is not a sustainable financial position and needs to be resolved.

11.6 Over the past 3 years Croydon has taken robust action to restore reserves from a negative base. The legacy Capitalisation Direction request will also maintain existing reserves at an adequate level as a cushion against further unpredicted events or emergencies.

Table 7 – Reserves Carried Forward to 2022/23

	Balance 1st April 2022 £'m
Earmarked Reserves	65.6
Restricted Reserves	46.7

Sums set aside regarding business rate rebates	19.6
Balances held by Schools	8.1
General Fund Balances	27.5
Total	167.5

11.7 Croydon holds reserves for the following main purposes.

- As a contingency to cushion the impact of unexpected events or emergencies – this forms part of general balances. The Council’s general fund balance was £27.5m at the start of 2022/23 and is not anticipated to change prior to the start of 2023/24. The Corporate Director of Resources is of the view that this should be the minimum level of general fund balance that the Council holds given its scale, complexity as a unitary council and historically high risk profile.
- To build up funds for known or predicted requirements; these specific reserves are known as earmarked reserves. The balance at the start of 2022/23 was £65.6m.
- Restricted reserves are also earmarked but there are more constraints, such as grant terms and conditions, on how the council can use such funding. The largest restricted reserve is £23.1m relating to business rates income ringfenced for use in the Croydon growth zone.
- Specific reserves relating to school balances and the funding of business rate rebates as part of the government’s Covid measures. As set out in Appendix F the 2023/24 business rates income forecast includes a drawdown from the business rate relief reserve (which was funded from government grant) of £12.1m that offsets a prior year adjustment made for rate reliefs granted during the covid-19 pandemic.

12. DEDICATED SCHOOLS GRANT

12.1 Dedicated Schools Grant (DSG) is paid to the Council by the Secretary of State under Section 14 of the Education Act 2003. DSG is provided outside of the local government finance settlement and must be allocated, in line with the associated conditions of the School and Early Years Finance Regulations, to the schools’ budget in the year in which it is paid.

12.2 As shown in Table 8 Croydon’s provisional DSG allocation for 2023/24 will increase by £26.310m to £427.688m. The key growth areas are the High Needs, Early Years and Schools Block.

Table 8 – Croydon DSG Allocations

Financial Year	Schools Block	Central Services Block	High Needs Block	Early Years Block	Total DSG
	(£'m)	(£'m)	(£'m)	(£m)	(£m)
2022/23	285.662	5.302	82.205	28.208	401.378
2023/24	302.879	4.728	89.704	30.377	427.688
Change	17.217	-574	7.499	2.169	26.310

12.3 **Schools Block** - The Schools Block of £302.9m funds mainstream schools from reception class to Year 11 (nursery and sixth-form funding are excluded). Croydon has 109 schools with 50,476 pupils according to the most recent Department for Education (DfE) data.

12.4 Whilst local authorities allocate the school's block budget the DfE is moving towards implementing a National Funding Formula. For 2023/24 local authorities must move their local formula factor values at least 10% closer to the NFF, except where their local factor is already mirroring the NFF.

12.5 Croydon local factors have largely mirrored the NFF in recent years and the current changes are not expected to have any significant impact. There may be a small benefit for secondary schools.

12.6 Table 9 sets out the funding breakdown of the Schools Block across primary and secondary schools and the percentage grant change from 2022/23.

Table 9 – Schools Block

	2022/23 (A)	2023/24 (B)	Total Change (C) = (B) - (A)	Value change	Percentage Change
	(A)	(B)	(C)		
Primary School Rate of Funding (£'s)	4,944.68	5,199.40	254.72	£8,000,755	5.15%
Primary School Pupil Numbers (no)	31,410.00	31,280.50	-129.50	-£673,322	-0.41%
Primary Block Funding (£'s)	155,312,398	162,639,831	7,327,432	7,327,432	4.74%
Secondary school Rate of Funding (£'s)	6,628.19	7,029.36	401.17	£7,583,717	6.05%
Secondary school Pupil Numbers (No)	18,904.00	19,195.50	291.50	£2,049,058	1.54%
Secondary Block Funding	125,299,303	134,932,079	9,632,776	9,632,776	7.59%

Premises (£; s)	3,092,041	3,243,546	151,505	151,505	4.90%
Growth (£'s)	1,958,648	2,063,504	104,856	104,856	5.35%
Overall Total	285,662,391	302,878,961	17,216,570	17,216,570	

- 12.7 Primary school numbers have fallen by 129 pupils (31,410 - 31,281), whilst secondary school numbers have increased by 291 (18,904 - 19,195). Several primary schools are facing financial challenges due to a reduction in their pupil numbers over recent years. Schools Forum have indicated that they will consider the fall in roll issue at a future date when much information is available on the numbers of school affected.
- 12.8 The funding formula factors used to determine each individual school budget allocation are set by the DfE and this was shared with Croydon on the 8th of August 2022. The funding rates and local factors were reviewed and thereafter recommended by Croydon Schools Forum on 7th November 2022 and received subsequent Cabinet approval on 25th January 2023..
- 12.9 **High Needs Block (HNB)** – This grant supports all special education needs (SEN) provision including, maintained special schools, independent special schools and SEN support in mainstream schools. The HNB national funding factors are largely based upon historical factors.
- 12.10As set out in Table 10 there is a 9.12% increase in 2023/24 HNB funding. This is in line with the DfE approach to increase the grant to reflect the growing demands and cost of meeting the needs of the pupils. This includes the minimum funding requirements for special schools highlighted in the 2023/24 DfE operational guide.

Table 10 – High Needs Block

Financial Year	Basic Allocation	Other elements	Import / Export	Hospital education, AP, Teachers pay/pension and supplementary funding factor	Additional high needs allocation (£s)	Total
	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(3's)
2022/23	73,484,936	7,055,654	-2,775,000	1,408,945	3,030,941	82,205,476
2023/24	80,165,501	7,199,777	-2,775,000	1,433,437	3,680,676	89,704,391
Change	6,680,565	144,123	0	24,492	649,735	7,498,915

- 12.11The £7.498m funding increase partially recognises that, over the past 10 years, HNB funding has not kept pace with the rise in pupil numbers, inflationary pressure or greater demand for SEN support. The funding pressures have become more acute since the introduction of the Children and Families Act 2014 and the need to meet the needs of 18- to 25-year-old students. For Croydon there was a budget gap of £3.2m last year.

12.12 Many local authorities have a HNB deficit due to the demands referred to above. If an authority has an overall DSG deficit of one per cent or more at the end of the previous financial year it is required to submit a deficit recovery plan. Croydon has a deficit of £27.6m and has submitted a recovery plan. The Council continues to liaise with the DfE on the plan progress and is engaged with the DfE 'safety valve' (SV) programme. This initiative is designed to assist local authorities with the very highest percentage of cumulative DSG deficits on their balance sheet to reduce the deficit and bring it into a balanced position within 5 years. The government recently confirmed that extension the of Statutory Override for the Dedicated Schools Grant for the next 3 years from 2023-24 to 2025-26. This recent decision by the government means that the DSG deficit is not an immediate financial risks to the local authority.

12.13 **Early Years Block** – This block covers funding for pupil's free entitlement across all early year's settings. There is a universal free entitlement of 15 hours per week, but some pupils are eligible for 30 hours. The funding allocations for 2023/24, compared to 2022/23 are shown in Table 11.

Table 11 – Early Years Block

	2022/23	2023/24	Total Change
3&4 Year Old Funding Rate (£'s)	5.44	5.78	0.34
3&4 Year Old (Hours)	7,919.62	7,919.62	0.00
15 hrs * 38weeks	570.00	570.00	0.00
3&4 Year Old Funding (£'s)	24,557,157	26,091,980	1,534,822
2 Year Old Funding Rate (£'s)	6.03	6.63	0.60
2 Year Old Funding Rate (Hours)	849.16	849.16	0.00
15 hrs * 38weeks	570.00	570.00	0.00
2 Year Old Funding (£'s)	2,918,647	3,209,060	290,412
Early years pupil premium	163,408	168,855	5,447
Disability access fund	125,600	134,136	8,536
Initial supplementary funding allocation	443,609	773,262	329,653
Total Funding	28,208,422	30,377,293	2,168,871

12.14 An Early Years National Funding Formula was introduced in April 2017. It aims to ensure that all early years settings are funded at the same rates within each local authority. The main risk with this block is the challenges faced by the two Maintained primary schools in deficit due to fall in rolls. The service is working with these schools on their three years deficit recovery plan.

12.15 **Central Services Schools Block** - The Central Services Schools Block (CSSB) consists of two parts – on-going functions and historic commitments.

12.16 For 2023/24 the DfE have reduced funding for historic commitments by 20%. This is in addition to last year's 20% reduction. The DfE have indicated that will protect any local authority should their total historic commitments funding fall below their 2023/24 expenditure on relevant prudential borrowing costs

and termination of employment costs. The 2023/24 CSSB allocations are set out in Table 12.

Table 12 – Central Services Schools Block

	CSSB Unit of Funding	CSSB Pupil Count	On-going Commitments	Funding for Historic Commitments	Total Central School Services Block
	(£'s)		(£'s)	(£'s)	(£'s)
Year 2022/23	54.29	50,314	2,731,547	2,570,400	5,301,947
Year 2023/24	52.93	50,476.	2,671,694	2,056,320	4,728,014
Change	-1.36	162	-59,852	-514,080	-573,932

12.17 On-Going Commitments.

The main expenditure type under on-going responsibilities includes:

- a) licences negotiated centrally by the Secretary of State for all publicly funded schools (sch 2, 8)
- b) Schools Admissions Remission of boarding fees at maintained schools and academies and Servicing of school's forums.
- c) Finance, Internal Audit cost and management salaries related to education functions

The reduction in grant by £0.059m will be met by savings within the service

12.18 Historic Commitments. The 20% funding reduction is £0.514m. This grant reduction places an extra budget pressure on the General Fund and is taken account of within the grant forecast reported in Appendix E. The gradual reduction of the historical Teachers Pension cost may help offset the grant reduction. Review is on-going to clarify if Croydon may receive some protection regarding historic prudential borrowing costs.

13 FINANCIAL IMPLICATIONS

13.1 As set out throughout this report

14 LEGAL IMPLICATIONS

Setting the Council Tax

14.1 The Local Government Finance Act 1992 (“The Act”) sets out the statutory framework for the setting of Council Tax. Section 1 (‘Council tax in respect of dwellings’) provides for the Council, as a billing authority, each financial year, to levy and collect Council Tax in respect of dwellings within its areas.

14.2 Section 30 (‘Amounts for different categories of dwelling’) sets out how the Council should calculate the amount of Council Tax by taking the aggregate of-

- a) the amount which, in relation to the year and the category of dwellings, has been calculated (or last calculated) by the authority in accordance with sections 31A, 31B and 34 to 36
- (b) any amounts which, in relation to the year and the category of dwellings have been calculated in accordance with sections 42A, 42B and 45 to 47 below and have been stated (or last stated) in accordance with section 40 in precepts issued to the authority by major precepting authorities.

14.3 Section 31A (‘Calculation of council tax requirements by authorities in England’) provides that the Council must calculate in the year the aggregate of—

“a) the expenditure which the authority estimates it will incur ... in performing its functions and will charge to a revenue account...,

b) such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account ..,

c) the financial reserves which the authority estimates it will be appropriate to raise ..for meeting its estimated future expenditure,

d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for,

da) any amounts which it estimates will be transferred ...from its general fund to its collection fund in accordance with regulations under section 97(2B) of the 1988 Act,

e) any amounts which it estimates will be transferred ...from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and

f) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section

98(5) of the 1988 Act and charged to a revenue account ...” (Section 31A(2))

14.4 In addition, the Council must calculate in the year the aggregate of—

“a) the income which it estimates will accrue to it... and which it will credit to a revenue account.....,

aa) any amounts which it estimates will be transferred .. from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act,

b) any amounts which it estimates will be transferred.... from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act,

c) any amounts which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account....., and

d) the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.” (Section 31A(3))

14.5 Section 31A(4) provides that if the aggregate calculated under subsection (2) above exceeds that calculated under Section 31A(3) above, the authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year. This is in effect the duty to set a balanced budget.

14.6 When estimating under Section 31A(2)(a) referenced above, the authority must take into account—

a) the amount of any expenditure which it estimates it will incur in the year in making any repayments of grants or other sums paid to it by the Secretary of State, and

b) the amount of any precept issued to it for the year by a local precepting authority and the amount of any levy or special levy issued to it for the year. (section 31A(6))

However, except as provided by regulations under section 41 below or regulations under section 74 or 75 of the 1988 Act, the authority must not anticipate a precept, levy or special levy not issued. (Section 31A(7)) The relevant council tax setting calculations for Croydon are set out in Appendix H.

14.7 Section 30(7) provides that no amount may be set before the earlier of the following-

- a) 1st March in the financial year preceding that for which the amount is set;
- b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set.

14.8 Furthermore, no amount may be set unless the Council has made in relation to the year the calculations required by the Act (Section 30(8)). Any purported setting of an amount, if done in contravention of subsection (7) or (8) above, shall be treated as not having occurred (Section 30(9)). Therefore, the statutory budget calculation set out in the 1992 Act must be adhered to. If not, the Council Tax resolution may be invalid and void.

14.9 Any amount to be set as Council Tax must be set before 11th March in the financial year preceding that for which it is set (i.e., before 11th March 2023), but is not invalid merely because it is set on or after that date (Section 30(6) and Section 31A (11)). The rider in Sections 30(6) and 31A(11) (“but they are not invalid merely because they are made on or after that date”) should not be seen as permission to make the calculations later, but merely as a means of limiting the scope of legal challenges to the budget if an authority breaches the duty to set the Council Tax before 11th March 2023. A delay to agreeing the budget may also have significant financial, administrative, and legal implications.

14.10 Section 66 of the 1992 Act provides that the setting of the budget (and this includes the failure to set or delay in setting the budget) can be challenged by an application for judicial review, with either the Secretary of State or any other person with sufficient interest (which could include a council taxpayer) able to apply.

14.11 Section 52ZB (‘Duty to determine whether council tax excessive’) requires the Council 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. Section 52ZC (‘Determination of whether increase is excessive’) provides that determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Referendums Relating to Council Tax Increases (Principles)(England) Report 2023-24 sets out the principles for the financial year beginning on 1st April 2023, and for Croydon it provides that *“For 2023-24, the relevant basic amount of council tax of Croydon London Borough Council is excessive if the authority’s relevant basic amount of council tax for 2023-24 is 15% (comprising 2% for expenditure on adult social care, and 13% for other expenditure), or more than 15%, greater than its relevant basic amount of council tax for 2022-23.”*

- 14.12 Section 65 ('Duty to consult ratepayers') provides for the Council to consult with representatives of non-domestic ratepayers about the proposed revenue and capital expenditure before the budget requirement is calculated. An update on the consultation response for Croydon is provided in Appendix I.
- 14.13 Section 67 ('Functions to be discharged only by authority') provides that the functions described above to set the Council Tax budget shall be discharged only by Full Council.
- 14.14** Section 25 of the Local Government Act 2003 ("LGA 2003") ('Budget calculations: report on robustness of estimates etc) provides that the Council's Chief Finance Officer must report to it on the following matters-(a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. The Council shall have regard to the report when making decisions about the budget calculations. The views of the Director of Finance are set out in section 11 of this report.
- 14.15 Section 26 LGA 2003 ('Minimum reserves') requires that when setting the budget requirement, the reserves include a minimum level for controlled reserves - this minimum level is determined by the Chief Finance Officer.
- 14.16 Section 27 LGA 2003 ('Budget calculations: report on adequacy of controlled reserve') requires that the Chief Finance Officer to report on the inadequacy of controlled reserves - i.e., when it appears that the level of a controlled reserve is inadequate or likely to become inadequate and action required to prevent such a situation arising in the financial year under consideration. The views of the Director of Finance on risk, revenue balances and earmarked reserves are set out in section 11 of this report.
- 14.17 Members will be aware of the requirement to consider the Council's obligations under the Equality Act 2010 as detailed more fully in the Equalities Considerations, at Section 15 below.

Members' Common Law Duties

- 14.18 When considering the budget proposals, the Council (and its Members), as well as having a duty to ensure that the Council acts in accordance with its statutory duties, must act reasonably and must not act in breach of its fiduciary duty to its ratepayers and Council Tax payers.
- 14.19 In reaching decisions on these matters, Members are bound by the general principles of administrative law. Local authority decisions need to be rational, prudent, and made in accordance with recognised procedures. A local authority's discretion must not be abused or fettered, and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must be one which only a

reasonable authority, properly directing itself, could have reached. The resources available to the Council must be deployed to their best advantage.

- 14.20 There is an overriding legal duty on Members to act prudently, responsibly, in a business-like manner and in the best interests of the general body of local taxpayers. In deciding upon expenditure, the Council must fairly hold a balance between recipients of the benefits of services provided by the Council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers. Fiduciary duty is also likely to include acting in good faith with a view to complying with statutory duties and financial prudence in the short and long term.
- 14.21 The obligation to set a lawful balanced budget each year is shared equally by each individual Member. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred, and any ulterior motives risk a finding of illegality.
- 14.22 In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.
- 14.23 In approving the respective budget envelope, Full Council is not making decisions as to the implementation, form, or detail of service delivery. These are by law matters for the Executive. In making subsequent decision on service provision changes to achieve savings or budget reduction, the Executive must comply with statutory requirements including consultation obligation and equalities duties.

Constitution (Budget and Policy Framework Procedure Rules)

- 14.24 Under Regulations 4 (Paragraphs 9 to 11) of The Local Authority (Functions and Responsibilities) (England) Regulations 2000 the Executive is responsible for preparing and submitting to Full Council estimates of the amounts to be aggregated for the purposes of Council Tax calculations, and to undertake any reconsideration of those estimates that Full Council require. As a consequence of Section 67 Local Government Finance Act 1992, the function of making or approving the required calculations – and, in that sense, approving the budget – remains one for the Full Council itself. That function is non-delegable.

- 14.25 The Budget and Policy Framework Procedure Rules in Part 4.C of the Constitution sets out the process to be followed in developing the budget proposals. The Procedure provides for the following: a) the responsibility of the Executive for the preparation of budget proposals; b) consideration of the responses from Scrutiny and Overview Committee by the Executive in drawing up budget proposals for submission to Full Council; c) the option available to political groups to prepare an alternative or amended budget proposals and the notice and Chief Finance Officer certification requirements on any motions to amend the Executive proposals; and d) the dispute resolution process in the event that Full Council objects to the Executive budget proposals.
- 14.26 The Procedure defines the budget as: The identification and allocation of financial resources for the following financial year(s) by the Full Council including:
- Revenue Budgets;
 - Capital Budgets;
 - The Council Tax base;
 - The Council Tax level;
 - Borrowing requirements;
 - Prudential indicators;
 - The Medium-Term Financial Strategy; and
 - The level of Uncommitted Reserves.

Arrears of Council Tax and Voting

- 14.27 In accordance with section 106 of the 1992 Act ('Council tax and community charges: restrictions on voting'), where a payment of Council Tax that a member is liable to make has been outstanding for two months or more at the time of a meeting, the Member must disclose the fact of their arrears (though they are not required to declare the amount) and cannot vote on any of the following matters if they are the subject of consideration at a meeting: (a) Any decision relating to the administration or enforcement of Council Tax. (b) Any budget calculation required by the Local Government Finance Act 1992 underlying the setting of the Council Tax. (c) Any recommendation, resolution or other decision which might affect the making of the Annual Budget calculation. The requirement applies to all committee meeting including the meeting of Full Council and the Executive. A breach is a criminal offence.

Approved by: Director of Legal Services and Monitoring Officer.

15 EQUALITIES IMPACT

- 15.1 Under the Public Sector Equality Duty of Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate

services, and also how they commission and procure services from others.

- 15.2 Section 149 of the Act requires public bodies to have due regard to the need to:
- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
 - advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
 - foster good relations between people who share a protected characteristic and people who do not share it.
- 15.3 Protected characteristics defined by law are race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief and marriage and Civil Partnership.
- 15.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. Report authors have been guided towards ensuring that there is sufficient mitigation when a service has been changed to ensure that there is no detrimental impact on service users as a result of the change.
- 15.5 The budget proposals have been assessed in line with the Council's equality impact analysis processes (EIA), as part of a risk-based approach to analyse potential equalities impact of budget proposals. Budget holders have identified where proposals are likely to have an impact on those with protected characteristics (i.e. race, sex, disability, religion or belief, sexual orientation, pregnancy and maternity, age, gender identity and marriage and civil partnership). Where necessary, the potential for mitigating measures are explored. The EIA process continues alongside the development of policy and operational changes and during their implementation.
- 15.6 The recent pressures caused by higher inflation has been identified in a number of the equality assessments. Nationally it is recognised that households have struggled with rising bills and more are reliant on support. Fuel inflation has had a particularly challenging impact over the last 12 months.
- 15.7 As at July 2022, there were 7,028 low income families in Croydon where their monthly income is below their estimated costs. This figure represents households that claim benefits through Croydon Council. If costs were increased by £19.62 a month (this is the 14.99% increase on a Croydon Band D house) then there would be 7,290 households with a monthly income below their estimated costs.
- 15.8 As a result, particular consideration has been given in the equality analysis to proposals which include increases in fees/charges, and the proposed increase in Council Tax. The evidence from both internal and external sources was gathered to consider the impact, as well as considering the responses from the budget engagement activity.

- 15.9 Intelligence from our Council Tax Support Scheme EQIA gives us the following data which highlights the equality characteristics most affected by the increase:
- 31% of council tax claimants are disabled and will be more affected
 - 28% of council tax claimants are disabled and not in work so would be more affected.
 - 85% of claimants are single
 - 16,260 of the claims made by single people are females, and 6,263 are from males
 - 38 active claims where the claimant or partner are in receipt of maternity pay.
- 15.10 The impact of any council tax changes will of course be mitigated either entirely or in part should a resident be eligible for an exemption from council tax or for a reduction in their council tax eg from the Council's Council Tax Support Scheme. In addition, the Council has prepared mitigation to support residents affected by the proposed increase in council tax by providing a Hardship Fund for residents who experience financial difficulties due to the council tax increase. The fund will be set at £2 million and will be available on an annual basis.
- 15.11 Eligibility for this fund will be determined against criteria set by the council. It will be administered in a manner that will leave flexibility for residents impacted by the council tax increase who are in extenuating circumstances including: job losses, increases debts from utilities along with debts in other areas such as housing costs. The eligibility for this fund will be significantly different from the existing council tax support scheme and will not use the same income based criteria. This should provide support for residents affected by in work poverty.
- 15.12 Existing mitigation for residents as will also remain in place (such as discounted rates for residents with disabilities, carers, as well as existing hardship schemes, such as in Housing).
- 15.13 The Council will continue to commission external independent information, advice & guidance service for residents, with a particular focus on debt management, increasing income and avoiding homelessness. Residents can also contact Croydon Council Money Advice Service for advice on paying your bills and debt worries. All advice is independent and confidential.
- 15.14 In delivering against the Mayor's Business Plan, the Council will also seek to identify opportunities to improve services and work with partners and communities to minimise any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. In doing so the Council will focus on another core priority to focus on providing the best quality core service we can afford, in particular social care for the most vulnerable people and providing opportunities children and young people, along with opportunities to learn.
- 15.15 In respect of specific proposals, it is likely that some proposals may result in new policies or policy or service changes. In this instance each proposal will be accompanied by a further equality analysis which will inform the final

proposal and its implementation, on a case by case basis. In addition, any decisions which need to be taken in furtherance of the budget proposals will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate further Equality Assessments will be undertaken and form part of the decision-making process.

Approved by Gavin Handford – Director of Policy, Programmes and Performance

16 ENVIRONMENTAL IMPACT

16.1 None direct from the budget report specifically, but will be considered as part of the implementation of any of the proposals contained in this report.

17 CRIME AND DISORDER REDUCTION IMPACT

17.1 As set out in the body of the report and appendices.

18 DATA PROTECTION

18.1 None direct from the budget report specifically, but will be considered as part of implementation of any of the proposals contained in this report

19 HUMAN RESOURCES IMPACT

19.1 The implementation of the savings proposals will, in a number of instances, have a staffing impact. The Council has a legal and policy obligation to seek to avoid compulsory redundancy, where possible. Where organisational change is proposed which impacts on structure, such as through restructures or transfers, this will be managed in accordance with the Council's policies and procedures, including consultation with those staff potentially impacted upon and their trade union representatives, and application of the Council's redeployment scheme, where appropriate.

Approved by: Dean Shoesmith, Chief People Officer.

20. OVERVIEW AND SCRUTINY COMMITTEE

20.1 The budget proposals are due to be considered by Overview and Scrutiny Committee on the 16th of February. An update on any recommendations made by the Committee will be provided to Cabinet and the Cabinet response noted.

LIST OF APPENDICES

- A Summary of the 2023 Medium-Term Financial Strategy forecast
- B General Fund Departmental and Subjective Budget summary (to follow)
- C General Fund growth and savings proposals
- D Draft Transformation programme and funding
- E Government Grant
- F Business Rates Forecast
- G 2023/24 Croydon Tax Base (to follow)
- H Recommendations for Council Tax Requirement 2023/24 and Council Tax charge by Band. (to follow)
- I Budget Proposals for 2023/24 – Feedback from Survey
- J Financial Risks

BACKGROUND DOCUMENTS

Mayor's Business Plan Council 14th December 2022
Cabinet report 30th November 2022

London Borough of Croydon - Medium Term Financial Plan

	2023/24	2024/25	2025/26
	£'m	£'m	£'m
Base Budget (Departmental)	317.055	317.055	317.055
Base Budget (Corporate Items)	-0.946	-0.946	-0.946
Demand Pressures	11.283	19.161	24.985
Legacy Budget Corrections	49.037	49.537	50.037
Planned Savings	-33.098	-40.400	-41.114
Future Savings target	0.000	-20.000	-40.000
Provision for inflation	32.946	49.946	61.946
net cost of borrowing (interest, MRP & investment income)	57.919	64.432	63.461
Risk/contingency provision	5.000	10.000	15.000
Set aside of new adult social care grants	3.734	6.319	6.319
Economic Demand Pressures	5.500	5.500	5.500
Council Tax - Hardship Support	2.000	2.000	2.000
Transformation Investment	10.000	5.000	5.000
Gross Budget Requirement	460.430	467.604	469.243
Use of earmarked reserve (Council tax income guarantee)	-1.715	0.000	0.000
Core grant funding	-38.651	-42.648	-42.648
Additional Adult Social Care Grants	-3.734	-6.319	-6.319
Use of the capitalisation directive	-63.000	-38.000	-38.000
Business Rates - compensation grant for underindexing the business rates multiplier	-12.419	-12.419	-12.419
Net Budget Requirement (as per the budget book)	340.911	368.218	369.857
Financing			
<i>Government Grants:</i>			
Revenue Support Grant	-16.711	-17.628	-17.628
<i>Croydon Resources</i>			
Business rates top-up grant	-35.921	-37.864	-40.005
Business rates income	-42.506	-45.388	-45.388
Council tax (4.99% increase modelled in 2024/25 and a freeze in 2025/26)	-247.759	-263.061	-266.034
Prior year collection fund deficit	1.986	0.000	0.000
Total Financing	-340.911	-363.941	-369.055
Budget deficit/(surplus)	0.000	4.277	0.802

This page is intentionally left blank

Summary of Departmental Budget Proposals

Savings and Change Proposals

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	-6,920	-2,022	-142
Adult Social Care & Health	-12,243	0	0
Housing	-2,305	-1,989	-589
Sustainable Communities Regeneration & Economic Recovery	-1,859	-145	17
Assistant Chief Executive	-2,924	0	0
Resources	-6,347	-1,646	0
Corporate / Council wide	-500	-1,500	0
Total	-33,098	-7,302	-714

Demand Pressures

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	0	0	0
Adult Social Care & Health	7,621	740	0
Housing	0	0	0
Sustainable Communities Regeneration & Economic Recovery	1,180	1,000	2,500
Assistant Chief Executive	1,230	4,932	3,324
Resources	1,195	1,150	0
Corporate / Council wide	57	56	0
Total	11,283	7,878	5,824

Legacy Budget Corrections

Figures are incremental

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	5,188	0	0
Adult Social Care & Health	1,648	0	0
Housing	5,286	0	0
Sustainable Communities Regeneration & Economic Recovery	14,759	0	0
Assistant Chief Executive	2,001	0	0
Resources	11,271	500	500
Corporate / Council wide	8,884	0	0
Total	49,037	500	500

Net Budget Movement

Figures are incremental

Savings, demand pressures & legacy budget corrections	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s
Children, Young People & Education	-1,732	-2,022	-142
Adult Social Care & Health	-2,974	740	0
Housing	2,981	-1,989	-589
Sustainable Communities Regeneration & Economic Recovery	14,080	855	2,517
Assistant Chief Executive	307	4,932	3,324
Resources	6,119	4	500
Corporate / Council wide	8,441	-1,444	0
Total budget change	27,222	1,076	5,610

Children, Young People & Education

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New savings identified in the 2022/23 Medium Term Financial Plan					
1	Children's Social Care Division	Improve practice system efficiency	-385		
2	Social Work with Children Looked After and Care Leavers	Reduce spend on Children Looked After placements	-1,715	-330	
3	Social Work with Children Looked After and Care Leavers	Review support for young people whose appeal rights are exhausted	-142		
4	Commissioning and Services to Schools	Increase the Education Traded Offer	-65		
5	Children's Social Care Division	Service efficiencies through hybrid and flexible working	-972		
6	Early Years Team	Refocusing public health funding - parenting programmes	-465		
7	Early Years Team	Develop family support centres and introduce external funding		-1,300	
Incremental/New savings identified in the 2023/24 Medium Term Financial Plan					
8	Social Work with Children Looked After and Care Leavers	Growth reduction	-1,200		
9	Social Work with Children Looked After and Care Leavers	Reduce demand for legal services	-570		
10	Access, Support and Intervention	Restructure of the Youth Engagement Team	-202		
11	Quality, Commissioning and Performance Improvement Division	Staff vacancy factor of 5% across Quality, Commissioning and Performance Improvement	-253		
12	Quality, Commissioning and Performance Improvement Division	Non-staffing spend across Quality, Commissioning and Performance Improvement	-36		
13	CYPE Integrated Commissioning and Procurement	Increase Health contribution to the Integrated Commissioning Team	-57		
14	Education Division	Service redesign across education to fully utilise grant funding	-44		
15	Systemic Clinical Services and Workforce Development	Income generation in Systemic and Clinical Practice	-45		
16	Social Work with Families and 0-17 Children with Disabilities	Reduce spend on Children with Disabilities care packages	-324		
17	Quality Assurance and Safeguarding	Local authority contribution to the safeguarding partnership	-20		
Transformation Projects					
18	Access, Support and Intervention	Sustaining demand management at the front door	-200		
19	Directorate wide	Review all joint funding arrangements across education, health and care		-250	
20	Social Work with Children Looked After and Care Leavers	Fostering transformation	-225		
21	Social Work with Families and 0-17 Children with Disabilities	Calleydown – increasing capacity and reducing respite costs		-142	-142
Total of Planned Savings			-6,920	-2,022	-142

Legacy Budget Corrections

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
22	Performance and Business Improvement	Adjustment re prior year capitalisation of children and families systems team costs	216		
23	Early Years Team	Refocusing public health funding - parenting programmes savings correction	309		
24	Children's Social Care Division	Capitalisation income budget correction	784		
25	Social Work with Children Looked After and Care Leavers	Rebasing the income budget for Unaccompanied Asylum Seekers Children	3,879		
Total of legacy budget corrections			5,188	0	0

Net Budget Movement

Figures are incremental

Children, Young People & Education		2023/24 £000	2024/25 £000	2025/26 £000
	Proposed savings	-6,920	-2,022	-142
	Legacy budget corrections	5,188	0	0
	Net Budget Movement	-1,732	-2,022	-142

Adult Social Care & Health

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New savings identified in the 2022/23 Medium Term Financial Plan					
1	Disabilities	Disabilities operational budget	-5,277		
2	Mental Health	Mental health operational budget	-834		
3	OBC Commissioning	Contracts review	-275		
4	Localities and LIFE	Older People operational budget	-3,019		
5	Transitions	Transitions operational budget	-260		
6	All	Contracts review	-75		
7	Integrated Contracts & Performance	Review of staffing portfolio across C&P Services (Procurement, Hwa, Place, Cfe And P&B)	-100		
Incremental/New savings identified in the 2023/24 Medium Term Financial Plan					
9	Provider Services	Active Lives staffing efficiency	-60		
10	All ASC Operations	Fees and Charges increase in line with DWP	-150		
11	Provider Services	Closure of the Cherry Orchard Garden Centre	-180		
12	Provider Services	Close Whitehorse Day Centre (facilities management cost only)	-38		
13	Integrated Contracts & Performance	PPE growth hand-back and swap with COMF money.	-325		
14	All ASC Operations	The managing demand programme will deliver a revised operating model for Adult Social Care & Health.	-150		
15	All	Staff vacancy factor of 5%	-1,000		
16	All ASC Operations	Absorption of inflation within existing budgets	-500		
Total of proposed savings			-12,243	-	-

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
17	All ASC Operations	Care packages/placements - inflation above corporate allowance	1,479		
18	All ASC Operations	Demographic & cost pressures re care packages/placements	5,065		
19	OBC Commissioning	Cost inflation on Care UK contract	275		
20	OBC Commissioning	Demographic & inflation pressures to the pooled equipment budget.	61		
21	ASC Improvement	Transformation funding ends for project management costs		740	
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
22	Transitions	Transitions Service cost of care growth	278		
23	Transitions	Transitions Service Demographic growth	463		
Total Demand Pressures			7,621	740	-

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
24	Cross departmental	Refocusing of public health funding - budget correction	1,380		
25	Commissioning/business support	Realignment of budgets between the Housing Revenue Account and General Fund	268		
Total Legacy budget corrections			1,648	-	-

Net Budget Movement

Figures are incremental

	Adult Social Care & Health	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed savings	-12,243	0	0
	Demand pressures	7,621	740	0
	Legacy budget corrections	1,648	0	0
	Net Budget Movement	-2,974	740	0

Housing

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New savings identified in the 2023/24 Medium Term Financial Plan					
1	Emergency and Temporary Accommodation	Housing Needs restructure including Dynamic Purchasing System implementation	-625	-625	
2	Emergency and Temporary Accommodation	Temporary Accommodation occupancy checks	-400	-300	
3	Emergency and Temporary Accommodation	Temporary Accommodation case review (discretionary cases)	-600	-450	
4	Emergency and Temporary Accommodation	Data cleanse & rent accounts (income collection)	-300	-200	
5	Emergency and Temporary Accommodation	Repurpose general needs voids for emergency accommodation		-175	-175
6	Department wide	Vacancy factor	-302		
7	Emergency and Temporary Accommodation	Demand Management		-239	-414
Transformation Projects					
8	Homelessness & Assessments	Housing association liaison, recharges and nominations	-78		
Total proposed savings			-2,305	-1,989	-589

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
9	Department wide	Housing legacy structural budget deficit, first identified in the Medium Term Financial Strategy report in November and subsequently managed down from £5.2m	3,286		
10	Department wide	HRA recharges staffing corrections	1,500		
11	Temporary Accommodation	Inclusion of the leased properties for Concord Sycamore & Windsor within the General Fund (part of the HRA/GF realignment)	500		
Total legacy budget corrections			5,286	0	0

Net Budget Movement

Figures are incremental

	Housing	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed savings	-2,305	-1,989	-589
	Legacy budget corrections	5,286	0	0
	Net Budget Movement	2,981	-1,989	-589

Sustainable Communities Regeneration & Economic Recovery

Savings and Change Proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Highways and Parking	Parking charges increase	-200		
2	Independent Travel	Review and reduction of the Neighbourhood Operations Team (NSO)	-150		
3	Independent Travel	Adult travel assistance - joint review	-50		
4	Independent Travel	Bus re-tender contract savings	-80		
5	Skills & Economic Development	Economic development team streamlined service	-46		
6	Community safety	Anti Social behaviour charging	-6		
7	Community safety	CCTV merger	-4		
8	Community safety	CCTV footage charge for insurance claims	-2		
9	Community safety	Review CCTV control room and functions following council telephony upgrade	-152		
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
10	Arts, Entertainment & Culture	Reduced museum activity	-71		
11	Independent Travel	Muster points	-8		
12	Independent Travel	Coach income (from bus hires)	-20		
13	Leisure	Redesign leisure sports development service	-45	-45	
14	Directorate	Fund the General Fund element of the Croydon Museum through the Growth Zone fund for a period of 2 years whilst transforming the service delivery model	-200		
15	Planning and sustainable regeneration	The charging of a percentage of salaries in Planning and Regeneration to income sources other than General Fund eg Growth Zone, Community Infrastructure Levy and external grants	-115		17
16	Planning and sustainable regeneration	Further use of Community Infrastructure Levy instead of General Fund funding where appropriate	-250		
17	Highways and Parking	Removal of a school crossing patrol budget that is no longer required	-60		
18	Departmental wide	One-off investment of public health grant in libraries (£0.200m) and physical activities (£0.200m)	-400	400	
<i>Transformation Projects</i>					
19	Building Control	Building control		-300	
20	Highways and Parking	Parking Policy		-200	
Total of proposed savings			-1,859	-145	17

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
21	Independent Travel	Increase in Special Education Need pupil numbers requiring transport	680		
22	Waste & Recycling	Refuse contract	500		2,500
23	Highways and Parking	Highways maintenance growth - previous planned growth delayed by 1 year to 2024/25.		1,000	
Total of demand pressures			1,180	1,000	2,500

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2022/23 Medium Term Financial Plan					
24	Arts, Entertainment & Culture	Fairfield Halls management fee	-119		
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
25	Building Control	Building control stabilisation	900		
26	Development Management	Correction to legacy income budget in Development Management that is unachievable	1,000		
27	Environmental Health	Loss of Public Health Grant contribution to Food Safety Team budget	293		
28	Environmental Health	Reversal of unachievable income budget in relation to the previously proposed Selective Licensing Scheme, if this scheme goes ahead in the future the income will be required to fund the operation of the scheme	1,586		
29	Community safety	Correction of legacy shortfall in budget	215		
30	Public Realm	Correction of legacy shortfall in budget	299		
31	Highways and Parking	Parking and traffic - unachievable savings from prior years.	10,585		
Total legacy budget corrections			14,759	0	0

Net Budget Movement

Figures are incremental

		2023/24 £000	2024/25 £000	2025/26 £000
Sustainable Communities Regeneration & Economic Recovery				
	Proposed savings	-1,859	-145	17
	Demand pressures	1,180	1,000	2,500
	Legacy budget corrections	14,759	0	0
	Net Budget Movement	14,080	855	2,517

Draft Officer Papers for Discussion - Strictly Private and Confidential

Assistant Chief Executive

Savings and Change proposals

All figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New savings identified in the 2022/23 Medium Term Financial Plan					
1	Croydon Digital Service	Extensions of procurements for CORE IT contracts	-250		
2	Human Resources	Reduction in previously agreed growth	-51		
3	Croydon Digital Service	Workforce restructure	-1,000		
4	Croydon Digital Service	Deletion of legacy oracle financials	-60		
5	Human Resources	Human Resources management team reorganisation	-210		
6	Policy, Programme and Performance	Contract Review	-800		
Incremental/New savings identified in the 2023/24 Medium Term Financial Plan					
7	Assistant Chief Exec	Delete Director of Service Quality, Improvement & Inclusion Post	-122		
8	Croydon Digital Service	New graves site at Mitcham Road and Queens Road	-91		
9	Croydon Digital Service	Visual Tribute system at Croydon Crematorium	-31		
10	Mayor's Office	Reduced support	-40		
11	Human Resources	Corporate Learning and Development budget	-100		
12	Human Resources - but Council wide	Reduce non-contractual overtime and non-essential overtime.	-97		
13	Bereavement and Registrars	Additional income from fees and charges	-72		
Total of proposed savings			-2,924	0	0

Demand Pressures

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
14	Croydon Digital Service	Increase in the Croydon contribution to the TfL freedom pass scheme	1,230	4,932	3,324
Total demand pressures			1,230	4,932	3,324

Legacy Budget Corrections

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2023/24 Medium Term Financial Plan					
15	Policy, Programme and Performance	Reinstatement of an elections canvass budget	65		
16	Croydon Digital Service	Decapitalise employee costs	1,130		
17	Coroners	Rebase the Croydon contribution in line with actual costs	558		
18	Department wide	Budget correction regarding the charge made to Public Health for the provision of support services	248		
Total legacy budget corrections			2,001	0	0

Net Budget Movement

	2023/24 £000	2024/25 £000	2025/26 £000
Assistant Chief Executives			
Proposed Savings	-2,924	0	0
Budget Pressures	1,230	4,932	3,324
Legacy budget corrections	2,001	0	0
Net Budget Movement	307	4,932	3,324

Resources - Budget Proposals

Savings and Change proposals

Figures are incremental

Reference	Service	Description	2023/24 £000	2024/25 £000	2025/26 £000
<i>Incremental/New savings identified in the 2022/23 Medium Term Financial Plan</i>					
1	Finance	ICT operational savings	-47		
2	Commercial Investment	Savings on building closures/disposals	-12		
3	Commercial Investment	Review and release of additional space in Bernard Weatherill House or disposal with part sale and leaseback option	-315		
4	Finance	Restructure technical support & development teams	-30	-30	
5	Finance	Finance staffing review	-125	-125	
<i>Incremental/New savings identified in the 2023/24 Medium Term Financial Plan</i>					
6	Finance	Premier supplier commission	-200	-100	
7	Finance	Improvement costs met from reserves	-250		
8	Commercial Investment	Saving from duplicated interest budget	-2,445		
9	Commercial Investment	Base budget adjustment regarding fees & charges, landlord income, and HRA mast income (partially offsets the saving in the duplicated interest budget)	809		
10	Finance	Recovery of housing benefit overpayments	-663		
11	Commercial Investment	PMI Contract Manager - Invest to Save proposal	79	-79	
12	Finance	Reduction in running costs in Finance including Revenues, Benefits, Business Rates and the Debt Team	-100		
13	Finance	Additional Court Cost income	-500		
14	Insurance, Risk & Anti Fraud	Additional HRA recharge for insurance	-500		
15	Commercial Investment	Additional commercial rental income	-150		
16	Pensions	Reduction in banking contract budget	-22		
17	Pensions	Contribution from pensioners budget being underspent	-40		
18	Finance	Vacancy factor to be deducted from the General Fund salary budget	-308		
19	Finance	Forecast increase in street naming income	-45		
<i>Transformation Projects</i>					
20	Finance	Housing benefit review	-1,483	-1,312	
Total of proposed savings			-6,347	-1,646	0

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
21	Commercial Investment	Increase in business rates payable by Croydon in line with the 2022 Rates Revaluation	1,000	750	
22	Finance	Forecast shortfall in land charges income	195		
23	Insurance, Risk & Anti Fraud	Insurance Fund growth		400	
Total of Demand Pressures			1,195	1,150	0

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
24	Finance	Housing Benefit Subsidy - Loss on HB Payments with Care Package Element	9,000	500	500
25	Procurement / Commissioning	Decapitalisation of employee costs	150		
26	Investment & Assets	Rebasing of prior year income budgets	90		
27	Legal	Budget correction regarding legal recharges	1,600		
30	Commercial Investment	Reversal of legacy unachievable income	431		
Total legacy budget corrections			11,271	500	500

Net Budget Movement

	Resources	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed Savings	-6,347	0	0
	Demand Pressures	1,195	1,150	0
	Legacy Budget Corrections	11,271	500	500
	Net Budget Movement	6,119	1,650	500

Corporate / Council wide - Budget Proposals

Savings and Change proposals

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New savings identified in the 2023/24 Medium Term Financial Plan					
1	Council wide	Customer access (council wide)		-1,500	
2	Council wide	Consider new structures through layers and spans review	-250		
Transformation Projects					
3	Council wide	Business Intelligence	-250		
Total of proposed savings			-500	-1,500	-

Demand Pressures

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
Incremental/New growth identified in the 2022/23 Medium Term Financial Plan					
4	Corporate Items	Increase in external levies	42	43	
5	Corporate Items	Apprenticeship levy	15	13	
Total demand pressures			57	56	-

Legacy Budget Corrections

Figures are incremental

Reference	Division	Description	2023/24 £000	2024/25 £000	2025/26 £000
6	Council wide	Realignment of Housing Revenue Account and General Fund Budgets. Total budget £9.544m of which £2.268m is so far shown within departmental growth. £8.237m of the growth represents a saving to the Housing Revenue Account	7,276		
7	Council wide	Realignment of employee overhead budgets (national insurance and superannuation/pension contributions)	1,608		
Total legacy budget corrections			8,884	-	-

Net Budget Movement

Figures are incremental

	Corporate / Council Wide	2023/24 £000	2024/25 £000	2025/26 £000
	Proposed Savings	-500	-1,500	0
	Demand Pressures	57	56	0
	Legacy Budget Corrections	8,884	0	0
	Net Budget Movement	8,441	-1,444	0

This page is intentionally left blank

Appendix D

Transformation Plan

1. Background

In late 2020, the Council approved the Croydon Renewal Plan. This comprehensive plan drew together a wide range of improvement actions and projects which had been identified through external and internal reviews, with a particular focus on improving the Council's governance systems, structures and processes and a savings programme to address the serious financial challenges.

The plan was developed at a time when the Council was subject to a S114 notice, where expenditure far exceeded the available budget. The External Auditors had also issued a Report in the Public Interest, identifying a range of failings in the Council's governance and financial structures.

The Croydon Renewal Plan enabled the Council to secure Government support in the form of a capitalisation direction. This allowed the Council to utilise up to £120m of capital funding to support revenue costs over a period of three years. The Government appointed an Improvement and Assurance Panel to provide external advice, challenge and expertise to the council, along with assurance to the Secretary of State that the council was delivering against the renewal plan.

The new Executive Mayor has made clear that his number one priority is to balance the books and make Croydon a financially sustainable Council which listens to residents and provides good quality services. One of Mayor Perry's first acts was to launch an 'Opening the Books' review to assess the Council's financial assumptions and outstanding historic accounting issues. Despite progress being made across the renewal plan, the scale of the financial challenge facing Croydon should not be underestimated. The 'Opening the Books' review has identified substantial accounting corrections that have one off and ongoing implications for the Council's budget.

It is crucial that the Council begins to take a transformational approach rather than continuing to salami slice budgets; this Transformation Plan, with a programme of cross-directorate transformation projects, sets out this new approach to a more modern way of working, that is cost effective and responds to different needs from different residents. Ultimately Croydon Council will become smaller, doing less but – crucially – doing it well.

The programme is being developed but already consists of over 30 projects, many of which require careful reform of the large budget services providing vital adult and children's social care support

2. Progress on transformation to date

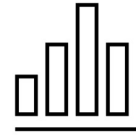
Over the past two years the Council has delivered numerous improvements in its governance and financial management. This has included making over £90m in savings in 2021/22 and 2022/23 and generating £50m in asset sales.



Implementation of a new telephony system, providing improved reliability, adaptability and data



The Housing Improvement Board has launched, which is overseeing the improvement programme for our tenants



Launched improved financial reports alongside internal training



Implementing an Adults Improvement Plan



Establishing a Children's Improvement Board



Rationalising our ICT infrastructure, whilst improving use of digital opportunities in services



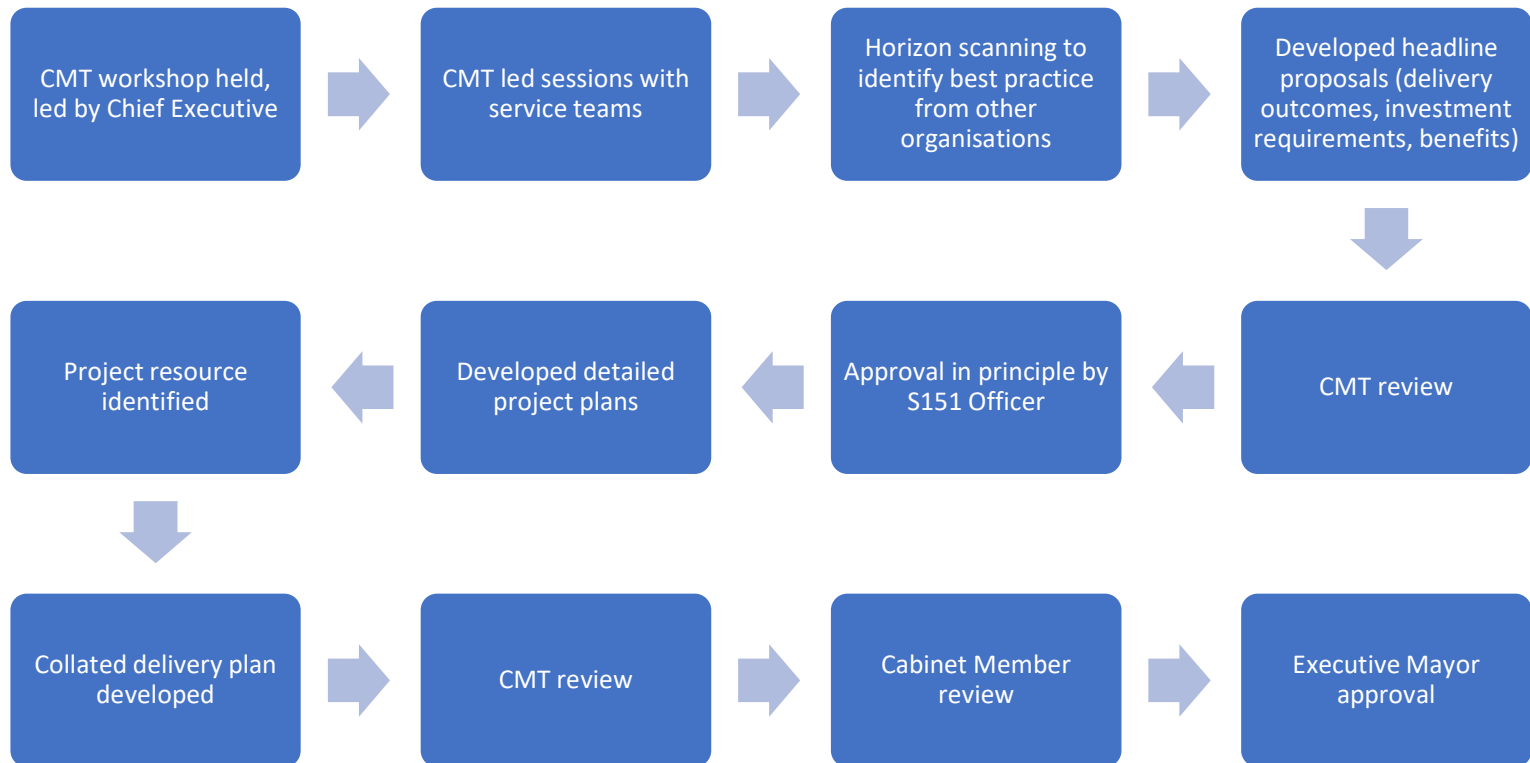
Implemented improved governance structures



£90m savings deliver over two years

3. The process for developing the transformation plan

This Transformation Plan is about taking a new approach to change in Croydon Council. Change needs to happen across service silos, looking at redesigning services, processes and structures to be more cost effective and to better respond to our residents different needs. Transforming Croydon Council will result in a smaller organisation that does less – but does it well for the benefits of our residents. This approach has to be owned across the organisation, delivered collectively and the plan has been developed in the same way.



4. Summary of projects

There are 39 individual programmes across 7 transformation portfolios. Further details of each programme are set out in the appendix.

Cross Cutting Projects	
Community Equipment Services – Financial Viability and Options	Income and Debt Review - Fees, Charges & Debt Management Review
Business Intelligence Review	Workforce Transformation – HR Transformation
Family Justice Service review	Continuing Care Review
Croydon Campus	Customer Access Review
Commercial & Income Opportunities	Passenger / SEN Transport transformation
Resilient Communities and Community Hubs	Strategic Planning & Commissioning
Voluntary Sector review	

Housing
Temporary Accommodation Case Review
Housing Occupancy Checks
Housing Needs Restructure
Rent Accounts & Data Cleanse
Dynamic Purchasing System - Emergency Accommodation
Housing Association Recharges
Supported Housing Review

Sustainable Communities
Building Control Transformation
Parking Policy 2022
Planning & CIL transformation

Children, Young People & Education
Managing Demand at the Front Door
Shared costs of care and education
Reduction in spend on children and young people in care
SEND review

Assistant Chief Executive
Digital Workforce Review

Adults Social Care
Transitions Commissioning
Domiciliary Care Re-model
Reablement & Hospital Discharge
Review Social Care Placements
Mental Health S117 project

Resources	
Supported Exempt Accommodation Review	MTFS – PFMI Contract Manager
Asset review	Housing Benefit review

5. Governance

As set out in the appendix, each programme has the following in place to ensure successful delivery:

- Senior accountable officer
- Senior responsible officer
- Project manager

The **Senior Accountable Officer (SAO)**, is ultimately accountable and has a Yes/No say or, the right to veto

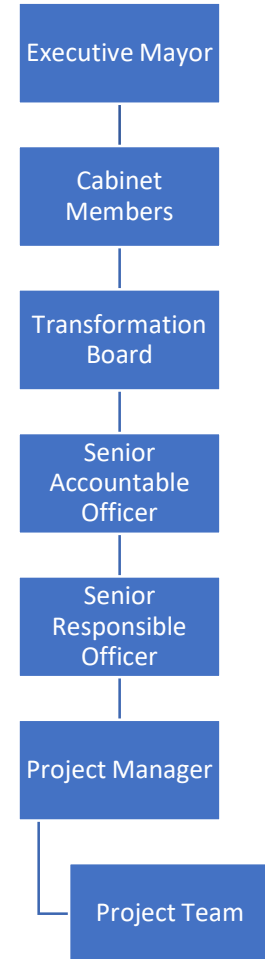
The **Senior Responsible Officer** is the individual responsible for ensuring that a programme or project meets its objectives and delivers the projected benefits. The **(SRO)**: is the visible owner of the overall business change and should be recognised throughout the organisation

Project managers plays the lead role in planning, executing, monitoring, controlling, and closing out the project. They are responsible for the entire project, the project team and resources, the project budget, and the success or failure of the project – in some instances the SRO and PM are one and the same.

In addition to the project roles, an organisation wide portfolio management resource is in place within the Assistant Chief Executive's directorate.

A new Transformation Board will be established to receive highlight reports for all projects and programmes. This will ensure that:

- Progress against key milestones are monitored
- Progress against agreed outcomes are monitored, with project teams accountable for delivery
- Resources requirements are understood and prioritised to the most important areas and to ensure that there is capacity to deliver transformation in additional to BAU activities
- Project risks are escalated where additional action is required



Annex: Transformation Projects

Name of project	Description	Invest	Efficiency Target
Cross Cutting			
Community Equipment Services – Financial Viability and Options	Review Community Equipment Services to establish management model	Nil	TBC
Business Intelligence Review	Better use of in-house data to improve income	Nil	£1m
Family Justice Service review	To explore alternative funding models for domestic violence services	£100k	£350k per annum from 2024/25
Croydon Campus	To reconfigure Croydon Campus including Town Hall, BWH and Davis House introducing a Community Hub to improve customer experience	£250k (only £125k required in 2022/23)	TBC
Commercial & Income Opportunities	To maximise income from a range of commercial and trading services. Look at income performance and opportunities for growth	TBC	TBC
Resilient Communities and Community Hubs	Use library buildings as multi-use community hubs to provide an improved service offer in one location and free up assets	£250k (only £100k required in 2022/23)	£430k (deliverable from 24/25) capital of receipt target of £2m

Name of project	Description	Invest	Efficiency Target
Strategic Planning & Commissioning	Manage demand for statutory services by planning and commissioning new models of delivery	£290k over 2 years (only £90k required in 2022/23)	Add detail here
Customer Access Review	Develop a customer service model that uses digital, voice and face to face in the most efficient way.	£200k	Delivers previous savings of £2.5m already built into the Medium Term Financial Strategy in March 2022.
Voluntary Sector review	Reshape the voluntary sector expenditure to commission locally where possible, provide support and reset relationships	Nil	£2m
Income and Debt Review - Fees, Charges & Debt Management Review	To correctly price fees and charges and improve management of demand	£50k	£500k
Workforce Transformation – HR Transformation	Review target operating model and support organisational change, reduce requirement on agency staff	£78k	TBC
Passenger/SEN Transport transformation	To review the approach to providing passenger transport to SEN children and adults - that includes consideration of personal travel plans and new commissioning approach	£100k	£600k per annum from 24/25 Cost avoidance only
Assistant Chief Executive's			
		£80k	£1m

Name of project	Description	Invest	Efficiency Target
Digital Workforce Review	To establish future workforce model that reflects a smaller council delivering statutory services in the most cost-effective way & satisfies the need to deliver services to the council		
Adult Social Care and Health			
Transitions Commissioning	Develop pathway across Children's & Adults to commission enabling services	£82k	TBC
Domiciliary Care Re-model	Remodel end to end process for provision of Domiciliary Care	£110k	TBC
Reablement & Hospital Discharge	Establish community reablement service	£60k	TBC
Review Social Care Placements	Review all care packages	£605k (only £300k required in 2022/23)	TBC
Mental Health S117 project	Improved processes and procedures for meeting the Section 117 after-care needs, reviewing cases, with an expectation there will be saving opportunities linked to the disproportionate share of funding between the council and health.	178k	TBC
Adult Social Care Transformation	The final year of the ongoing Adult Social Care transformation programme.	£1,100k	Savings of £9,665k in 2023/24 per the March 2022 MTFS
	TBC	TBC	TBC

Page 63

Name of project	Description	Invest	Efficiency Target
Strategic Operating Model Design Partner			
Children, Young People and Education			
CSC managing demand at the front door	Maintain reduction in demand for statutory services	£110k	£200k
Review joint funding arrangements across education, health and care	Review all joint funding arrangements across education, health and care	£110k	£250k from 2024/25
Fostering service transformation	Develop a new approach to in-house Foster Care	£92k	£225K
Transformation of Calleydown respite centre	TBC	TBC	TBC
Extend locality SEND support	More children with SEND attend local schools	£240k	TBC
Housing			
Temporary Accommodation Case Review	To review circumstances of households placed in temporary accommodation on a discretionary basis and to formulate an exit plan for those to whom the Council does not owe a main housing duty.	£291k	£1.05m

Page 64

Name of project	Description	Invest	Efficiency Target
Housing Occupancy Checks	Approximately 2000 statutory homeless households are in emergency and temporary accommodation. Currently, no regular checks are carried out in relation to occupancy or welfare. Conducting occupancy checks will enable LBC to end the homelessness duty to approximately 100 households.	£291k	£700k
Housing Needs Restructure	The Housing Needs service must be restructured to improve the Council's early intervention and demand management. To deliver the savings, a transformation lead must be recruited.	£60k	£300k
Rent Accounts & Data Cleanse	Recruitment of a data cleanse officer will ensure the Housing directorate has accurate information on the reasons for accommodating households in temporary accommodation. The officer will enable accurate reporting of temporary accommodation numbers to the government which will positively impact the Homelessness Prevention Grant (HPG).	£26k	£0k (N.B. GF data cleanse will facilitate the delivery of the Housing Occupancy Checks efficiencies below)
		£92k	£250k

Page 65

Name of project	Description	Invest	Efficiency Target
Dynamic Purchasing System - Emergency Accommodation (Requires further work, was re-submitted 13/09/22)	An emergency accommodation DPS with a framework of providers will formalise arrangements, ensure best value and compliance, and make the Council more effective.		
Housing Association Recharges (Approved)	Transformation request for a Housing Liaison officer who will be focused on the governance of all relevant contracts and nomination agreements to maximise properties the Council can use to move households out of emergency and temporary accommodation.	£59k	£78k
Supported Housing Review (Requires further work and has not been re-submitted)	A senior commissioning lead should be recruited to carry out the review of the Council's housing related contracts across the Housing and ASC&H directorates to formalise arrangements, ensure best value and compliance, and address areas of overlap in provision.	£80k	TBC
	Review SEA and establish occupation and charging principles	TBC	TBC

Name of project	Description	Invest	Efficiency Target
Supported Exempt Accommodation Review			
Resources			
Asset Review	Reprofile asset portfolio	TBC	TBC
MTFS – PFMI Contract Manager	Introducing & improving PFI Contract management	TBC	TBC
Housing Benefit Review	Reduction in Benefit payments	TBC	£1m
Sustainable Communities			
Building Control Transformation	Develop a new operating model to meet current and new statutory obligations	£350k in year one + (£100k capital investment for IT investment) (only £100k is required in 2022/23)	£300k per annum once transformation programme delivered
Croydon Museum Transformation	To determine the best future and funding model for Croydon Museum to ensure its long-term stability and funding	TBC	TBC
Parking Policy 2022	Develop a new Parking & Enforcement Strategy	£200k	400k per annum
			£250k per annum from 2024/25

Name of project	Description	Invest	Efficiency Target
Planning & CIL Transformation	Transformation of Planning Service e.g. CIL & S106 Strategy, including digital/ICT automation	£200k £100k investment in ICT (only £100k is required in 2022/23)	
Total		£5.934m (only £4.604m of funding is required in 2022/23)	

Croydon - Grants Forecast based on the 2023/24 Final Local Government Finance Settlement

	Budget	Final LGFS	Future Forecast		Comments
	2022/23	2023/24	2024/25	2025/26	
	£'m	£'m	£'m	£'m	
Lower Tier Service Grant	0.681		-	-	Grant ended in 23/24.
Improved Better Care Fund	9.978	9.978	9.978	9.978	
Services Grant	5.104	2.994	0		
New Homes Bonus	4.115	1.646	0	-	
EFA Education Services Grant	1.967	1.967	1.967	1.967	Not yet confirmed
Local C/Tax Support Admin Grant	0.448				Grant rolled into RSG.
DWP Hsg Benefit Admin Grant	1.350	1.350	1.350	1.350	Not yet confirmed
Social Care Grant	11.120	18.999	28.257	28.257	
Independent Living Fund*		-0.960	-0.960	-0.960	Grant rolled into Social Care Grant
Centrally Retained DSG**	2.570	2.056	2.056	2.056	Subject to review against actual commitments
One-off Business Rates levy surplus distribution 2022 to 2023		0.621			New allocation announced in the Final 2023/24 LGFS. Payable in 2022/23 but assumed for use in 2023/24
Core Grant Funding	37.333	38.651	42.648	42.648	Budgeted for Corporately
New Adult Social Care discharge fund	-	1.399	2.331	2.331	Budgeted for within Adult Social Care
Market sustainability and Improvement fund	0.946	3.281	4.934	4.934	Budgeted for within Adult Social Care
Adult Social Care Grants	0.946	4.680	7.265	7.265	
Revenue Support Grant	14.646	16.711	17.628	17.628	
Total All Grants	52.925	60.042	67.541	67.541	
Net movement against the prior year					
Core Grants		1.318	3.997	0.000	
Revenue Support Grant		2.065	0.917	0.000	
General Grants		3.383	4.914	0.000	
Adult Social Care		3.734	2.585	0.000	
		7.117	7.499	0.000	

* The Independent Living Fund grant is budgeted for within Adult Social Care.

The grant forms part of the social care grant allocation for 2023/24. To equalise the base 2023/24 position it is shown as a deduction from core grants as this funding will need to offset the ASC pressure.

** Local authorities can apply for protection if their historical prudential borrowing costs exceed the 2023/24 grant allocation. Review is in progress to establish if Croydon may receive such protection. The current forecast assumes it does not.

*** The 2024/25 forecast is based on analysis by London Council's (22 December 2022). A grant freeze is assumed for 2025/26 pending any update on fair funding and other reforms.

This page is intentionally left blank

Business Rates - Forecast

	2023/24	2024/25	2025/26	
	£'m	£'m	£'m	
Section 31 grant for underindexing the business rates multiplier	12.419	12.419	12.419	In line with the NNDR1 Return for 2023/24
Business Rates-top-up grant	35.921	37.864	40.005	2023/24 as per the LGFS. 2024/25 updated in line with London Councils modelling
In-Year Business Rates Income	32.168	33.909	33.909	Croydon 30% share of business rates income collected. Estimate based on the 2023/24 NNDR1.
Other section 31 grants (for business rate reliefs)	10.338	11.479	11.479	Based on NNDR1 for 2023/24. Future years updated
Prior Year Adjustments	-12.215	0	0	Arising from prior year rebates
Draw down from business rates reserve	12.215	0	0	Reserve c/fwd to 23/24 of £19.633m funded from section 31 grants received for covid business rate reliefs. This is matched against the prior year adjustments.
Total - All Business Rates	90.846	95.671	97.812	

Croydon Budget Presentation

Section 31 grant for underindexing the business rates multiplier	12.419	12.419	12.419
Business Rates Income	78.427	83.252	85.393
Total	90.846	95.671	97.812

Notes:

1. A business rates revaluation is effective from 1 April 2023. The impact should be neutral but the split between income and the top-up grant may change. Transitional reliefs may also apply and change the level of section 31 grants.
2. This forecast is based on the NNDR1 submitted in January 2023.
3. The business rates system is due to be rebased from 2025/26. For the purpose of this forecast the impact is assumed to be neutral.
4. Croydon will carry forward a business rate relief reserve of £19.633m to 2023/24 This was funded from government section 31 grant received in respect of business rate reliefs provided during Covid. The reserve is now matched against the prior year business rate adjustments arising from the impact of Covid.

This page is intentionally left blank

REPORT TO:	Corporate Director of Resources – Jane West
SUBJECT:	Calculation of the Council Tax Base 2023/24, and Determination of the 2022/23 Collection Fund Deficit for Council Tax
LEAD OFFICER:	Andrew Lord – Interim Finance Consultant

1. Recommendations

- 1.1 Note that the Local Council Tax Reduction (Support) Scheme (CTS) is revised following review and due regard to the statutory consultation feedback from 1st April 2023.
- 1.2 The Executive Mayor in Cabinet will recommend to full Council to agree to remove the minimum income floor for disabled working claimants, change the amount the income bands are to be increased to match the increase in Council Tax and to introduce non-dependant deductions for disabled not working claimants, excluding cases where the non-dependant is in receipt of carers allowance for the claimant.

Delegated Approval

- 1.3 By the delegation granted to the appointed S151 Officer by the Corporate Services Committee on 7th January 2004, I determine that the 2023/24 Council Tax Base for the London Borough of Croydon be **137,230.9 Band D equivalent properties**.
- 1.4 That the forecast Council Tax Collection Fund deficit for the financial year 2022/23 is estimated to be **£2,427,987 – of which the Council's share would be £1,985,867, and the GLA's share would be £442,120**.

Jane West
Corporate Director of Resources (section 151 officer)

Dated: January 31 2023

2. Purpose of Report and Executive Summary

- 2.1 Section 33 of the Local Government Finance Act (2012) and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 require the Council as the Billing Authority to calculate a Council Tax Base for

its area after 30th November and before 31st January in the previous financial year and duly notify precepting authorities (the GLA) within the same timescales.

- 2.2 In calculating the tax base regard is given to the number of hereditaments (properties) existing on the taxbase at the time of determination; anticipated future changes over the course of the remaining current financial year and throughout the future financial year; impact of discounts and exemptions (either nationally determined or locally set); premia (as relating to long-term empty hereditaments); anticipated collection rates; and prescribed proportions of property for each Council Tax Band in relation to a standard Band D charge.
- 2.3 The annual determination of the taxbase is by necessity an “*estimate*” for the forthcoming financial year and will differ from that experienced over the next year. Regulations require that as well as calculating the future year taxbase, a forecast surplus or deficit against the in-year Collection Fund position is calculated and reported to precepting bodies.
- 2.4 The calculations set out in the body of this report estimate a council tax base of **137,230.9 Band D equivalent** properties for 2023/24. This is an increase of 860 Band D equivalents over that approved for 2022/23 and, at the £1,570.07 Band D charge approved by Croydon Council, for 2022/23, represents a positive **movement against base budget of £1.350m** (this being prior to a Council decision on setting the 2023/24 Band D charge).
- 2.5 The detailed tax base calculation is shown by component and individual banding in Appendix 1. The calculation is based on data provided by Croydon to the Department for Housing Levelling-Up and Communities in the October 2022 CTB1 return with an allowance made for an increase of 2,108 in the number of new dwellings. The underlying increase in the 2023/24 tax base is 1.13% which is in line with the historic 5-year average increase.
- 2.6 The latest data is used to model the estimated discounts provided through the CTS with allowance made for a trend increase of 10 Band D equivalents per month. When the Council set the 2022/23 budget an incremental saving of £1.2m was modelled for 2023/24 regarding previously approved changes to the CTS. The updated CTS is now in operation and reflected within the CTS discount figures set out in Appendix 1. The CTS discounts now modelled for 2023/24 are 16,393 compared to 16,955 in 2022/23 – a benefit of 562 properties equivalent to saving of approximately £0.9m.
- 2.7 The forecast collection rate for 2023/24 is modelled at 97.5% compared to 98.5% for 2022/23. The increase in the cost-of-living is impacting on the current in-year collection rate and this trend is likely to continue in 2023/24. The 1% reduction in the collection rate is equivalent to a reduction of 1,387 Band D equivalents.

2.8 A summary of the movement in the forecast 2023/24 taxbase is set out below:

	Band D Equivalents
2022/23 Council Tax Base	136,370.8
Allowance for new dwellings	2,108
Reduction in forecast collection rate from 98.5% to 97.5%	-1,387
Other movements including discounts and exemptions	139.1
2023/24 Council Tax Base	137,230.9

Prior Year Collection Fund Deficit

2.9 Due to the Covid-19 pandemic national council tax collection rates were less than expected in 2020/21. In a measure designed to help local authorities the government announced that local authorities could spread their estimated 2020/21 collection fund deficit over 3 years rather than, as normal, just the following year. 2023/24 will be the last year that this historic deficit will need to be written out and the Croydon share is £2.504m with the GLA share £0.572m.

2.10 At the end of 2021/22 the actual deficit on the collection fund was £1.239m compared to a forecast deficit of £1.887m. This net improvement of £0.648m will partially offset the deficit relating to the final year of the Covid deficit. For 2022/23 in-year collection is on target and no additional surplus or deficit is estimated.

2.11 The net position regarding the prior year collection fund deficit is set out below:

	Croydon	GLA	Total
Third Year of the spreading adjustment re the forecast Covid deficit	£2,503,201	£572,466	£3,075,667
Surplus regarding the 2021/22 collection fund outturn (deficit less than previously forecast)	(£517,334)	(£130,346)	(£647,680)
In-Year forecast 2022/23 collection fund deficit	£0	£0	£0

Total Prior Year Collection Fund Deficit chargeable to 2023/24	£1,985,867	£442,120	£2,427,987
---	-------------------	-----------------	-------------------

Appendix 1 – Council Tax Base for 2023/24

2023/24 Council Tax Base	Disabled (no.)	Band A (no.)	Band B (no.)	Band C (no.)	Band D (no.)	Band E (no.)	Band F (no.)	Band G (no.)	Band H (no.)	Total (no.)
Dwellings as per CTB1	-	4,150	23,611	51,438	41,268	23,689	11,768	7,494	654	164,072
Allowance for new dwellings		53	303	661	530	304	151	96	8	2,108
Less Exemptions	-	(64)	(376)	(697)	(463)	(312)	(100)	(56)	(7)	(2,075)
Chargeable Dwellings	-	4,140	23,538	51,402	41,335	23,681	11,819	7,535	655	164,105
Disabled Adjustments (Net)	1	16	124	87	13	(88)	(31)	(94)	(27)	0
Single-Person Discounts (25%)	-	(563)	(3,250)	(4,903)	(2,644)	(1,214)	(502)	(257)	(14)	(13,347)
Other Discounts (50%)	-	(1)	(4)	(13)	(13)	(9)	(14)	(21)	(11)	(84)
Family Annexe Discount	-	(4)	(0)	-	-	-	-	-	-	(4)
Empty Dwellings Premium	-	33	110	146	125	33	19	21	4	493
Local C/Tax Reduction Scheme	-	(882)	(4,526)	(6,021)	(3,527)	(1,074)	(261)	(99)	(3)	(16,393)
Net Chargeable Dwellings	1	2,739	15,993	40,698	35,289	21,330	11,029	7,086	604	134,769
Prescribed Band D Proportion	5/9ths	6/9ths	7/9ths	8/9ths	9/9ths	11/9ths	13/9ths	15/9ths	18/9ths	9.40/9ths
Total Relevant Amount	1	1,826	12,439	36,176	35,289	26,070	15,931	11,810	1,208	140,750
Assumed Collection Rate	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%	97.50%
Council Tax Base 2023/24	0.5	1,780.7	12,127.7	35,271.6	34,407.2	25,418.1	15,532.8	11,514.3	1,178.0	137,230.9

This page is intentionally left blank

Budget 2023/24: we want to hear from you

Feedback from public survey

26 January 2023

Executive Summary

This report summarises the responses received to the budget 2023/24 proposals survey. The survey was launched following the approval of the 2023-24 budget update, Medium Term Financial Strategy and savings proposals at Cabinet on 30 November 2022.

1,467 responses were received to the survey which ran between 1 December 2022 and 8 January 2023. This is a very positive response rate when compared to similar engagement exercises.

The survey suggested that respondents gave greatest priority to support for elderly and vulnerable residents, services for children young people, families and education, and rubbish and recycling collections. The lowest ranked service areas, according to respondents, were libraries and culture and leisure and sports facilities.

However, when we look at the comments made in later questions, when respondents talked about specific services, it tended to be those that were ranked lower in terms of priority. This inconsistency is not unusual in surveys of this type. It is also worth noting that the comments about individual services are consistently from a small proportion of the overall survey sample.

In answering how the budget proposals will affect them, the key themes of concern were (number of responses is shown in brackets):

- Increase in council tax (250)
- Cuts and reductions in services (135)
- Vulnerable groups i.e. disabled and elderly residents (82)
- Cost of living (79)

When asked if respondents had any further comments on the proposals, the largest group of responses highlighted the importance of governance and transparency (121) from the council, as well as reference to staff and councillors.

821 respondents provided comments on where the Council should spend more/less, and areas that we could do differently. The majority of comments (155) were around the importance of keeping streets clean and safe.

The theme of clean and safe streets is replicated in the responses to where the council should be looking to bid for external funding with safer communities (89.58%) and cleaner streets (84.32%) coming out top.

Engagement methodology

Following the Cabinet meeting on 30 November 2022, the council launched a five-week budget engagement to seek feedback on the proposals.

A survey was available on the council's resident engagement platform, Get Involved, and widely promoted across council channels and accessible from the front page of the council's website.

The survey design was similar to previous budget engagement surveys used in recent years. Questions utilised different responses structures, with some seeking to understand agreement / disagreement and others having free text responses for people to provide any comments or feedback. The survey was designed to be relatively short in order to maximise the response and completion rate.

Councillors, partners and community groups were encouraged to spread the word and share the survey with their communities. We advised that paper copies/easy read and alternate language versions were available if required, and this was also communicated to key partners and councillors to support any residents unable to access digital channels.

The survey was promoted through all council channels throughout the engagement. This included:

- Press release
- Your Croydon weekly e-bulletin
- Business e-bulletin
- Mayors weekly message and Chief Executive's staff message
- Social media posts (Twitter, Facebook and Instagram)
- Intranet article, plus update asking staff to share with their networks
- Our Croydon e-newsletter
- Communications in libraries and children's centres – library staff briefed to support residents and print out copies of the budget engagement if required
- Email to 561 community and voluntary contacts via the council's VCS team
- All councillor emails
- Shared with youth council and via the youth engagement teams
- Shared with community safety networks
- Facebook post shared with local groups
- Contact centre available to take residents views over the phone if required.

In the week before the survey closed, a further round of communications was undertaken to encourage responses. These included:

- Press release
- Social media posts
- Intranet article
- Reminder to all community groups and councillors
- Message to schools
- Mayor's weekly message and Chief Executive's staff message

Analysis of responses

1,467 responses were received to the survey which ran between 1 December 2022 and 8 January 2023. This is a very positive response rate when compared to similar engagement exercises.

In addition to the specific engagement questions, respondents were asked to provide responses to equality and diversity questions to provide a breakdown of the responses compared to the borough profile.

The communications activities included messages to children's centre and schools. However, the response rate for people aged 0-19 was lower than other age groups. This is, however, similar to other engagement surveys both in Croydon and other areas. Other age groups were well represented.

Respondents came from a wide range of ethnic groups, although no weighting has been applied to the results. The largest response group identified as White English/Welsh/Scottish/Northern Irish/British (61%). This is higher than the borough profile from the 2021 Census, where 48.4% of the population identified as White. Black, Asian and Mixed ethnic groups were underrepresented in the response rate compared to the Census 2021 profile for Croydon.

11.6% of respondents identified as having a disability. This is slightly below the boroughwide level identified in the 2021 Census of 14%.

In relation to faith, the largest groups of respondents were those that identify as Christian (45%) which is very similar to the Census 2021 level. The next highest response group was those with no religion and this was also similar to the borough profile according to the 2021 Census data. However, the response rate for those identifying as Muslim was lower than the borough profile.

In relation to sex, the proportion of respondents identifying as female was very similar to the borough profile. Male respondents were slightly underrepresented compared to the borough profile.

In relation to partnership status, 53.1% of respondents were married. This is an over representation compared to the 2021 Census profile, where 32.8% were married. There was also a higher response rate from those in a registered civil partnership compared to the borough profile.

Full details of the response rates by demographics are provided in the appendix.

The remainder of this report provides a summary of the results and analysis of the feedback. Analysis is provided against each question of the survey.

Analysis

Question 1: The council spends £300m a year providing hundreds of local services to 390,800 people. Please rank these services in order of importance to you, with 1 being the most important and 9 being the least important:

All 1,467 respondents completed this question.

The table and chart below show how the services were prioritised according to the average ranking given by respondents.

The two largest services, by budget, were ranked first and second in the order of priority: support for elderly and vulnerable adults (Adult Social Care) and services for children, young people, families and education (Children, Young People & Families).

The next group of services, ranked 3rd and 4th on average, were universal services: rubbish and recycling collection, and keeping streets safe and clean.

The average ranking then shows a clear gap, from 3.99 to 5.09. Housing, parks and open spaces and economic growth scored between 5.09 and 5.71 on average.

Libraries and culture and leisure and sport facilities received the lowest average rank.

The Mode ranking is also provided – showing the most common ranking provided. This can be useful where averages sometimes mask variation in scoring.

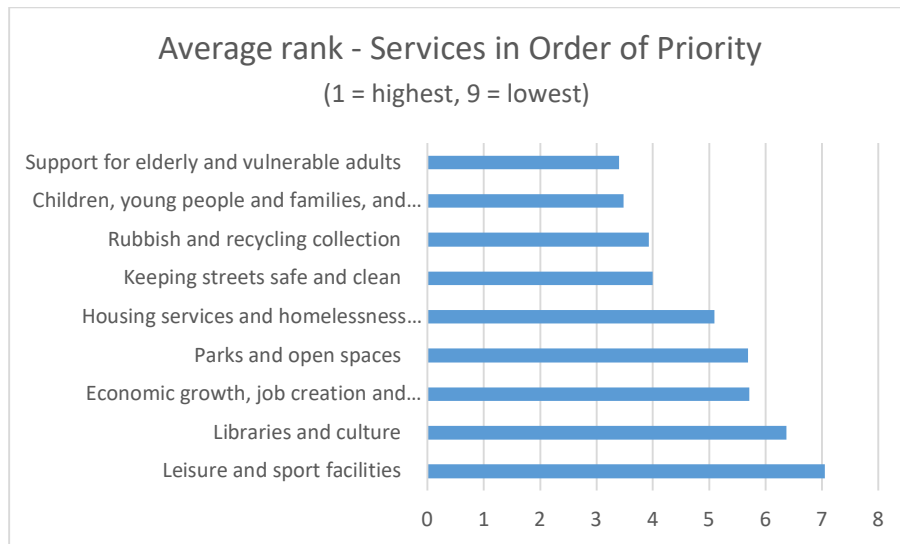
For example, although housing services and homelessness prevention had an average rank of 5.09, the most common ranking was actually 3. Meaning a large number of respondents ranked housing services higher than the average suggests.

The reverse is true for economic growth. Whilst the average score was 5.71, placing it above libraries in the priority order, the most common rank was 9. The most common score for Libraries, however, was 7.

Table 1:

Order of priority	Service	Average rank	Mode (most common rank)
1 (most important)	Support for elderly and vulnerable adults	3.40	1
2	Children, young people and families, and education	3.48	1
3	Rubbish and recycling collection	3.92	3
4	Keeping streets safe and clean	3.99	4
5	Housing services and homelessness prevention	5.09	3
6	Parks and open spaces	5.69	7
7	Economic growth, job creation and regeneration	5.71	9
8	Libraries and culture	6.37	7
9 (least important)	Leisure and sport facilities	7.05	9

Chart 1:



Question 2: Do you think our budget proposals will impact you and if so, how?

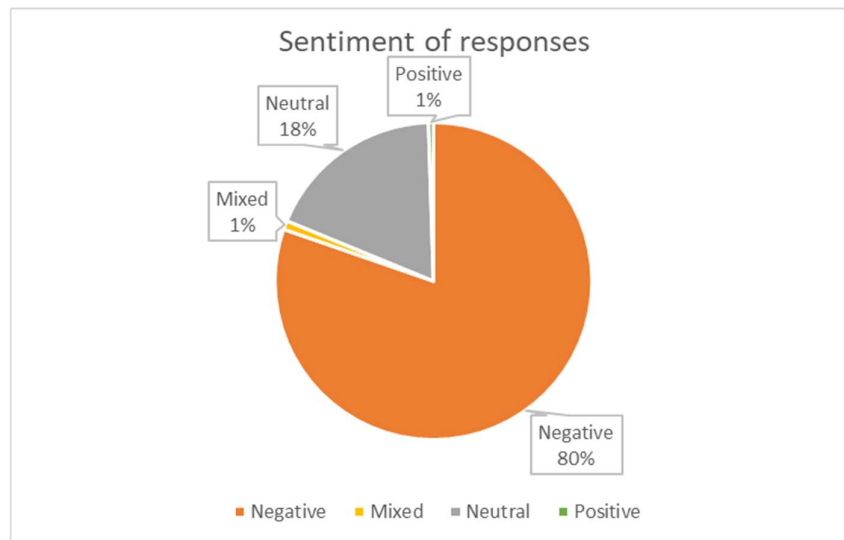
As part of the budget engagement, we wanted to understand if residents felt that the budget proposals would impact on them. We also asked residents to indicate how, and within the analysis have categorised these responses as having a positive, neutral or negative impact. For example, some respondents suggested that the increase in Council Tax would have a negative impact on them because of the financial impact this would have on them.

941 people responded to this question:

- 730 (77.6%) indicated that the budget proposals **will** have an impact
- 54 (5.7%) indicated that the budget is **not likely** to have an impact
- 157 (16.7%) did **not clearly state** whether the proposal will have an impact on them.

The chart below demonstrates how residents indicated the budget proposals would impact on them.

Chart 2:



Further analysis of the responses to this question was undertaken to identify which budget proposals people identified as impacting on them.

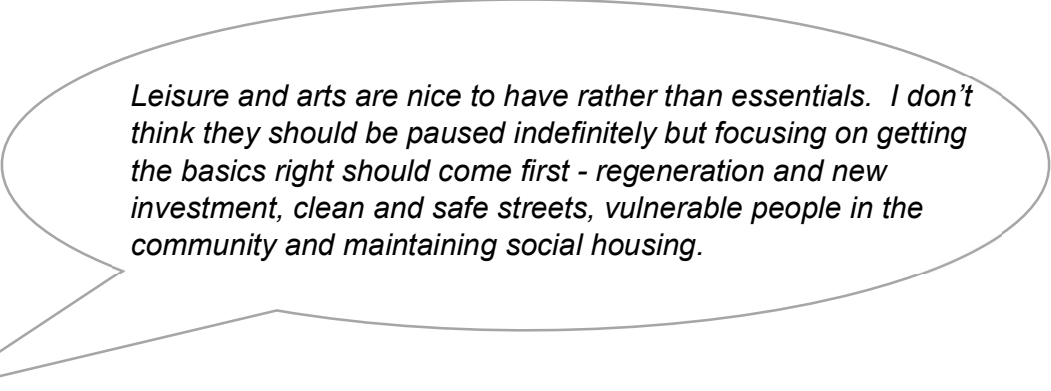
The table below provides a breakdown of the key proposals that were identified by respondents as having an impact. The table highlights those where 5%+ of respondents (47) commented.

Table 2:

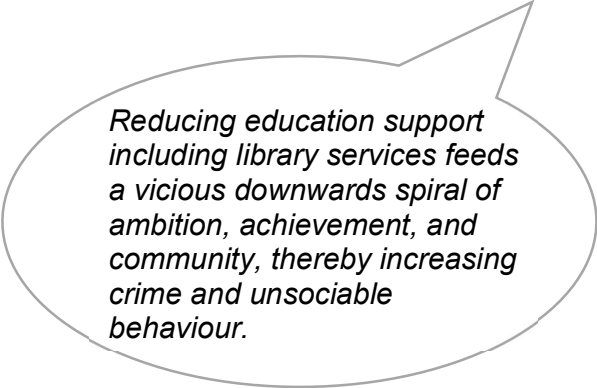
Area (number of responses)	Description
Council tax (240)	The respondents expressed their worries about any council tax increase and its impact. In particular there were comments that Council Tax was increasing when services were poorly performing or reducing.
Service cuts and reduction (135)	The respondents were worried that any cuts to, or reduction in services might affect them. These covered multiple budget proposals and/or included general statements about service reductions.
Libraries (103)	Libraries was identified as a specific service area where respondents indicated that they or the community would be affected. The responses were concerned about reductions in the service.
Vulnerable groups (82)	The respondents were worried that vulnerable groups (pensioners, disabled, elderly etc.) may be particularly affected by the cuts and additional costs. Comments in this area included concerns about the impact on the voluntary and community sector, which supports vulnerable residents as well as the direct services provided by the Council.
Cleanliness and maintenance (79)	The respondents indicated that further cuts may affect the cleanliness and maintenance of the streets and community spaces.
Cost of living (79)	The respondents indicated that their standard of living might decrease due to the proposed changes, with the budget proposals coming alongside the wider cost of living changes and inflationary pressures facing households.
Safety (47)	The respondents indicated that safety (both crime and environmental risk e.g. flood) might be affected by the budget proposals.

In addition to the numerical analysis, a sampling of the responses is provided for context.

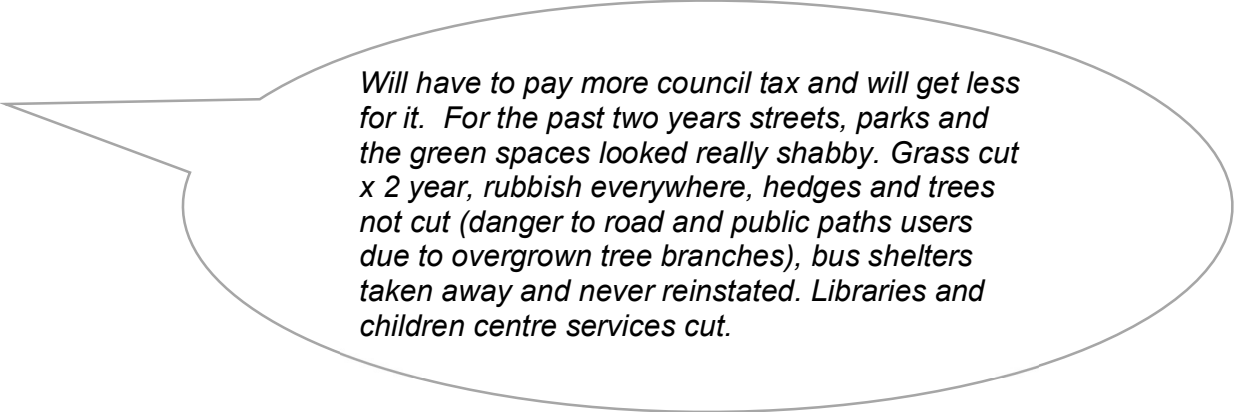
Examples of responses:



Leisure and arts are nice to have rather than essentials. I don't think they should be paused indefinitely but focusing on getting the basics right should come first - regeneration and new investment, clean and safe streets, vulnerable people in the community and maintaining social housing.



Reducing education support including library services feeds a vicious downwards spiral of ambition, achievement, and community, thereby increasing crime and unsociable behaviour.



Will have to pay more council tax and will get less for it. For the past two years streets, parks and the green spaces looked really shabby. Grass cut x 2 year, rubbish everywhere, hedges and trees not cut (danger to road and public paths users due to overgrown tree branches), bus shelters taken away and never reinstated. Libraries and children centre services cut.

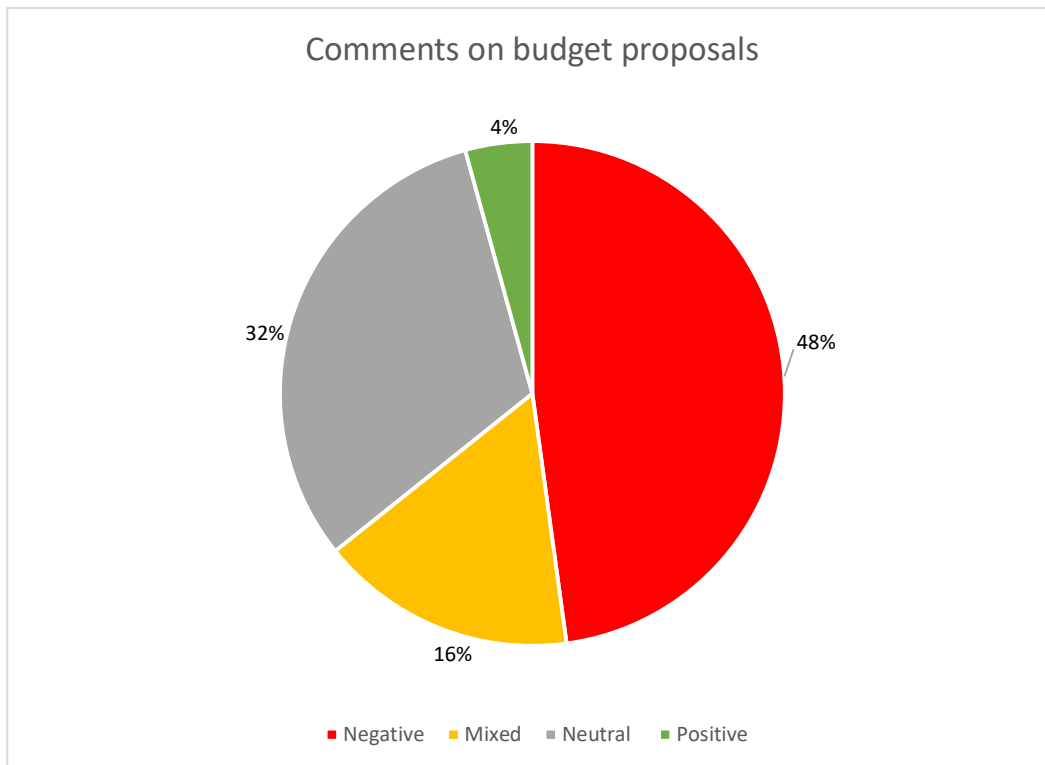
Question 3: Do you have any further comments on our proposals?

Within the engagement survey we wanted to give respondents every opportunity to give their feedback, and not be limited to only closed choice questions. Respondents were therefore invited to provide any further comments through a free text format.

690 respondents provided comments. In analysing these comments, we have coded the comments in two ways. Firstly, each response was identified as positive, negative or neutral. Some comments gave both positive and negative comments – these were coded as mixed responses

As shown in the chart below, 48% of the respondents expressed negative opinions about the budget proposals. 32% of the respondents expressed neutral feelings towards the proposals. Only 4% of the comments to this question were positive about the budget proposals.

Chart 3:



The second stage of analysis was to code the comments according to the issues or themes raised by the respondent. As this was a free text response, there was significant variety in the comments.

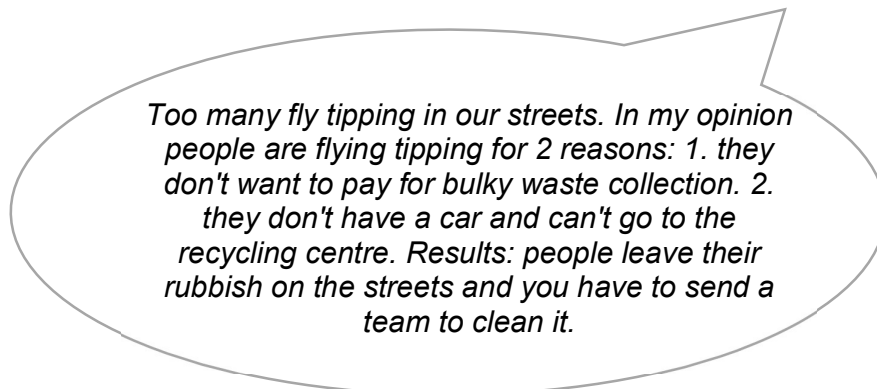
The table below provides a breakdown of the key themes raised by respondents. The table highlights those where 5%+ of respondents (35) commented.

Table 3:

Theme (number of responses)	Summary
Council / staff / governance (121)	The respondents indicated themes around senior pay, councillor allowances, us of consultants/agency staff and being more transparent in relation to expenditure and decision making. References were also made to historic matters, such as commercial investments and projects
Local Businesses and Economic Regeneration (56)	The respondents indicated the importance of innovation and investing in local businesses, town centres and open spaces
Libraries (47)	The respondents indicated that they or the community would be affected by the library cuts
Clean streets / safety (49)	The respondents indicated that safety in Croydon should be considered when discussing budget proposals. The respondent indicated concerns about street/town centre/neighbourhood cleanliness

In addition to the numerical analysis, a sampling of the responses is provided for context.

Examples of responses:



We should prioritise people, health and wellbeing, and make sure the poor and vulnerable are looked after. In the current situation, it's less important to spend money on removing graffiti, cutting the grass, sweeping the streets every day or improving district centres. We should also prioritise working with communities to improve their own situation locally, and promote volunteering and group activities to get things done where there is no money to pay for services.

I was struck during the pandemic at just how many people wanted to volunteer or for example, take Ukrainians into their homes. It was a massive response. Could we harness that goodwill and potential in Croydon more? If we had a safe, credible way of linking volunteers with targeted projects to help schools, libraries, assisting seekers etc. People want Croydon to be successful. Also develop a pool of ambassadors who have Croydon roots to inspire people that Croydon really is a great place to live, work, raise a family and enjoy your older years. Good luck and thanks for the survey- nice to be given the chance to have our view on such important subjects.

Question 4: If the council has opportunities to bid for external funding to invest in any of the following areas, to what extent would you support or not support each of the following?

The Mayor’s Business Plan has emphasised the importance of working in partnership, and supporting these partnerships to secure external funding and investment into Croydon.

The budget engagement survey therefore sought to understand where respondents would prioritise external funding against different service areas. Against each area, respondents were asked to state how much they would support, or not support, investment.

1,467 responses were provided to this question.

A 5-point scale was used for the responses, with respondents indicating how strongly they agreed or disagreed.

The table below summarises the responses. All areas received support for external funding being invested.

Table 4:

Investment areas	Strongly support and somewhat support	Strongly do not support and somewhat do not support
Safer Communities	89.58%	1.43%
Cleaner Streets	84.32%	3.07%
Improving our town and district centres	83.30%	3.61%
Protecting young people and helping them to reach their full potential	83.30%	3.89%
Supporting older people to live longer healthier live	82.48%	4.09%
Investing in our parks and open spaces	79.13%	4.64%
Raising standards in council homes	65.37%	7.57%
Public sports and leisure facilities	65.03%	9.95%
Community projects or services that support communities	64.82%	10.64%

Question 5: Is there anything that we currently spend money on that you think we should not, or anything that you think we could do differently?

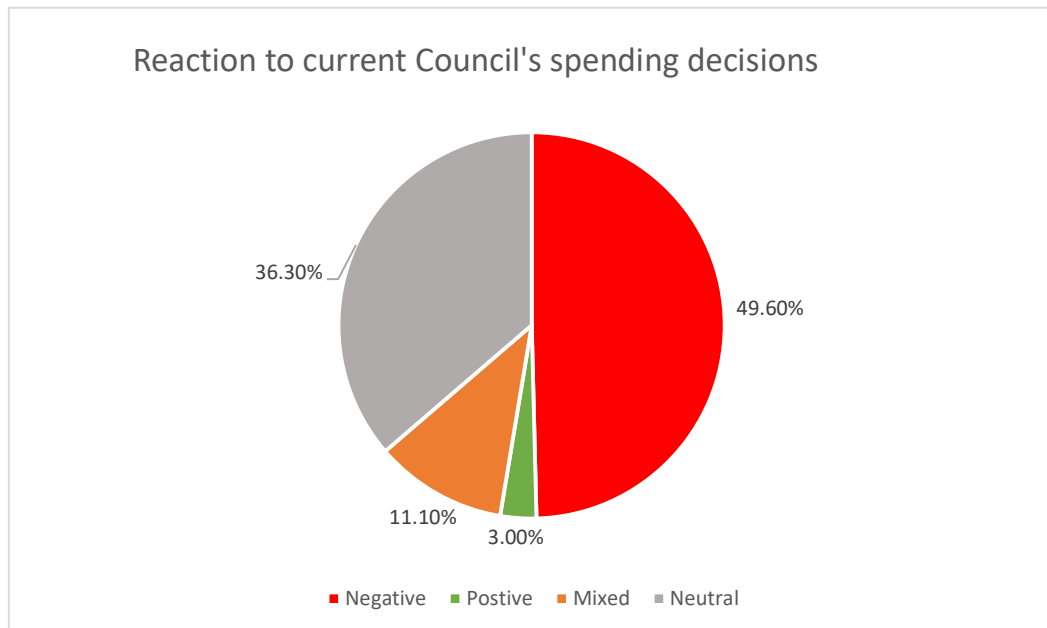
As part of the engagement survey, it was important that respondents were not limited to only comment on the budget proposals that had been identified in the Cabinet report. This question sought general feedback on any areas that the Council should change its expenditure on. The response format was a free text answer.

There were 821 comments responses and a wide range of reactions to the spending decisions of the council.

Similar to other free text answers, the first stage of analysis was to code the comment as to whether it was positive, negative, mixed or neutral.

Most of the respondents (49.6%) felt negative about the spending decisions, but a considerable proportion (36.3%) of responses were neutral towards these decisions. The chart below provides a summary.

Chart 4:



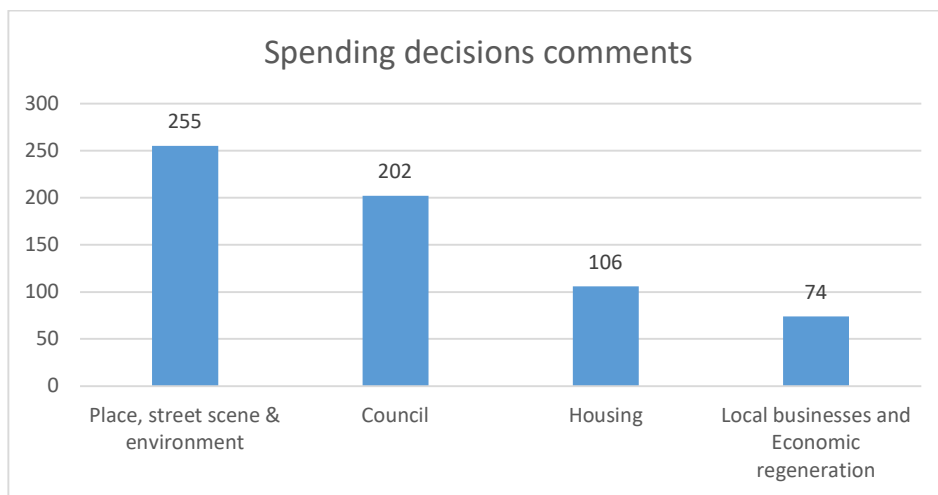
The next stage of analysis was to code the response according to the theme(s) of the comments. These included grouping according to a service area, or to a corporate wide matter such as transparency of spend, councillors or staff generally. Similar to previous questions, this report summarises the key themes raised where 5%+ of respondents (42) commented.

The analysis also identified some misconceptions, such as “stop all the bonuses for top management”, when the Council’s pay policy does not include provision for bonuses.

As can also happen in these types of surveys, there were opposing views in the responses. For example, some comments were arguing for the removal of low traffic neighbourhoods and enforcement cameras; other comments were seeking for enforcement to be strengthened and expanded.

The main themes identified in the responses is summarised in the chart below, with further details then provided on each theme.

Chart 5:



Place, street scene and environment (255 responses)

The main themes that were identified in this category were in relation to street scene and cleanliness, and roads. The respondents emphasise the importance of increasing general appeal of the borough.

Table 5:

Tag	Description
Appearance and Clean Streets (110)	The respondents indicated the importance of cleaner streets, graffiti removal and protecting green spaces. There were suggestions to utilise more volunteers and to invest more funding in these services to improve the appearance of towns and spaces across the borough.
Roads (67)	The respondents indicated the importance of keeping the roads clean and streets made more accessible for pedestrians. There were a range of views in relation to things like cycle lanes and

Tag	Description
	traffic enforcement. Some wanted increases in these areas, others wanted these to reduce or be removed.

Council (202 responses)

Within this theme the categories were broader, covering a range of different aspects. Themes included:

- Staff salary and performance, particularly in relation to senior salaries and the use of consultants, with the general theme being that these should be reduced
- Mayor/Councillors, with comments about the role of Mayor and Civic Mayor, and costs involved, as well as the salary and allowances for Councillors, with the general theme being these should be lower
- Staff retention / concern about the impact of the Council's financial situation on staff

Across the Council based comments there were also comments to previous activities and the need for increase transparency with stronger audits and more information sharing.

Housing (106 responses)

Whilst there was a significant proportion of comments about housing, the themes were extremely varied. Comments highlighted the need for investment in housing stock, with reference to ensuring the empty or underused buildings were a priority. There were also competing views in many areas (more housing vs less housing). There was concern about the wider economic position and the impact this would have on housing and homelessness.

Local business and Economic Regeneration (74 responses)

Within this area a key theme was in relation to previous activities or schemes. The largest theme, and only one with more than 5% of responses, was made in relation to town centre/regeneration, with reference to Westfield not proceeding and the need for a clear vision to improve the town centre.

Community Engagement (43 responses)

Comments in this theme focused on creating a sense of community, getting the public involved in community matters, including community projects. References were made to supporting the voluntary and community sector, as well as opportunities for greater volunteering.

Examples of responses:

Sell the leisure facilities off, they'd be better run by private gyms.

Spend it on streets cleans off graffiti and litter

Why has Croydon council got such an enormous and palatial new office building? Presumably you can get people working at home more and downsize. That place must cost a fortune. Maybe some of the answers to the financial problems lie close to home? Will tough decisions be made about that building or will it be libraries and arts facilities that get thrown on the bonfire instead?

There's no point in saving pennies by, for example, turning the lights off, or cutting teams size down by a few members. Big projects need to be created that will bring significant wealth to Croydon, but that's so easy to say and I have no idea what such projects might consist of...

Stop wasting money on traffic calming measures like the 20mph zones

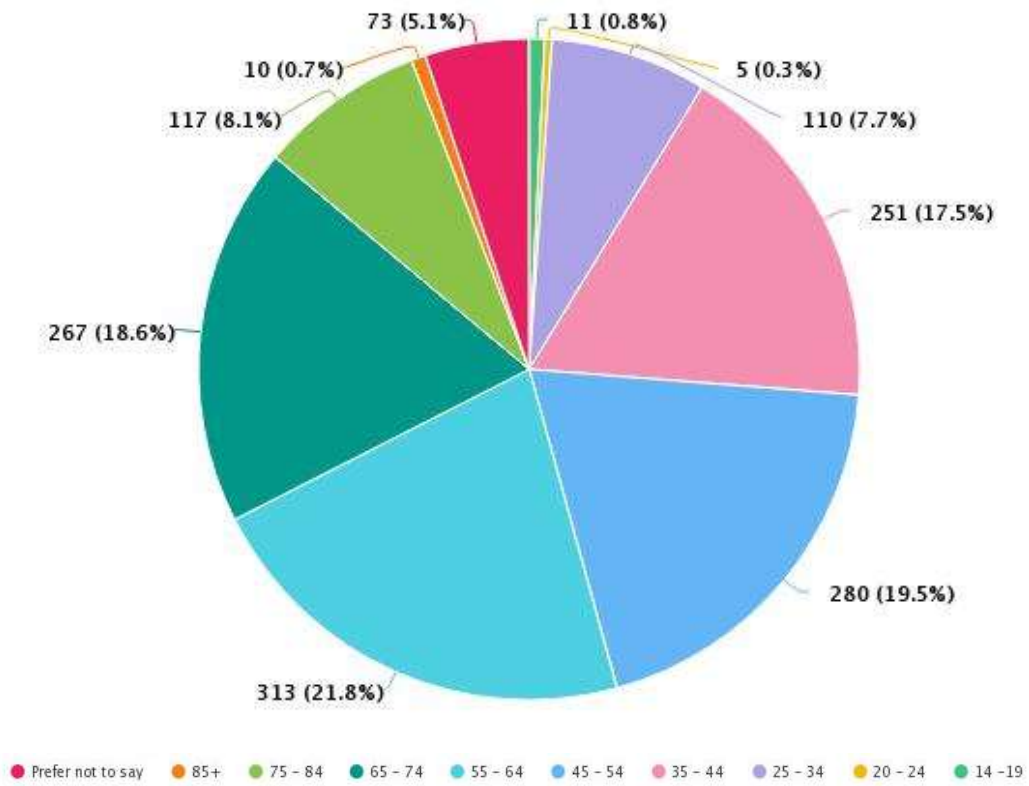
Spend the reserves paying of more debt will decrease the amount of interest payable if there is no money left so be it. That's how normal people have to operate.

Financially supporting community schemes should be something only to be considered during "years of plenty". While the council is cash-strapped, local communities will need to rely much more on their own resources and ingenuity

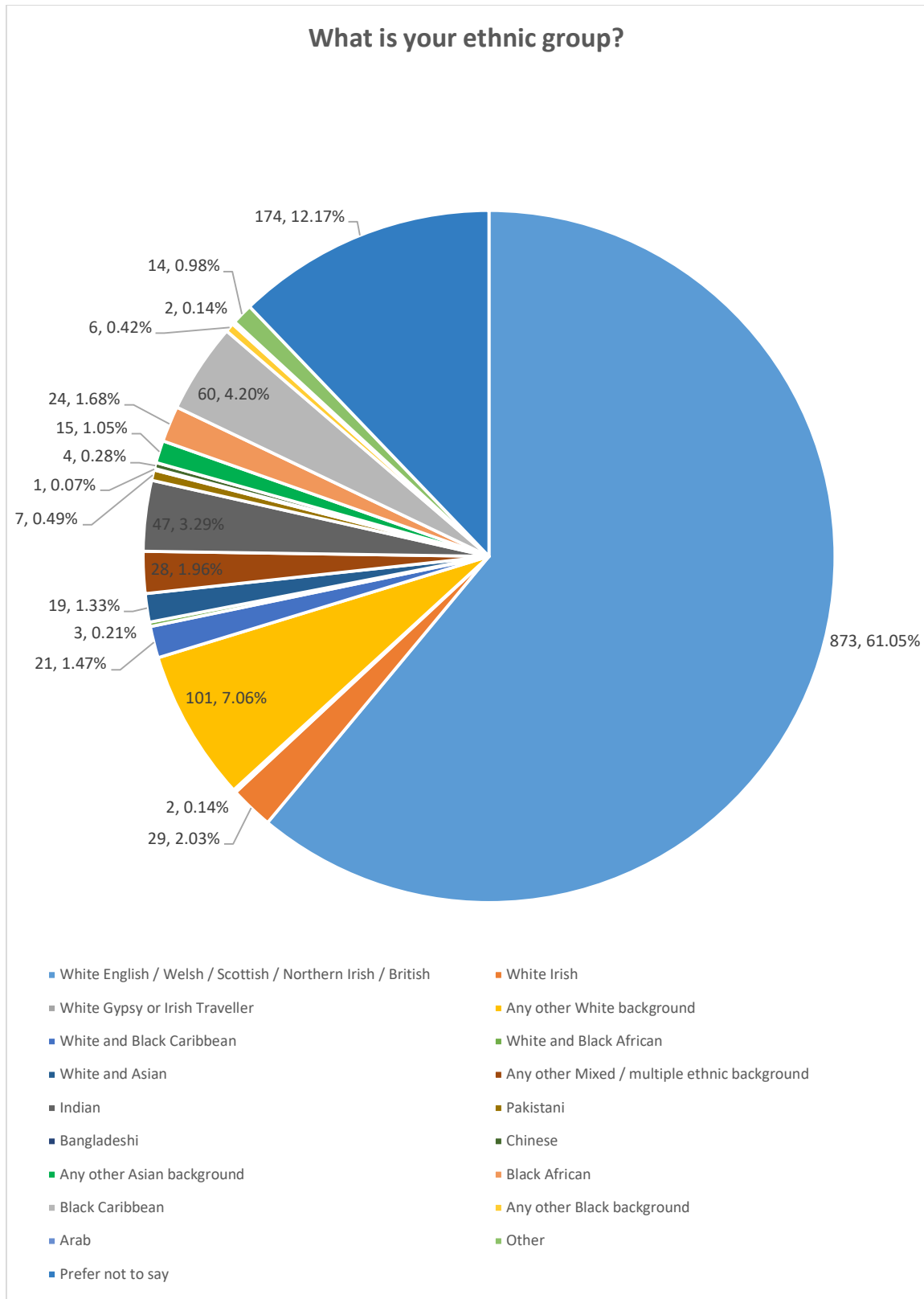
More money should be spent in improving current housing conditions and helping the vulnerable with living conditions

Appendix – Demographic analysis

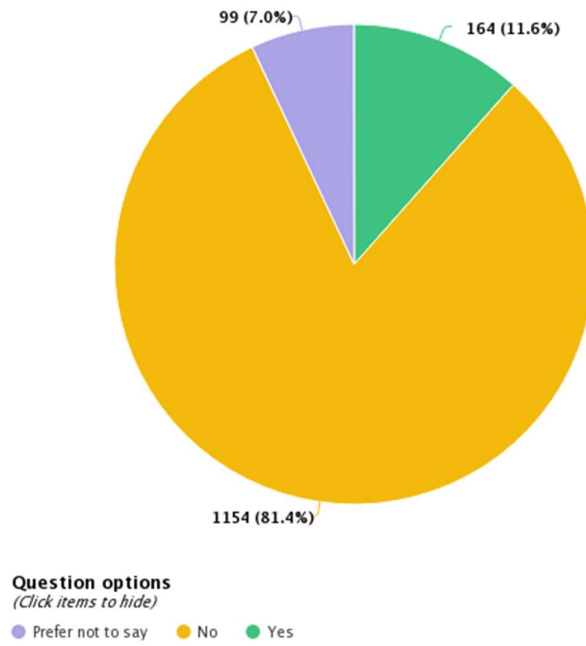
Age – Which age group applies to you?



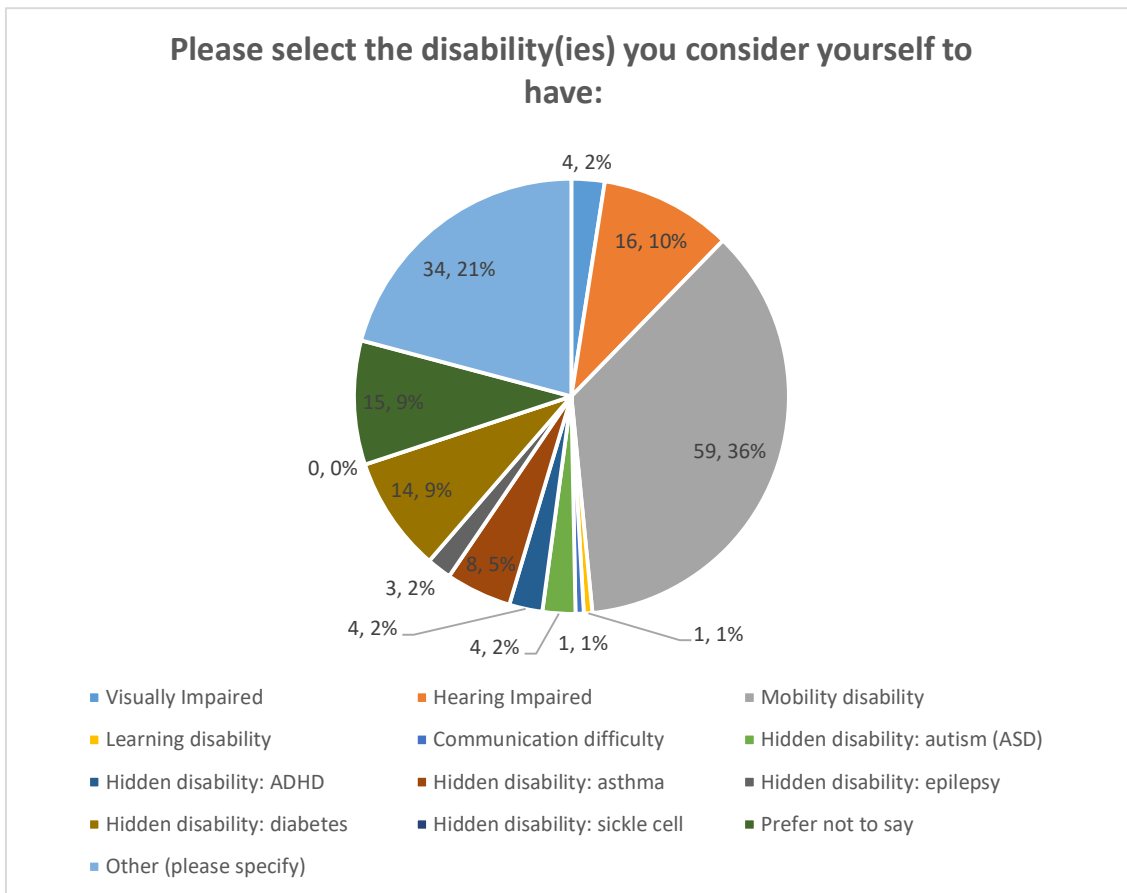
Ethnic group – What is your ethnic group?



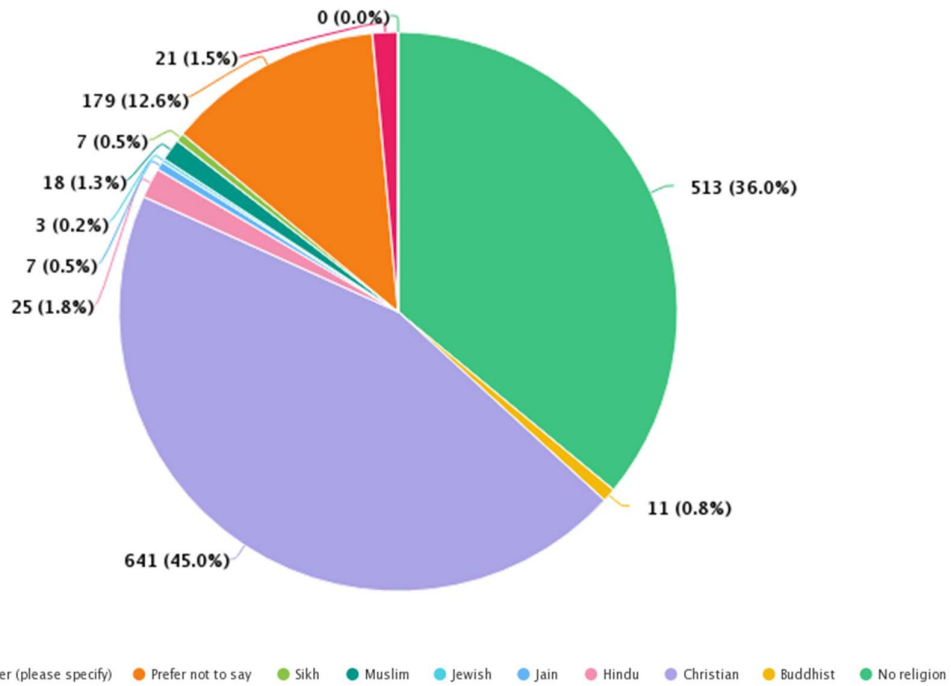
Disability – Do you consider yourself to have a disability?



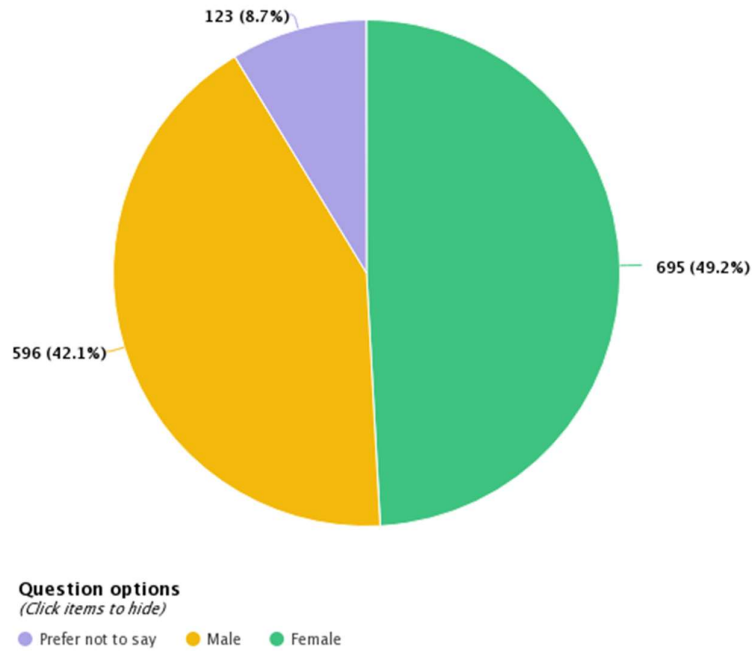
Disability – Please select the disability(ies) you consider yourself to have:



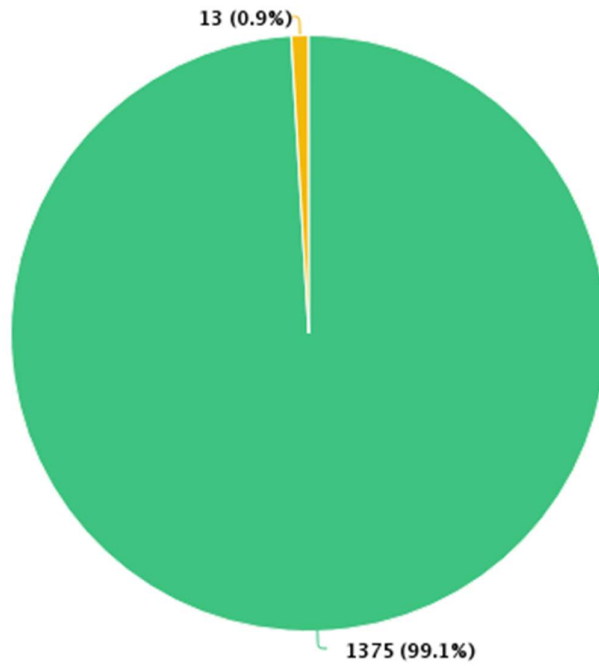
Religion – What is your religion?



Sex – What is your sex?



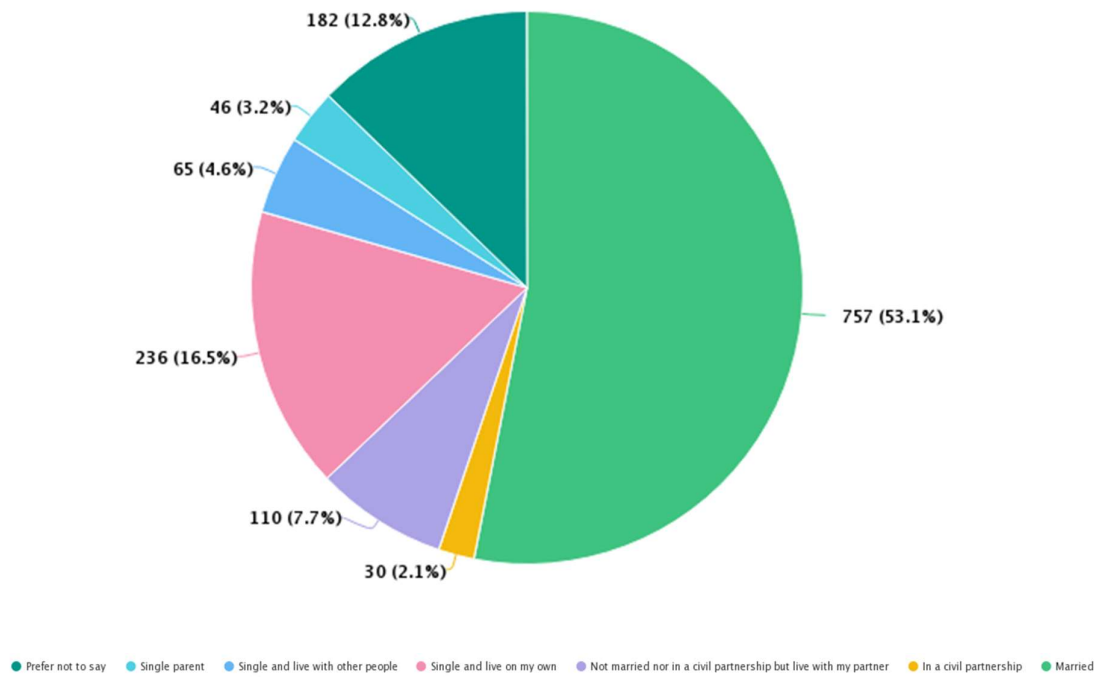
Gender – Is the gender you identified with the same as your sex registered at birth?



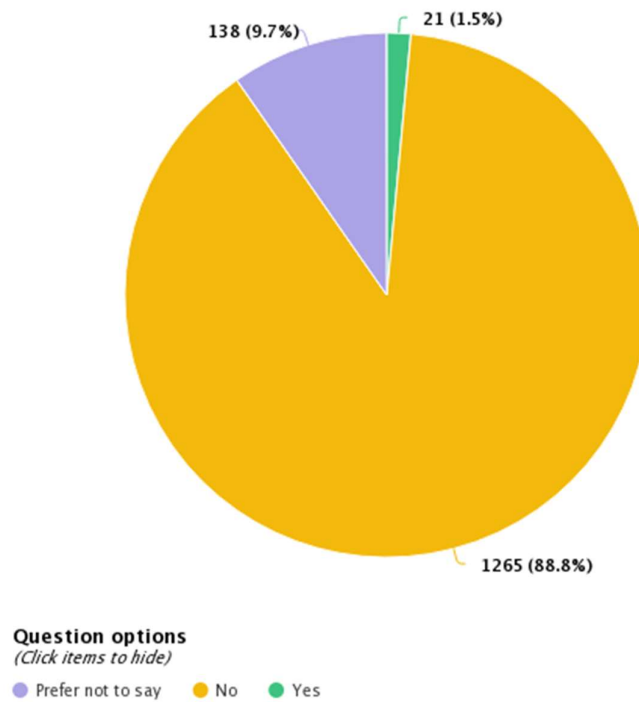
Question options
(Click items to hide)

- No - please tell us your gender identity
- Yes

Legal status – What is your legal marital or registered partnership status?



Pregnancy – Are you or your partner pregnant?



This page is intentionally left blank

Financial Risks

Adult Social Care & Health

Service Area	Short description of risk	Risk			Potential Mitigation
		2023/24 £000s	2024/25 £000s	2025/26 £000s	
All Care	<p>Market sustainability and Fair Cost of Care (FCoC).</p> <p>The government has recognised that the state of the care market is due, in part, to the rates paid by local authorities (LA). They have introduced reforms which are designed to bring current LA rates paid to a fair cost over a 3 year period. This is also in line with the authorities duties under the Care Act 2014. A nationwide exercise started in 2022 with the results being made public 01/02/23. This is likely to cause significant noise. Risk shown is the current best guess of the impact spread equally across 3 years, however its likely that this will increase in subsequent as the FCoC is based on 22/23 rates so is likely outdated before its fully met.</p> <p>If the grant funding is not available to the department either the likely grant conditions will not be met of the departmenrt will overspend.</p>	3,500	3,500	3,500	Use of Market Sustainability grant
All Care	<p>Hospital Discharge 1</p> <p>In late 2022 the ASC Discharge Grant was introduced to relieve pressures in the healthcare system. The grant was awarded to LAs and ICBs and was managed via the Better Care Fund S75 agreement. The grant has strict conditions and requires fortnightly activity reporting.</p> <p>This grant has been extended to 23/24, no further guidelines have been issued but it is highly likely to have the same or similar conditions.</p> <p>In addition the introduction of the FCoC will increase the costs of care for discharges.</p>	3,000-5,000	TBA	TBA	Use of the 2023/24 ASC Discharge grant and manage volume of patients being discharged.
All Care	<p>Hospital Discharge 2</p> <p>It was announced 9 January 23 that the Department of Health & Social Care (DHSC) are to spend £250m buying residential care beds. This has a number of potentially unfortunate consequences for LAs.</p> <p>This will likely increase the cost of residential care further, one providers have publicly stated that they consider this to be a high cost service.</p> <p>Part of the issue with discharge is the lack of therapy services available. Using these care home beds is not going change this situation and is highly likely to lead to care dependency for which the LA is liable to fund.</p> <p>There is no clarity around how these patients care will actively be managed. The worse case is that there are essentially "warehoused" which is inappropriate for the patient and potentially costly for the LA.</p> <p>As these plans have only just been announced and no guidance has been issued, the above is a best guess until we have further information</p>	TBA	TBA	TBA	https://www.gov.uk/government/news/up-to-250-million-to-speed-up-hospital-discharge
All Care	<p>Inflation</p> <p>Inflation has been budgeted for at up to 9%, however providers are currently approaching commissioners for increases of between 12 and 25%. These requests are outside the Fair Cost of Care exercise. In some instances the departmant may need to pay inflationary increases to ensure provider stability.</p>	0 - 1000			

Childrens and Young People

Service Area		Risk			Potential Mitigation
		2023/24	2024/25	2025/26	
		£000s	£000s	£000s	
Children's Social Care Division	Underfunding of employee pension budget	1,198	1,198	1,198	Covered from in-year vacancies
Social Work with Children Looked After and Care Leavers	Increased children looked after numbers and/or clients existing/new young people in high-cost placements	1,200	1,200	1,200	Early intervention to mitigate the number of children becoming children looked after

Housing

Service Area		Risk			Potential Mitigation
		2023/24	2024/25	2025/26	
		£000s	£000s	£000s	
Homelessness	Availability of private rental properties is low leading to high inflation and increased use of nightly paid accommodation	3,000	2,000		Budget for inflationary pressures Implement savings measures as planned including restructure; use of HRA stock; occupancy review etc. Use financial data to target most cost effective property as homelessness accommodation
Temporary and Emergency Accommodation	External pressures from other public bodies such as the increased need to provide services to asylum seekers housed in Croydon by the Home Office, large numbers of people being housed in Croydon by other London Boroughs and people housed in Croydon by the Probation service.	TBA			
Homelessness	Service disruption due to restructure of housing resource	1,000			Considered use of agency staff to cover gaps

Sustainable Communities Regeneration & Economic Recovery

Service Area		Risk			Potential Mitigation
		2023/24	2024/25	2025/26	
		£000s	£000s	£000s	
Highways and Parking	Income Risk for Penalty Charge Notices (PCN) due to delays in Conduent Contract for Automatic Number Plate Recognition	TBA			
Highways and Parking and Strategic Transport	There is a risk given the current financial situation at TFL that anticipated funding for infrastructure projects may be delayed or rescinded which may result in additional capital borrowing needed by the council be that to cover loss of income or to complete projects.	TBA			
Development Control	Continued down turn in the number of planning applications impacting ability to achieve income budgets.	TBA			
Highways and Parking	Although there has been a rightsizing of the Parking Budget the current cost of living crisis, continued changes in the number of people working from home since the pandemic and other economic factors may affect the number of people using Parking in Croydon. This will affect both Pay & Display and PCN Income.	TBA			

All Areas	Given the current rate of inflation there is a risk that continuation of this economic factor may affect further contractual prices and create additional budgetary pressures. This is most likely in connection with fuel, energy and services with a large sub contracted workforce	TBA			
All Areas	Given the current cost of living crisis and inflationary pressures on both residents and businesses within the borough there is likely to be a knock affect on various income streams with the Services, as people and businesses tighten the purse strings or regrettably in some cases cease trading.	TBA			
All Areas	Given the current financial situation of the council and a highly competitive external market (cost wise) in direct competition with some of our services recruitment and retention issues are risk that needs to be taken into account which may affect some of the services we deliver	TBA			
Development Management Building Control and Licensing	There is currently consideration being given or already in place regarding statutory requirements and statutory legislation in these areas which are likely to be realised in the next financial year. There is a risk that changes may affect income or costs for these services.	TBA			
Public Realm	A new statutory duty on public bodies and large organisations to physically protect public spaces ("Martyn's law) is due to be published in Spring 2023. This is expected to place several statutory duties on the council, which will not be funded from central government. Measures could range from Hostile Vehicle Mitigation to organisational policy, CCTV, recruitment and other changes. Where existing sites are owned by the council the cost of retrofitting measures are potentially significant.	TBA			Work will be undertaken with counter-terrorism police to identify potential sites although until the draft bill is released it is not possible to fully determine the criteria for vulnerable locations (which will directly affect the quanta of financial risk). A Protect Board will oversee this work across departments and the partnership, and co-ordinate activity. This will also ensure that any changes to planning policy and regulatory policy can be embedded in practice to mitigate future costs

Assistant Chief Executives and Resources

Service Area	Short description of risk	Risk			Potential Mitigation
		2023/24 £000s	2024/25 £000s	2025/26 £000s	
Resources- Investment & Assets	Disposal programme of assets will lead to reduction of income in revenue	TBA			Take account of any income loss within any decision to dispose of assets. Adjust the MTFS accordingly.
Elections	National changes occurring	TBA			Offset against any additional government funding for new burdens
Elections - Local	Reserve for local election	TBA			Review the future contributions to the reserve to spread any forecast cost increase.

CORPORATE

Service Area	Short description of risk	Risk			Potential Mitigation
		2023/24 £000s	2024/25 £000s	2025/26 £000s	
Council Wide	Upturn in inflation - pay award and contract inflation 1% higher than currently modelled	6,000			Review and management of contracts. Potential offset against the cost of living contingency.
Council Wide	1% increase in borrowing costs (due to interest rate rises)	1,880			Review in-year Treasury Management Strategy
Business Rates	Reduction in income due to business closure/lower economic activity	0	8,600	0	The impact will be in future years. The risk shown would reduce rates income to the minimum level (safety net threshold) guaranteed by the government.

Total Risks Quantified (mid-point taken when a range identified)	22,278	16,498	5,898
---	---------------	---------------	--------------

This page is intentionally left blank