

Scrutiny & Overview Committee Supplementary Agenda



6. 2024-25 Budget Setting Update (Pages 3 - 20)

Attached is the presentation delivered to the Scrutiny & Overview Committee on 16 January 2024.

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Budget proposals 2024-25

16 January 2024

Introduction

Council published its Draft Medium Term Financial Strategy in October, earlier than last year

Government released Provisional Local Government Finance Settlement late, 19 December

No new money on offer beyond what had been announced last year for 2024-25, much tighter than expected given all the lobbying councils had been doing

Government acknowledged that councils were facing tough times

Government have stressed that councils need to consider the use of reserves if they are struggling to balance next year. This is highly unusual and not helpful to councils like Croydon that do not have large reserves. Use of reserves to fund ongoing commitments should be discouraged.

The government is also consulting on giving councils more flexibility to use capital receipts to finance revenue spend to help councils avoid S114. Again, this one off income stream should not be used to fund ongoing commitments.

The next slides set out the challenging national context and where this leaves Croydon.

Future Projections

2024-25 Provisional Local Government Finance Settlement for Croydon

Corporate grants are
previous MTFS
less than modelled
after the Autumn
Statement

Considerations in setting the budget

The Council has a legal duty to set a balanced budget every year.

Croydon faces financial challenges like other councils:

Inflationary pressures

An increase in demand for essential social care and housing services

just before Christmas

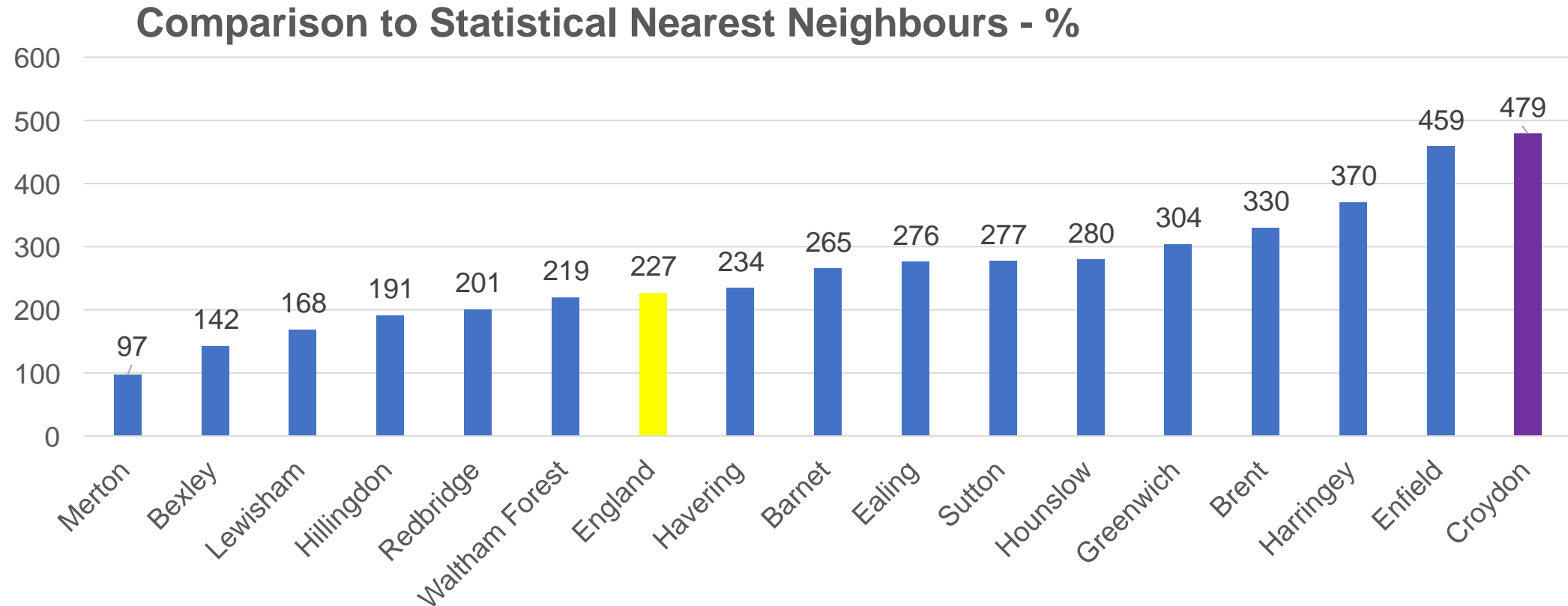
And faces a particular financial challenge as it deals with:

Council's core spending power compared to 8% for the median English authority.

buildings, to balance our budget. This is not a permanent solution and the Council is discussing other options with government. It also goes against the widely accepted rules of accountancy that you should not capitalise day to day revenue expenditure.

Total Debt as a Percentage of Core Spending Power

Source - OFLOG data as at the end of 2021-22



Where the council gets its money from

How the council spends its money

Pence per pound

Council Tax

Government expects councils to raise Council tax by the referendum limit each year.

Following the need to raise council tax by 14.99% in 2023 in order to protect services, the Executive Mayor has committed that Croydon will not increase future council tax levels above the referendum limit.

In 2024/25 the Budget assumes a council tax increase of 4.99%

2.99% council tax

2% adult social care precept to support vulnerable adults.

Council Tax support for low income households

27,000 pensioners and low income families through our Council Tax Support Scheme.

In addition, the hardship fund provides additional support for low income households that cannot afford to pay their full council tax.

addressed by:

extraordinary financial support from government

confirmation of the Local Government Finance Settlement.

The results of the Budget Consultation, which closed just prior to Christmas, are also under consideration.

Closing the Budget Gap

	2024-25	2025-26	2026-27	2027-28
Budget Gap (before savings, assuming Council Tax increases of 2% Adult Social Care and 2.99% general)	75.0	94.8	117.2	137.3
New savings in borrowing costs from asset disposals -	-4.0	-8.0	-12.0	-12.0
Proposed savings	-26.9	-33.9	-38.9	-39.0
Future savings to be identified	-	-13.0	-28.0	-48.0
Budget Gap (net of savings)	44.1	39.9	38.3	38.3
Further Request for government support	-38.0	-38.0	-38.0	-38.0
Remaining Budget Gap	6.1	1.9	0.3	0.3
Cumulative budget deficit	6.1	8.0	8.3	8.6

Discussions are ongoing regarding the level and type of government support.

Proposed Savings

Directorate	Incremental			Total
	2024-25	2025-26	2026-27	All Years
Adult Social Care & Health	5.0	4.0	4.0	13.0
Assistant Chief Executive	4.2	0.9	0	5.1
Children, Young People & Education	4.1	0.2	0	4.3
Housing	2.0	0.6	1.0	3.6
Resources	6.7	1.0	0	7.7
Sustainable Communities, Regeneration & Economic Recovery	1.4	0.4	0	1.8
Corporate & Council Wide	3.5	0	0	3.5
Total Directorate Savings	26.9	7.1	5.0	39.0
Saving in borrowing costs from asset disposals	4.0	4.0	4.0	12.0
Total Savings	30.9	11.1	9.0	51.0

Next Steps

Government to publish Final Local Government Finance Settlement on 5 February.

2024-25 Council Tax Setting and Budget Report to be published on 6 February.

Report to be discussed at the Scrutiny and Overview Committee on 12 February.

Budget Cabinet on 14 February.

First Budget Council on 28 February.

If necessary, second Budget Council on 6 March.