

# Council Supplementary Agenda No. 1



**2. Minutes of the Previous Meeting** (Pages 3 - 10)

To approve the minutes of the meeting held on 28 February 2024 as an accurate record.

**6. The Council's Budget 2024/25** (Pages 11 - 316)

The meeting is being called as part of the 2024/25 budget setting process. If this Council meeting is required, agenda and supplementary papers for the 'Council's Budget 2024/25' item will be issued following the 28 February 2024 Council meeting. Should a Budget be agreed at the meeting on Wednesday 28 February 2024, there will be no need for this meeting, and the meeting will be cancelled.

**IMPORTANT UPDATE (ADDED AFTER AGENDA PUBLICATION):**

At Budget Council on 28 February 2024, the executive's proposed budget was not agreed. This 6<sup>th</sup> March Budget Council will take place to consider the executive's response.

The papers published as Supplementary Agenda No.1 are reports previously published for Budget Council on 28 February 2024. The executive's response to the objections to the budget and additional papers will be published once received.

**7. Scheme of Member's Allowances (Pages 317 - 378)**

This item was deferred from Budget Council on 28 February 2024.

To agree the Members' Allowances Scheme for 2024/25.  
Under the Local Authorities (Members' Allowances) (England)  
Regulations 2003, Councils must, each year, approve the  
Members' Allowances Scheme for the next financial year.

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

Kenny Uzodike, Democratic Services  
020 8726 6000  
[kenny.uzodike@croydon.gov.uk](mailto:kenny.uzodike@croydon.gov.uk)  
[www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)

## Council

Meeting held on Wednesday, 28 February 2024 at 6.30 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

### MINUTES

**Present:** Councillor Tony Pearson (Chair);

Councillors Appu Srinivasan, Kola Agboola, Jade Appleton, Jeet Bains, Leila Ben-Hassel, Sue Bennett, Adele Benson, Margaret Bird, Claire Bonham, Simon Brew, Janet Campbell, Louis Carserides, Richard Chatterjee, Chris Clark, Sherwan Chowdhury, Stuart Collins, Mario Creatura, Jason Cummings, Patsy Cummings, Nina Degrad, Rowenna Davis, Danielle Denton, Samir Dwesar, Lara Fish, Sean Fitzsimons, Alisa Flemming, Clive Fraser, Amy Foster, Simon Fox, Gayle Gander, Maria Gatland, Brigitte Graham, Matt Griffiths, Lynne Hale, Patricia Hay-Justice, Maddie Henson, Christopher Herman, Yvette Hopley, Mohammed Islam, Karen Jewitt, Mark Johnson, Humayun Kabir, Stuart King, Ola Kolade, Joseph Lee, Endri Llabuti, Enid Mollyneaux, Stella Nabukeera, Michael Neal, Tamar Barrett, Eunice O'Dame, Ian Parker, Ria Patel, Jason Perry, Ellily Ponnuthurai, Holly Ramsey, Helen Redfern, Chrishni Reshekaron, Scott Roche, Manju Shahul-Hameed, Nikhil Sherine Thampi, Luke Shortland, Andy Stranack, Alasdair Stewart, Esther Sutton, Catherine Wilson, Robert Ward, Callton Young and Fatima Zaman

**Apologies:** Apologies of lateness were received from Councillor Alisa Flemming who subsequently joined the meeting at 6.48pm.

### PART A

95/24 **Minutes of the Previous Meeting**

The minutes of the meeting held on 28 February 2024 were agreed as an accurate record.

96/24 **Disclosure of Interests**

There were none.

97/24 **Urgent Business (if any)**

There were no items of urgent business.

98/24 **Announcements**

1. The Chair, informed Council that Councillor Mike Bonello, the ward councillor for Woodside Ward elected in 2021, had left the Council as a Member. On behalf of all Members, the Chair thanked him for his service to Croydon Council and in particular to the residents of Woodside Ward and wished him the very best in his future endeavours.
2. The Chair advised that Council had received two amendments for the budget item and the amendments overlapped with two decisions to be made by full council, the budget setting process, allocation of financial resources to appropriate heads of expenditure and separately, the Members Allowances Scheme.

He explained that if the published order of business was followed, Council would run the risk of deciding on the Member Allowance Scheme for 2025 based on the current budget provision. So, to ensure efficient conduct of the business of the meeting, he would vary the order of business to consider the budget item before the Scheme of Members' Allowances item and if the budget was not agreed, he would be asking Council to allow the Scheme to be deferred to the meeting on 6 March 2024.

3. The Chair gave update on his charities and announced forthcoming events:
  - The Chair's Curry evening at the Dawat Restaurant in Norbury organised by the Asian Resource Centre of Croydon had been successful and raised a lot of money for the Mayoral Charities.
  - The Chair had agreed to add to Croydon Council's flag raisings and a flag to mark Autism Action Week would be raised at 1pm on Tuesday 2 April 2024.
  - Young Stars of Croydon, a performance by over 100 young people and a joint fundraiser with Councillor Manu Shahul-Hameed's Love Not Hate Foundation would be held on Saturday 2 March at Whitgift School.
  - A Gala Dinner would be held at the Hilton Purley Way on Friday 26 April 2024. The Chair thanked all Members for their support and looked forward to seeing them at these events.
4. Mayor Jason Perry announced that he was pleased to present a balanced budget which demonstrated financial discipline, good governance, and delivered for residents of Croydon to Council.

99/24 **Croydon Pay Policy Statement 2024/25**

The Cabinet Member for Finance MOVED the recommendations as contained in the report, Councillor Callton Young SECONDED the motion, and Council:

**RESOLVED** to:

- 2.1 To approve the annual Pay Policy Statement for the financial year 2024-25 (as recommended by General Purposes Committee on 19 February 2024) and proceed to publish it in accordance with the requirements of section 39 of the Localism Act 2011;
- 2.2 To note the clarification within the Pay Policy Statement 2024-25 in relation to the definition of Deputy Chief Officers;
- 2.3 To note that the Market Supplement Policy and Procedure is under review. Pending the outcome of the review, the Pay Policy Statement 2024-25 in reference to market supplements may then require amending, subject to full Council approval following consideration and recommendation by General Purposes Committee;
- 2.4 To note that the Chief Executive and Head of Paid Service's salary, which has been due for review since April 2023, was reviewed at Appointments and Disciplinary Committee on 15 February 2024. Appointments and Disciplinary Committee agreed the recommendation that the pay for the Chief Executive and Head of Paid Service be contractually attached to the national pay review body covered by the Joint Negotiating Committee for Chief Executives, and that the Chief Executive and Head of Paid Service will therefore receive the 3.5% JNC Chief Executive's pay award for 2023/4. The salary for this post will then be £199,210 effective from 1 April 2023. The contract of employment will be varied, in consultation with the postholder;
- 2.5 To note the proposed changes set out in the Pay Policy Statement to obtaining approvals in relation to salary packages of £100k or more, and to request officers to prepare the necessary reports setting out consequential proposed changes to the Appointments and Disciplinary Committee's terms of reference, and any other necessary changes to the Council's Constitution, for consideration by General Purposes Committee and to be recommended to full Council.

100/24 **Scheme of Members' Allowances**

The Chair moved, it was seconded by Councillor Luke Shortland and unanimously RESOLVED that this item be considered after the Council's Budget item.

Subsequently, as the Budget was not agreed, it was moved by the Chair, seconded by Councillor Luke Shortland and Council unanimously;

**RESOLVED:** that this item be deferred to the second budget meeting on 6 March 2024 and should follow the budget item on that agenda.

Councillor Holly Ramsey left the meeting and did not participate or vote on the rest of the items on the agenda.

101/24 **The Council's Budget 2024-25**

**Questions to the Executive Mayor**

In response to questions, the Executive Mayor explained the following:

- The domestic violence budget was protected and ring fenced within the 2024/25 budget and an additional £70,000 had been allocated to the service.
- Council was working with its public health colleagues to protect, safeguard the most vulnerable in the borough and with voluntary sector colleagues to support those who are suffering from domestic violence.
- There was no cut to the domestic violence budget and the Family Justice Service was also protected within the budget.
- The proposed opposition amendment did not reverse the increase in Council Tax in the 2023/24 budget.
- There were ongoing meetings and correspondence between the Executive Mayor and officers within central government regarding how to move forward with the Council's debt.
- The Council's £1.6billion debt was not spiralling but burden was being offset by a sale of assets and last year's budget ran on a balanced budget basis so there was stable financial management in the Council's budget system.
- A transformation plan/strategy would be presented at cabinet soon and a transformation director had been appointed to deliver the plan.
- The transformation programme was important as once the sale of assets was done the debt burden could rise through further capitalisations, so the programme's aim was to transform the Council's operations making them more efficient. This would be a major focus in the current and future years.

## **Questions to the Cabinet Member for Finance**

The Cabinet Member for Finance, Councillor Jason Cummings, thanked staff in finance and across the Council for their hard work in preparing the budget. He said that coming up with savings to balance the budget. In response to questions, he explained the following:

- Transformation was a key part of how the council would bring long-term sustainability back to the Council.
- The cumulative savings that could potentially be generated by the project by-project approach was listed in Appendix GD of the budget papers.
- Many of the transformation projects were in the scoping and development stages.
- The Council was moving suppliers into a different payment system that would allow savings even if the overall value of the contract would not change.
- The reduction of the budget to support the transmission program from £10m in 2023/24 budget to £5m in 2024/25 was intentional as initially a larger budget was needed to facilitate more bids from departments for future transformation.

## **Questions to the Chair of Overview and Scrutiny Committee**

Members of Council asked questions of the Chair of the Overview and Scrutiny Committee, Councillor Rowenna Davis, who thanked officers for their support of Scrutiny and made the following comments and responses:

- Savings identified in the budget were ambitious, particularly after so many years of cuts, but Members were largely reassured that these would be deliverable.
- There was an exception with homes where Members understandably felt that they couldn't be reassured about the budget without the initial results from the Council's stock condition surveys, which were expected in the summer.
- A key risk highlighted for this year was the fact that the £5,000,000 economic demand pressures budget had been removed, and that was highlighted by the Section 151 officer herself last year.
- Scrutiny had recommended that the support from the Hardship fund should be better advertised but this was rejected but Scrutiny's biggest concerns remained the long term.
- The budget only balanced because of capitalisation from governments, which enabled Croydon to borrow and sell assets to meet costs.
- The debt remained a crippling burden as 17p out of every £1 paid by residents would be used to service the debt.
- Councillor Rowenna Davis had been incredibly impressed with the level of engagement by cabinet members and officers with Scrutiny and felt that the speed and quality of the information had been better than previously.
- Though the £5m Economic Contingency Fund removed from this budget had made the budget riskier, Scrutiny was assured by officers that the

Council's data collection and the budget setting were far more accurate this year, and there were other available contingency funds.

- Scrutiny had reviewed contract management and future procurement as a dedicated item and there was an understanding that there was a long way to go on it.
- Scrutiny would be reviewing the Community Safety Partnership and conducting a deep dive into the progress made with the Violence against Women and Girls Strategy. Both would involve community engagement and Members were welcomed to attend.
- The budget was a good example of Scrutiny adding value and working together with the administration to do a better job.

Members then engaged in a debate on the recommendations. Council heard that:

- There was a range of support available to Croydon residents who were struggling the cost of living crisis.
- The Council would spend £64m in servicing its debt in 2024/25 and to balance, the budget would need to deliver over £30m in savings.
- In the present challenged financial circumstances, the Council should strive to find ways to improve the lives of residents especially the most vulnerable.
- The Council could not return itself to a fully sustainable position without exceptional financial support and debt write-off from central government.
- It was possible to make changes to the budget that would improve the outcomes for the borough's most needy and vulnerable. It was essential now, more than ever, to explore those options because Croydon was home to some of the poorest neighbourhoods in the country.
- There was a gap in the provision of targeted support for pupils' transition from year 6-7, a time young people were vulnerable to being exploited or drawn into criminal behaviour.
- Croydon Council needed a radical transformation to develop into a Council which puts the residents in the environmental best.
- The budget setting processing could be made more accessible and transparent for residents.

In conclusion, the Cabinet Member for Finance, Councillor Jason Cummings, stated that Councils were in a difficult position with funding. He said that as promised, the budget would not raise council tax through the cap this year



rather it would reduce Croydon's reliance on capitalisation by £25m more in 2025 than 2024, protect housing, provide for the Regina Road development and restore financial governance and discipline.

Members then voted on the Budget and Council Tax Report and Council;

**RESOLVED:** with 33 votes for and 36 votes against, to reject the Budget and Council Tax-setting proposals before Council.

Councillor Stuart King, the Opposition Leader then summarised the reasons for this resolution, asking the Mayor Jason Perry to revise the proposals in light of growth items contained in the Labour amendment. He further stated that Labour Group Members would be open to other options that secured their proposed budget changes as they were committed to setting a balanced budget in line with the Council's legal duty.

Councillor Ria Patel stated that the Greens, who also submitted an amendment could not support the executive's proposals because residents would be paying more council tax for services whilst the Special Responsibility Allowances remained untouched and the capitalisation directions, used to fund the employee budget were not sustainable ways of financing local government instead a long-term agreement was needed with the central government.

Councillor Claire Bonham, the Liberal Democrat Independent Member stated that she did not support the proposals as the approach to funding the budget by capitalisation directions, was not sustainable and other options such as Amendment Support Board, transformation and proposals by other opposition groups that would be debated next week could be explored.

The Chair advised, Mayor Jason Perry to reconsider the budget proposal in the light of the objections, and either submit a revised proposal or respond to the objections in relation to the original proposal and give reasons.

He advised that as the Council had a legal duty to agree a budget by the statutory deadline 11 March 2024, as previously agreed, there would be a meeting of full Council on 6 March. The Chair moved that the Scheme of Member's Allowances be considered after the budget on 6 March 2024.

This was seconded by Councillor Jason Cummings and put to the vote;

**RESOLVED:**

That Item 7, Scheme of Members' Allowances, be deferred and considered after the budget item at the meeting on 6 March 2024.

The meeting ended at 8.46pm.

**Signed:**

**Date:**

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## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Council</b>	
<b>DATE OF DECISION</b>	<b>6 March 2024</b>	
<b>REPORT TITLE:</b>	<b>The Council's Budget 2024-25</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)</b>	
<b>LEAD OFFICER:</b>	<b>Jane West, Corporate Director of Resources</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>KEY DECISION?</b>	<b>Yes</b>	Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council's budget for the service or function to which the decision relates  and  Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	
<b>WARDS AFFECTED:</b>	<b>All</b>	

### 1 SUMMARY OF REPORT

- 1.1 The purpose of this report is to enable the Council to calculate and set the Council Tax for 2024-25.
- 1.2 The Localism Act 2011 made significant changes to the Local Government Finance Act 1992 ("the Act"), and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously.
- 1.3 The Council has to formally resolve that it calculates certain figures, which broadly are:
  - its gross expenditure, including contingency and levies (but not precepts)
  - its gross income from fees & charges and other sources, specific grants, external finance from the Government, and any surplus/deficit on the collection fund
  - the difference between the two, being the amount which the Council needs for its own services to be paid from the collection fund, defined as the Council Tax requirement
  - the basic amount of Council Tax for the net position of all these figures, including

precepts, and

- the amount of Council Tax for each other category of dwelling.

- 1.4 The Council is also required to formally approve the management of the Council's treasury management functions, including the Treasury Management Strategy Statement, Prudential Indicators and Minimum Revenue Provision Statement; the proposed revenue budget for the General Fund; the Capital Strategy & Programme.
- 1.5 Attached to this report are:
- Appendix A which are the draft minutes of the Cabinet meeting of 14 February 2024.
  - Appendix B is the calculation of the council tax requirement and council tax.
  - Appendix C sets out the Council's net budget requirement and medium term forecast to 2027-28.
  - Appendix D the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as recommended by Cabinet of 14 February 2024.
  - Appendix E sets out the proposed changes to the empty and second homes premiums.
- 1.6 The Treasury Management Strategy Statement and the Capital Programme & Strategy with all related documents were reported to Cabinet separately on 14 February 2024.
- 1.7 The Revenue Budget and Council Tax Levels Report was presented to 14<sup>th</sup> February Cabinet. That Report is circulated as an Appendix G to this Report but with the following changes:
- It incorporates a departmental and subjective analysis of the 2024-25 Budget in Appendix G B (which was marked to follow at Cabinet).
  - Appendix G L (Directorate Financial Risks) is updated following the request by Scrutiny and Overview Committee on 12<sup>th</sup> February for more information.
  - Paragraph 3.13 has been amended to more fully explain the further legacy Capitalisation Direction request of £9.4m for 2019-20 as requested by Scrutiny and Overview Committee.
- 1.8 In light of the above, Cabinet recommends the Council to adopt the following resolutions as set out below. The effect of adopting these resolutions would be to set the Council Tax for a Band D property at £2,366.91 (including the GLA precept).
- 1.9 The Levelling-up and Regeneration Act 2023 enables local authorities to change the timeframe for applying empty property council tax premiums and to introduce council tax premiums on second homes. The changes are designed to bring more empty homes into productive use and to generate greater income earlier on those properties where the owner wishes them to remain empty. Council is asked to approve the introduction of the new council tax charges regarding empty properties and second homes for Croydon. The changes will enable the Council to raise and retain additional revenue to support local services. A report was considered by Cabinet on 22 November 2023 (Appendix E) on these changes and recommended by Cabinet on 14 February 2024 for approval by Full

Council. This will enable the necessary determinations to be made, and put in place, prior to the commencement of the financial year to which this budget report relates.

- 1.10 From 1 April 2022 the Council changed the Council Tax Support Scheme to an income band scheme. This means that weekly household income is used to determine the percentage of Council Tax support provided. At the Council budget meeting on 1 March 2023, it was resolved to “Change the rate at which the income bands are increased annually from the level of Consumer Price Index (CPI) 10.1% to the amount Council Tax is increased for that year which could be up to 15% cap.” The income band levels increase being in line with Council Tax increase was only for 2023-24 and therefore the Council Tax Support Scheme will revert from 1 April 2024 to increase the income bands in line with consumer price index (CPI) year on year inflation as at September in the prior year.

## **2 RECOMMENDATIONS**

For the reasons set out in the report [and its appendices], and as recommended by Cabinet of 14 February 2024, Council is recommended:

- 2.1 Note the responses to the budget engagement with residents and statutory consultation with businesses as set out in the Budget Cabinet Report, Appendix G J.
- 2.2 Note the equalities impact assessment undertaken on the budget proposals as set out in the Budget Cabinet Report, Appendix G N.
- 2.3 Note the Scrutiny Budget Report and the Executive response to the recommendations in the Scrutiny Budget report relating to the budget proposals, Appendix F.
- 2.4 To agree an increase in the Croydon element of the 2024-25 council tax charge by 2.99% (Band D £53.98)
- 2.5 To agree a 2% increase (Band D £36.11) in the 2024-25 Adult Social Care precept levy.
- 2.6 To agree the calculation of the council tax requirement of £259,761,449 and council tax as set out in Appendix B and note that the inclusion of the Greater London Authority precept will result in a total increase of 5.69% (Band D £127.35) in the overall Croydon council tax bill.
- 2.7 To approve the setting of the Council’s own total net expenditure budget for 2024-25 at £361.267m (Appendix C).
- 2.8 To agree the detailed programme of revenue savings, income, demand pressures and legacy budget corrections, by directorate, as recommended by Cabinet of 14 February 2024 (Appendix D).

- 2.9 To agree a £5m budget in 2024-25 to support the transformation programme as recommended by Cabinet of 14 February 2024.
- 2.10 To agree the Reserves Policy as set out in Appendix G M of the Revenue Budget and Council Tax Levels Report 2024-25 as recommended by Cabinet of 14 February 2024.
- 2.11 To agree 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.
- 2.12 To agree that the necessary determinations are made as billing authority under Section 11B of the Local Government Finance Act 1992 for financial year 2024-2025 to the effect that where permitted, for dwellings that have been unoccupied and substantially unfurnished for a period of at least one year the amount of Council Tax will be increased by 100% where the period is less than 5 years, by 200% where the period is at least 5 years but less than 10 years, and by 300% where the period is at least 10 years, and that the discount under Section 11(2)(a) shall not apply.
- 2.13 To agree that the necessary determinations are made under Section 11C of the Local government Finance Act 1992 as billing authority for financial year 2025-2026 to the effect that where permitted, for dwellings where there is no resident of the dwelling and the dwelling is substantially furnished, the amount of Council Tax will be increased by 100%, and the discount under Section 11(2)(a) shall not apply.
- 2.14 To agree that the Council Tax Support scheme (statutory local council tax reduction scheme) under Section 13A (2) of the Local Government Finance Act 1992 is not changed from that agreed by Full Council resolution on 1<sup>st</sup> March 2023.
- 2.15 To agree the Council's 2023-29 General Fund Capital Programme which includes planned expenditure of £479.68m (including capitalisation directions) across the six years as recommended by Cabinet on 14 February.
- 2.16 To agree the Council 2024-25 Housing Revenue Account Capital Programme with a total investment planned of £57.24m with borrowing of nil as recommended by Cabinet on 14 February 2024.
- 2.17 To agree an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, owing to increased major repairs and improvements, with this £3.914m increase funded by HRA reserves as recommended by Cabinet on 14 February 2024.
- 2.18 To agree the Council's Capital Strategy (Appendix H A), as presented within the Capital Programme and Capital Strategy 2023-29 Report to Cabinet on 14 February 2024.
- 2.19 To agree The Treasury Management Strategy Statement 2024-25 as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy

Statement and Annual Investment Strategy 2024-25 Report to Cabinet on 14 February 2024 (Appendix I).

- 2.20 To agree the Prudential Indicators as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024-25 Report to Cabinet on 14 February 2024 (Appendix I).
- 2.21 To agree the Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in Appendix B of the Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024-25 Report to Cabinet on 14 February 2024 (Appendix I).
- 2.22 To agree the Borrowing Strategy and Investment Strategy as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024-25 Report to Cabinet on 14 February 2024 (Appendix I).
- 2.23 To note the requirement for Members to undertake training in order to have the appropriate knowledge and skills to enable them to understand and scrutinise the Council's treasury management as set out in the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024-25 Report to Cabinet on 14 February 2024 (Appendix I).
- 2.24 To note the Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regard to its level of indebtedness to ensure it can deliver sustainable local government services.

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.
- 3.2 Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m requires Cabinet approval for capital spend under the Council's Scheme of Delegation.
- 3.3 Under the Constitution of the London Borough of Croydon the Full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code).

- 3.4 Full Council are required to approve the changes to the timeframe for applying empty property council tax premiums and to introduce council tax premiums on second homes.

## 4 BACKGROUND AND DETAILS

- 4.1 As set out in the respective Revenue Budget and Council Tax Levels 2024-25 (Appendix G), Capital Programme and Capital Strategy 2023-29 (Appendix H) and Treasury Management Strategy Statement, Minimum Revenue provision Policy Statement and Annual Investment Strategy 2024-25 (Appendix I) reports to Cabinet of 14 February 2024 and the associated appendices.

## 5 LEGAL, FINANCIAL AND EQUALITIES IMPLICATIONS

- 5.1 As set out in the respective Revenue Budget and Council Tax Levels 2024-25 (Appendix G), Capital Programme and Capital Strategy 2023-29 (Appendix H) and Treasury Management Strategy Statement, Minimum Revenue provision Policy Statement and Annual Investment Strategy 2024-25 (Appendix I) reports to Cabinet of 14 February 2024 and the associated appendices.

## 6 CONSULTATION

- 6.1 As detailed in Section 10, Budget Engagement, of the Budget Cabinet Report, Appendix G.

## 7 CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 The Council's Budget 2024-25 supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

## 8 APPENDICES

Appendix A Draft minutes of the Cabinet meeting of 14 February 2024

Appendix B Calculation of the 2024-25 council tax requirement and council tax

Appendix C Net budget requirement and medium term forecast to 2027-28

Appendix D Revenue savings, income, demand pressures and legacy budget corrections, by directorate

Appendix E Council Tax Empty and Second Homes Premium

Appendix F Budget Scrutiny Report and Executive Response

Appendix G Budget Report – Cabinet. *Please note that paragraph 3.13 has been amended to more fully explain the further legacy Capitalisation Direction request of £9.4m for 2019-20 as requested by Scrutiny and Overview Committee.*



- Appendix G A Summary of the 2024 Medium-Term Financial Strategy forecast
- Appendix G B General Fund Departmental and Subjective Budget summary (*now included, was marked to follow at 14 February Cabinet*)
- Appendix G C General Fund growth and savings proposals
- Appendix G D Transformation Programme
- Appendix G E Government Grant
- Appendix G F Business Rates Forecast
- Appendix G G 2024-25 Croydon Tax Base
- Appendix G H Empty Homes and Second Homes
- Appendix G I Recommendations for Council Tax Requirement 2024-25 and Council Tax charge by Band.
- Appendix G J Budget Proposals for 2024-25 – Feedback from the Public Engagement Process
- Appendix G K Statement by the Director of Resources (section 151 Officer) on the robustness of the budget estimates and the adequacy of balances and reserves.
- Appendix G L Directorate Financial Risks (*updated following the request by Scrutiny and Overview Committee on 12th February for more information*)
- Appendix G M Reserves Policy
- Appendix G N 2024-25 Budget EQIA
- Appendix H Capital Programme and Capital Strategy 2023-29 – Cabinet Report 14 February 2024
- Appendix H A Capital Strategy 2024-25
- Appendix I Treasury Management Strategy Statement, Minimum Revenue provision Policy Statement and Annual Investment Strategy 2024-25 – Cabinet Report 14 February 2023

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Cabinet

Meeting of Cabinet held on Wednesday, 14 February 2024 at 6.32 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

**MINUTES**

**Present:** Mayor Jason Perry (Chair);

Lynne Hale (Deputy (Statutory) Executive Mayor and Cabinet Member for Homes (Vice-Chair)), Councillors Jeet Bains (Cabinet Member for Planning and Regeneration), Jason Cummings (Cabinet Member for Finance), Maria Gatland (Cabinet Member for Children and Young People), Yvette Hopley (Cabinet Member for Health and Adult Social Care), Ola Kolade (Cabinet Member for Community Safety), Scott Roche (Cabinet Member for Streets and Environment) and Andy Stranack (Cabinet Member for Communities and Culture)

**Also Present:** Councillors Rowenna Davis (Chair of Scrutiny and Overview Committee), Stuart King (Leader of the Opposition), Callton Young (Deputy Leader of the Opposition and Shadow Cabinet Member for Finance), Janet Campbell (Shadow Cabinet Member for Health and Adult Social Care), Christopher Herman (Shadow Cabinet Member for Streets and Environment), Chrisni Reshekaron (Shadow Cabinet Member for Homes) and Leila Ben-Hassel

**PART A**

117/24 **Minutes of the previous meeting**

The part A minutes of the Cabinet meeting held on Wednesday 31 January 2024 were agreed as an accurate record.

118/24 **Disclosure of Interests**

There were none

119/24 **Urgent Business (If any)**

There were no items of urgent business.

## Mayor's Business Plan 2022-2026 Performance Report

The Executive Mayor introduced the Mayor's Business Plan 2022-2026 Performance Report which provided further update of achieving outcomes and Key Performance Indicators (KPIs).

The Deputy Mayor and Cabinet Member for Homes, Councillor Lynne Hale, shared with Cabinet that the KPIs had shown a clear indication of where the Housing department were and the scale of challenge, they were facing to improve the service. The aim was to build strong sustainable foundations across the service including developing KPIs based on accurate and reliable data, monitoring, and the use of data. The Housing Strategy, which aligned with the recent resident's charter, was to form as part of the decision process for long-term foundations in the service. The contact centre had faced a significant number of high calls and staff resource issues, and now a new inhouse contact centre had been overwhelmed by the demand. Following the problems seen, a new staffing plan had been developed and a contact centre refreshed with permanent staff appointed receiving bespoke training programme. With shared accommodation being a national problem, Croydon council aimed to refocus services to prevent homelessness at a much earlier stage. There was progression on the key priority of voids, where 650 voids were made to offer homes to families who had spend years on temporary accommodation. Overall, a new NEC system was being stabilised, data was under validation and cleansing, permanent staffing were under recruitment, with refocus on customer service through the customer care training programme, closer performance monitoring and management, would see improvement in service delivery.

The Cabinet Member for Children and Young People, Councillor Maria Gatland, shared with Cabinet of the known demand for statutory social work service which had risen by 16% in 2022 and 2023 and highlighted some red indicators, though there was positive factors such as the proportion of 16 and 17 year olds who were not in education, employment or training (NEET) had received positive work with increased availability with face-to-face learning for 16 to 18 year olds, other means to assist learns and a robust , further with an additional case worker externally funded to work with the pupil referral unit in supporting the school year 11 with post 16 planning and transition. Further, the EHPC had a huge amount of work undertaken with quality and design which was highly rated by the DfE. Since June 2022 there was introduction of weekly reporting by team managers to their heads of service for scrutinising weekly performance; further there was equality SEND database to inform practice. Child protection plans was monitored very closely. The transformation with the front door service – the Multi-Agency Safeguarding Hub (MASH) with enhanced management oversight would help monitor the indicators which were all under scrutiny.

The Cabinet Member for Health and Adult Social Care, Councillor Yvette Hopley, shared with Cabinet in detail that the indicators for the percentage of safeguarding intervention leading to reduction/removal of risk, the rate of 65+ clients in long term care, and the rate of 65+ clients supported to live independently were currently in the green zone in performance. The amber indicators concerning the percentage of people who approached the council for help with adult care and resolved at the point of initial contact, the percentage of people still at home after 91 days after returning home from using reablement service, and the rate of 18-64 year-old clients supported to live independently, have seen more strategic work in each segment. The red risks indicators noted the management in the demand programme with significant shifts in the transformation work that had started; further, more work was to be done on rehabilitation, and the service was looking to improve the facilitation of people into their own homes. There were other projects to be delivered, and new technology and smarter working would help move figures into the right direction.

The Cabinet Member for Communities and Culture, Councillor Andy Stranack, shared with Cabinet that the latest London Borough of Culture statistics had been collated as of November 2023, highlighting that over 200 cultural events had taken place across the borough reaching over one million people. There were 14,000 opportunities for young people to engage with the culture sector, there were over 6000 volunteers helping and taken part in the events, and 104 local schools had taken part in some way. "A Very Croydon Christmas" was a recent event which took place in the Croydon Clocktower, Queens Garden and the Fairfield Halls which received feedback as good or very good. The real value of events came from personal impacts of the individuals. The key aim of the year was to shine a positive light on Croydon and its amazing cultural talent.

The Cabinet Member for Community Safety, Councillor Ola Kolade, shared with Cabinet that the council was continuing to make Croydon a safer place to be through the Safer Croydon Partnership. Further work was undertaken through the Community and Safety Engagement Board working with a number of community groups to address crime and antisocial behaviour to provide the assurance of safety in workplaces and residence in the borough of Croydon. Reviewing the key performance indicators in detail, the domestic violence offences rate saw it was ringfenced and maintained the family justice budget through working closely with public health to protect and safeguard local residents within the borough. This remained the highest issue, where the family justice service would be leading on. The knife crime with injury indicator had shown that the service was launching a new youth outreach which would run for a full year to give additional support for young people. The service was acting much quicker in response to street robberies and antisocial behaviour in the district and town centre and investing in additional resources.

The Cabinet Member for Planning and Regeneration, Councillor Jeet Bains, shared with Cabinet that the service continued to see performance

improving each quarter which was a reflection of the work as part of the planning transformation programme and the clearance of the backlog. The key indicators addressing the major planning applications determined in time over a rolling 2 year period, remained well above the government target threshold of over 90% within target, and the non-major planning applications determined in time over a rolling 2 year period, was also above target with more than 80% in target.

The Cabinet Member for Streets and Environment, Councillor Scott Roche, shared with Cabinet that further improvements continued to be made within the service, and though more work was to be done, the progress of improvement was on the right track. The key performance indicators relating to the percentage of reported flytips removed within one working day showed a strong response with over 97% in target and matched feedback from residents, however, the overall concern for flytipping still remained high. A new force of policy was to be produced and enforced in the future. The percentage of waste rejected as contamination by Croydon's processing facility had seen an increase in volume in the recycling waste rejected and redirected for further processing. The service would be seeking assistance from landlords and managing agents to address contamination and increase the quality of recycling. The household waste recycling rate saw an increase of rejection rate which had a corresponding impact on the recycling rate along with the seasonal variation in the amount of garden waste collected and recycled. In relation to street cleansing and the percentage of street below grade rectified within 24hrs, this was at 93%. Lastly with the percentage of household waste collected on time, this had remained at a high level at 99% within target.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet that the council balanced its books and the net budget recorded was zero, and was positive with the direction of the finance sector.

The Leader of the Opposition, Councillor Stuart King, had a question on the KPIs and asked whether there were concerns that 30 of the 84 KPIs portrayed no target at all, and where no target had been set, this proposed a risk and therefore not monitored. Further, with the 54 KPIs with a target set, 50% of those KPIs were red and 38 KPIs had performance not improving.

The Executive Mayor responded that the KPIs were a new process the council took to monitor each service area in greater detail, and to benchmark. The performance seen reflected on where the council currently stood following the trajectory of improvement from being under special measures. Trust with residents and working with services would provide a better journey for improvement.

The Director of Quality Performance, David Courcoux clarified that the vast majority of the indicators that did not have targets were categorised

within the appendices as partnership KPIs (i.e. where the council did not have direct control over). The indicators that related to the council and measured organisational performance would have targets.

The Executive Mayor in Cabinet **RESOLVED**: To

Note the Mayors Business Plan performance report (Appendix A and B) with latest data available on 30 November 2023 (unless otherwise stated) regarding overall council and partnership performance, and actions being taken to improve outputs.

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### **Brick by Brick Closure Report**

The Executive Mayor introduced the Brick by Brick Closure Report which was established in 2014 to build council homes and deliver housing projects affordably for the council, however, following the council's declaration of bankruptcy in 2021, the council had to make significant steps to recover money from Brick by Brick and now on a process of winding down Brick by Brick to deliver financial stability to the council.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet that the key momentum was to close Brick by Brick, having reflected that there had been options in managing Brick by Brick with choices to either continue working with Brick by Brick. To close was the right decisions made following the loss made which has now stopped.

The Leader of the Opposition, Councillor Stuart King, welcomed the report and asked in relating to recommendation 2.3 of the possible sale of Brick by Brick, and whether there had been enquires that this should be included in the list of recommendations; also, in relation to recommendation 2.2 whether a decision had been made for the asset and liabilities to be released to the general fund or Housing Revenue Account.

The Cabinet Member for Finance, Councillor Jason Cummings, responded that with regards to recommendation 2.3 and any potential sale, there was opportunity for a party to purchase Brick by Brick, though noted that during the original options submitted, when reviewing market value, a decision was made to continue the build out. This report, however, sought to cover any options that may create exceptional circumstances where the council would have an offer for better value. With regards to recommendation 2.2 and the Housing Revenue Account and general funds, this regarded an assessment of the individual assets that remained by Brick by Brick to be worked through and value assessed for its use. It was currently unknown what assets would remain, though this was to be addressed on an individual basis.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. To approve that Brick by Brick Croydon Ltd be closed down on a solvent basis as detailed under Option 1 of Section 8.
- 1.2. To delegate to Corporate Director of Resources (S151 Officer), in consultation with Director of Legal Services, Corporate Director Housing and Director of Commercial Investment & Capital to decide whether the Council under its Housing Revenue Page 82 Account (HRA) and/or General Fund (GF) acquire all or part of the remaining assets and liabilities of BBB if not disposed within a reasonable time frame.
- 1.3. To delegate to Corporate Director of Resources (S151 Officer), in consultation with Executive Mayor, Lead Member of Finance, Director of Legal Services, Director of Commercial Investment & Capital to negotiate the sale of Brick by Brick Croydon Ltd should an offer that improves the Council's financial position, against the winddown position, be received before the proposed winddown date of the company.
- 1.4. To delegate to Corporate Director of Resources (S151 Officer), in consultation with Executive Mayor, Lead Member of Finance, Director of Legal Services and Director of Finance to enter into any final legal agreements on behalf of the Council as Shareholder and/or Lender and make any necessary shareholder resolutions, where relevant to give effect to the recommendations and delegated decisions in this report as part of the winddown process.
- 1.5. To delegate to Corporate Director of Resources (S151 Officer), in consultation with the Executive Mayor, Lead Member of Finance, Director of Legal Service and Director of Finance to approve the final loan principle write off amount, up to £70m, at the point of winddown.
- 1.6. To delegate to the Corporate Director of Resources (S151 Officer), in consultation with the Executive Mayor, Lead Member of Finance, Director of Legal Service and Director of Commercial Investment & Capital to issue letters to current Directors requesting their resignations and to approve indemnification of liability in line with the Outside Bodies Protocol approved by Ethics Committee on 8th February 2023.
- 1.7. To delegate to Corporate Director of Resources (S151 Officer), in consultation with the Executive Mayor, Lead Member of Finance, Director of Legal Service and Director of Commercial Investment & Capital to appoint new Directors on the Board of the BBB.



## **Budget 2024-25 and Medium Term Financial Strategy 2024-28**

The Executive Mayor introduced the Budget 2024-25 and Medium Term Financial Strategy 2024-28 Report which proposed a deliverable budget for 2024-25. The budget planned to include £30 million in savings for 2024-25 with an ongoing asset disposal programme that aimed to deliver £200 million of receipts over the period 2022-2026.

The Chair of Scrutiny and Overview, Councillor Rowenna Davis, shared with Cabinet that following the Scrutiny and Overview Committee (the Committee) receiving the report, the outcome concluded with the following:

- That the council could not balance its books without exceptional support of national government, and there was a gap of £38 million pounds wide that was to be filled next year. To fill this hole, the council was to seek permission to borrow from national government for capitalisation and selling assets to meet general expenditure. Though there was no guarantee national government would provide the money for the council to stay afloat.
- The Committee noted that the council was doing all that they could with ambitious plans for savings, and based on the information provided, it was concluded that those proposed were deliverable whilst meeting the statutory needs of vulnerable residents, although the scale, pace and wide-ranging nature of the savings meant that they would need to be closely monitored.
- The Homes Sub-Committee had reservations relating to the Housing Revenue Account and was not assured without further data particularly on the housing stock conditions survey which should reveal more on sale of investment needed.
- In comparison to last years budget there was concern relating to the £5 million pound economic demand pressures budget which had been removed; though the use of this budget had helped balance the books for this years budget to plug the increased costs associated with rises in demand for emergency accommodation; and thus without this extra cushion of the economic demand fund, the pressure on the council to stick to its budget would become even greater.
- It was important how the council would mitigate risks and, on the risks register in Appendix L, not all risks listed were quantified and some did not have any mitigating actions attached.
- In regard to transformation, the scale and pace of this was essential though not where it needed to be.
- The Committee noted that the council was sticking with the government maximum rise of 4.99% in council tax. The reduction of the council tax hardship fund from £2 million pounds to £500,000 pounds was questioned, and the Committee was pleased that the money had been reallocated to the council tax support scheme, though the Committee was not convinced that the low take up of

the scheme was due to the lack of need rather than lack of awareness, and more work to promote awareness was advised.

- Real improvements in the quality of transparency were noted by the Committee, though in the budget an extra £9.4 million pounds of capitalisation above and beyond of what was expected was to be requested from government due to a historic contractual issue for highway works and improvements and requested for more thorough information on this.

The Cabinet Member for Finance, Councillor Jason Cummings, informed the Cabinet in terms of the council tax, that it was a 4.99% increase in terms of the council's portion of council tax which was in fulfilment of the promise made from last year to not go over the cap this year. Borrowing was not forecasted to increase this year or next year, which was good for the council, though this was limited by the extent of the asset disposal programme. The removal of the economical demands pressures had made the budget slightly riskier, though still predicated on the £38 million pound capitalisation direction, however pointed out that in this financial year, the capitalisation direction was £63 million pounds which showed an improvement in terms of the reduction in capitalisation of £25 million pounds year on year which was a significant move. Lastly, the off-log financial sustainability data had shown that the average debt servicing cost was 8% across England, and 16% in Croydon, further, the total debt of a council across England was 226%, and in Croydon 478% which had shown that the debt Croydon was carrying was heavily significant.

The Corporate Director of Resources and Section 151 Officer, Jane West, shared that in Appendix K, the pressures the council faced focused back on the historic s114 which was served. In regard to the robustness in the budget estimates, a lot of work had been undertaken for the budget to remain robust for this financial year, this included working thoroughly with the Corporate Management Team. In regard to the removal of economic pressures contingency budget, the accuracy of the budget in place had given reassurance for a robust budget, though the position was more at risk than the current year with less room to maneuverer. Lastly, the balances available had not been used and the reserves held had not been used.

The Shadow Cabinet Member for Finance, Councillor Callton Young, asked whether the report in the public interest could be amended to be more open about the following key aspects of the budget and budget strategy; what progress was there on the negotiations with government for the debt write-off; and could there be more transparency on the budget setting process. On the general funds, could the council properly fulfil its roles without having all the key papers, and was there satisfaction that the report was sufficient for all Members to challenge the risks to the council of the removal of the economic demand reserves for 2024/25 and the provision proposed for demand and demographic pressures in 2024/25 where half was provided in the following year. Also, the reduction of two-thirds of the council's hardship funds that was designed to protect low-

incomed households with financial difficulties in relation to council tax increases. Further, was there satisfaction that the report and in Appendix D was sufficient enough for Members to provide challenge to the transformation plans. Lastly, with the forecast that £142 million pounds should be received by the council at the end of next month from assets disposals, did the report adequately allow Members to challenge the contribution and pace of asset disposals that the council needed to make to reduce debt, and what contribution did the capital receipt from the councils rent resonance investment made to the debt reduction.

The Executive Mayor responded that the process of the budget was more open and transparent with the Scrutiny and Overview Committee receiving papers at a much earlier stage to review and asked questions and provided recommendations, and further there was opportunity for all Members of the council to review and seek support from offices to address alternatives or other options for the budget should this be required. The negotiations with government were on-going. The council's hardship fund was being moved to the council tax team, and it was noted that many more people were being supported through the council tax support scheme and the council was ensuring all residents were aware of all types of support available. The Corporate Director of Resources and Section 151 Officer, Jane West, added that the hardship fund £1.5 million was being reallocated to the council tax support as the request for such support was required by residents; further, relating to the resonance investments, the figures were included in the capital receipts projections and a third of the money had been received.

The Executive Mayor in Cabinet **RESOLVED**: To

- 1.1. Consider the responses to the budget engagement with residents and statutory consultation with businesses (set out in Section 10 of this report and detailed more fully in Appendix J).
- 1.2. Consider and have due regard to the equalities impact assessment undertaken on the budget proposals as set out in Appendix N.
- 1.3. Approve the responses to the Scrutiny and Overview Committee recommendations (to follow after publication of this report – Appendix O) on the budget proposals as set out in Section 20.
- 1.4. Approve that (subject to Full Council approving the budget and any further decisions required of the Executive) that Corporate Directors be authorised to implement their respective growth and savings proposals for 2024-25 in accordance with the recommendations within this report, the Council's Constitution, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required, including regarding the Equalities Impacts of specific decisions within the Budget envelope as approved by Full Council.

- 1.5. Propose to Full Council for approval an increase in the Croydon element of the 2024-25 council tax charge by 2.99% (Band D £53.98).
- 1.6. Propose to Full Council for approval a 2% increase (Band D £36.11) in the 2024-25 Adult Social Care precept levy.
- 1.7. Note, based on the Mayor of London's draft consolidated budget, a proposed 8.58% (Band D £37.26) increase regarding the Greater London Authority precept.
- 1.8. Propose to Full Council for approval, the calculation of budget requirement and council tax as set out in Appendix I and note that the inclusion of the GLA precept will result in a total increase of 5.69% (Band D £127.35) in the overall Croydon council tax bill.
- 1.9. Propose to Full Council for approval the setting of the Council's own total net expenditure budget for 2024-25 at £361.267m.
- 1.10. 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.
- 1.11. Propose to Full Council the proposed £5m budget in 2024-25 to support delivery of the transformation programme.
- 1.12. Propose to Full Council the Reserves Policy set out in Appendix M.
- 1.13. 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) and the Local Government Finance Act 1992.
- 1.14. Note the revenue budget assumptions detailed in the report and budget projections to 2027- 28 made by the Corporate Director of Resources in agreement with the Chief Executive and with the Corporate Management Team.
- 1.15. Note the Council's request for a Capitalisation Direction from the Department of Levelling Up, Housing and Communities [DLUHC] of up to £38m for 2024-25, £9.439m relating to 2019-20 and current assumption that up to a further £38m per annum in exceptional financial support will be required for future years.
- 1.16. Note that all Directors will be required to report on their projected financial position compared to their revenue estimates in accordance with the 2024-25 monthly financial performance reporting timetable.

- 1.17. Note the statement (Appendix K of the Report) of the Corporate Director of Resources and S151 Officer, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates.
- 1.18. Note that the provisional Dedicated Schools Grant allocation for 2024-25 will increase by £28.583m to £466.825m (section 12 of the Report).
- 1.19. Propose to Full Council that the necessary determinations are made as billing authority under Section 11B of the Local Government Finance Act 1992 for financial year 2024- 2025 to the effect that where permitted, for dwellings that have been unoccupied and substantially unfurnished for a period of at least one year the amount of Council Tax will be increased by 100% where the period is less than 5 years, by 200% where the period is at least 5 years but less than 10 years, and by 300% where the period is at least 10 years, and that the discount under Section 11(2)(a) shall not apply.
- 1.20. Propose to Full Council that the necessary determinations are made under Section 11C of the Local government Finance Act 1992 as billing authority for financial year 2025-2026 to the effect that where permitted, for dwellings where there is no resident of the dwelling and the dwelling is substantially furnished, the amount of Council Tax will be increased by 100%, and the discount under Section 11(2)(a) shall not apply.
- 1.21. Propose to Full Council that the Council Tax Support scheme (statutory local council tax reduction scheme) under Section 13A(2) of the Local Government Finance Act 1992 is not changed from that agreed by Full Council resolution on 1st March 2023.

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### **2023-24 Period 8 Financial Performance Report**

The Executive Mayor introduced the 2023-24 Period 8 Performance Report, which showed the budget moving into an underspend position.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet that there was improvement in every department, which was a great position for the council to be in. The £5 million pound in-year contingency budget was not being used to balance the budget as the council had moved to an underspend position.

The Shadow Cabinet Member for Finance, Councillor Callton Young, welcomed the report and asked why the adjudication panel ruling regarding the £9.439 million pound payment of the former contractor relating to work dating back to 2011 not mentioned within the report;

secondly, why was the £5 million pounds of grant from the Contain Outbreak Management Fund (COMF) in the context of covid only now allocated for spending.

The Cabinet Member for Finance, Councillor Jason Cummings, responded that there was no in-year impact on the £9.439 million pound in terms of the period monitoring report as it related to a prior accounting year. Relating to the COMF money, the service reviewed and assessed when allocation was to be made at a particular point in time. The impact of covid was still ongoing, and thus the continued use of the money within the time it could be spent was still mitigating the impact of covid and was being used for its original intention. The Director of Finance, Allister Bannin, added that the result of the adjudication related to a contract that finished before 2019/20, and the adjustments in the accounts were being made for 2019/20 as the accounts were still open, as mentioned in three other reports presented within this agenda. Adding to the point on COMF, it was said that every local authority received a lot of money by government during covid and recognised that the effects of covid had a long-term effect, and therefore extended the grant for local authorities to use for a longer period of time.

The Executive Mayor in Cabinet **RESOLVED:**

- 1.1. To note the General Fund revenue budget outturn is forecast to underspend by £1.3m at Period 8, after the budgeted utilisation of £63m capitalisation directions requested from DLUHC.
- 1.2. To approve within budget the inter-directorate virement of £2.1m non-pay inflation budget from the Adult Social Care & Health directorate to the Housing directorate on a one-off basis in 2023-24, as set out in paragraph 4.12.
- 1.3. To note the progress in MTFs savings achievement as set out in paragraph 4.103.
- 1.4. To note the work that has commenced on the Council's Transformation Programme as set out from paragraph 4.98.
- 1.5. To note the Housing Revenue Account (HRA) revenue budget outturn is forecast to overspend by £12.0m.
- 1.6. To note the General Fund capital programme 2023-24 forecast underspend of £20.7m against the revised capital budget of £127.1m. The 2023-24 General Fund capital budget has been updated to reflect the changes agreed through the Capital Programme and Capital Strategy 2023-29 report at the Cabinet meeting on 6 December 2023.
- 1.7. To note the HRA capital programme 2023-24 forecast overspend of £1.8m against the revised capital budget of £37.2m. The 2023-24

HRA capital budget has been updated to reflect the changes agreed through the Capital Programme and Capital Strategy 2023-29 report at the Cabinet meeting on 6 December 2023.

- 1.8. To note the Council's historic borrowing and subsequent debt burden continues to be critical to the non-sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regard to its level of structural indebtedness to ensure it can deliver sustainable local government services.
- 1.9. To note that the Council continues to operate Spend Control Panels to ensure that tight financial control and assurance oversight are maintained.
- 1.10. To note that current forecasts are based on the best available information at the time and will be subject to review and change during the financial year.

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### **Repairs Contracts Update**

The executive Mayor introduced the Repairs Contract Update report which provided an update on the progress of the implementation of the new repairs contract since August 2023.

The Deputy Mayor and Cabinet Member for Homes, Councillor Lynne Hale, shared with Cabinet that the report provided an overview of the organisation of the housing response repairs contract and sets out how the service was performing, further highlighting the delivery of social value initiatives. Since August 2023, there had been a significant increase of around 200 additional calls per month, a significant increase in the repair orders rate of 1500 a month, and there had been high levels of sickness absence amongst temporary staff which had impacted service. Admittedly, the new service was not working as well as foreseen with various contributing current and historic factors which had impacted on the ability of the new contractors to deliver the services' requirement. This spike of demand had caused intense pressure to the in-year 2023/24 budget and the resourcing of staff, as such, additional budget provisions were required for this year and in future years. The service recognised the challenges put before them and were keen to improve in all areas. Positively, the repairs team had significantly reduced the number of legacy VOIDS and had resolved a large number of overdue complaints and Member enquiries.

The Corporate Director for Housing, Susmita Sen, added that the council were not only addressing improvement in the existing service but had also improved services with a new IT programme and contact centre, further

the transformation of the performance in culture was focused on the residents.

The Shadow Cabinet Member for Homes, Councillor Chrishni Reshekaron, noted a number of elements within the report and asked why so many targets had been missed when the contractors had been mobilised more than six months ago.

The Executive Mayor responded that the procurement process was based around information provided at the time by the previous contractor which was not visible prior to August 2023. Further, the lack of investment in the housing stock over the last few years had meant that the level of repairs was much higher than what it ought to have been resulting in the struggle of the service to address particular issues. Having acknowledged the problems within the report, the council was striving towards a better investment to deliver better outcomes.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. To note the progress following mobilisation of the new housing repair contracts on 1 August 2023.
- 1.2. To agree the actions proposed as outlined in this report and to report back to Members with an update within six months.

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### **HRA Rent Setting 2024-25**

The Executive Mayor introduced the HRA Rent Setting 2024-25 report, which detailed the process undertaken in setting the rents for 2024-25.

The Deputy Mayor and Cabinet Member for Homes, Councillor Lynne Hale, shared with Cabinet that the report proposed an increase of social rent of 7.7% which was also a similar increase in the tenants service charges, this equates to an average weekly increase of £7.19 on a 1-bedroom property. An estimate of 68% of the council's tenants were eligible for housing benefits, though the remaining 32% received no benefits who would potentially be at some point in a financial risk as a result of the increase. The continuation of the housing revenue account specific discretionary fund was therefore proposed to remain in place to assist households in financial difficulties, which was set up in 2023/24 and £59,000 pounds in payment to date had been made to 118 residents.

The Shadow Cabinet Member for Homes, Councillor Chrishni Reshekaron, noted that only 2% (97 of the 4795 tenants), had received support in 2023/24 from the HRA discretionary fund who were not entitled to any benefits, and asked what actions would be taken to ensure more tenants were receiving support from the HRA discretionary fund in the



next financial year following the decision to increase the rent by 7.7% and the government's decision to end the household support fund.

The Executive Mayor responded that the action to provide a hardship fund had been put in place which would continue in the following financial year. Officers added that there was a multi-prudent approach in addressing the needs of tenants which included the "get to know your tenant", and there were other benefits tenants were entitled to access support.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. To agree the social rents increase of 7.7% from April 2024 based on the current final year of the government's Social Housing Rent Policy, (applying September 2023 CPI + 1%)
- 1.2. To agree the request to set the tenants service charges increase at the same level as the rents (7.7%) for the financial year 2024-25.
- 1.3. To agree the continuation of the Housing Revenue Account (HRA) hardship fund aimed at assisting tenants who are financially impacted by the 2024-25 rent increase, subject to obtaining a further Direction in appropriate terms from the Secretary of State.
- 1.4. To agree, the nil increase to the garage rents on the proviso that a full review of the viability of assets is carried out in 2024-25 and reported back to Cabinet.
- 1.5. To agree the request to set the increase in the caravan site plot charges in line with September CPI of 6.7%.

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### **HRA Business Plan and Budget Update 2024-25**

The Executive Mayor introduced the HRA Business Plan and Budget Update 2024-25 report, which included a £7.1 million increase to invest in council homes and modernise them to a standard fit in line with resident needs.

The Deputy Mayor and Cabinet Member for Homes, Councillor Lynne Hale, shared with Cabinet that the report sets out the legislative position in a thirty-year Housing Revenue Account (HRA) business plan and identifies the pressures on the plan. Growth of 33% in the response's repairs budget was proposed to fund an increase in repairs demand caused by a number of factors. New emphasis had been put in place for fire safety requirements, as requirements to comply with the Fire Safety and Building Safety Acts had been put in place. The council had undertaken requisite surveys and building safety case reviews to ensure compliance. The HRA business plan had more focus for the first five years where there was more certainty on costs, demands, and pressures,

that demanded and demonstrated that the investment proposals were fundable subject to the assumptions made within the plan and also that the HRA remained sustainable and viable over the thirty-year period. The budget had been set with the most accurate data available reflecting on the significant pressures on repairs and maintenance costs.

The Shadow Cabinet Member for Homes, Councillor Chishni Reshekaron, had asked whether the risks associated with the capital programme based on a 5% sample survey of the housing stock condition had been considered and had the Improvement and Assurance Panel provided any advice.

The Executive Mayor responded that the service had undertaken the inherited 5% housing stock and noted that by March it was anticipated that the housing stock would be up at 40%, further, that the council was working with the Improvement and Assurance Panel around housing which was an area to improve, and more data once received, would be reflected in the business plan. The Deputy Mayor and Cabinet Member for Homes, Councillor Lynne Hale, clarified that the stock condition survey data would need to be worked through which would feed into the asset management strategy, and would enable the service to conduct a full re-budget review of the whole HRA business plan. The Corporate Director for Housing, Susmita Sen, added that the intention to reach 40% by the end of the financial yearend was achievable though data would need to be uploaded, and from that in addition to the asset management strategy, the direction of work within the procurement strategy would need to be clear to receive very good value for money.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. To recommend Full Council to agree the proposed HRA budget for 2024-25.
- 1.2. To recommend Full Council to agree the update to the HRA 30 years Business plan based on the HRA budget for 2024-25.
- 1.3. To note the assumptions in the Business Plan and the associated risk.
- 1.4. To note the ongoing work required on the asset management strategy and the enhanced stock condition surveys that are underway which will further inform the next iteration of the Business Plan.

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### **The Future of the Experimental Healthy Neighbourhoods**

The Executive Mayor introduced the Future of the Experimental Healthy Neighbourhoods report which promoted road safety, supporting

vulnerable road users, improving air quality and promoting sustainable modes of travel. Further, the consultation highlighted areas where further work was required to improve schemes for local residents.

The Cabinet Member for Streets and Environment, Councillor Scott Roche, shared with Cabinet that following feedback from residents, the improvements implementing from September 2022 such as the removal of physical barriers not only helped restore access to the residents' streets but also allowed vehicles to also gain access to most of the roads and schemes as required without hinderance from the physical barriers as they were previously. Additional signs were also added on key junctions and main roads approaching the schemes, to help lower instances from where vehicles and residents going to the zones unknowingly. There was further ongoing work to improve the schemes, further investigating ways to help deal with issues associated with travel displacement and also the impact on local roads.

The Corporate Director for Sustainable Communities, Regeneration and Economic Recovery, Nick Hibberd, added that the supplementary report added to the agenda provided an updated set of appendices that included the analysis and statutory objections for Holmesdale healthy neighbourhood which was omitted in error.

The Shadow Cabinet Member for Streets and Environment, Councillor Christopher Herman, had a question in relation to the seven LTN schemes, and asked what listening was had during the process; what led to a change of heart; and what specific consideration was there to any further healthy neighbourhoods.

The Executive Mayor responded and clarified that there were only six schemes going forward, with major changes made to all the schemes, introducing free resident parking permits, removed planters, street furniture physically blocking roads. There was also a third tranche of LTN schemes built into the budgets and LIP programme also removed. Further, there had been ongoing communications with residents to improve schemes, review traffic displacement and establish what measures could be put in place to mitigate the issues.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. A) To proceed with making permanent the Healthy Neighbourhood ref 1,2,3,4,6 and 7 as outlined below and to continue to work with residents to ensure signage is improved as where necessary to raise awareness.

Ref	Healthy Neighbourhood	Wards	Experimental Order	Order Ref
1	Albert Rd	Woodside	The Croydon ( Traffic Movement )No17 Exp Order 2022	2022 No 63
2	Dalmally Rd	Addiscombe West	The Croydon ( Traffic Movement )No12 Exp Order 2022	2022 No 29
3	Elmers Rd	Addiscombe West	The Croydon ( Traffic Movement )No14 Exp Order 2022	2022 No 37
4	Holmesdale Rd	South Norwood	The Croydon ( Traffic Movement )No16 Exp Order 2022	2022 No 58
6	Parsons Mead	Broad Green	The Croydon ( Traffic Movement )No15 Exp Order 2022	2022 No 40
7	Sutherland Rd	Broad Green	The Croydon ( Traffic Movement )No13 Exp Order 2022	2022 No 34

B) To remove The Kemerton Rd Healthy Neighbourhood, detailed below:

Ref	Healthy Neighbourhood	Ward	Experimental Order	Order Ref
5	Kemerton Rd (single residential road between two residential roads with a point closure at its end with Jesmond Rd)	Addiscombe West	The Croydon (Prohibition and Restriction of Stopping, Loading and Waiting) and (Free Parking Places) (No 3) Experimental Order 2022	2022 No 32

Kemerton Rd was closed at its junction with Jesmond Rd with lockable bollards which the emergency services can unlock in an emergency. There is no evidence to demonstrate that it was a road used by through traffic, and it does not form part of a wider healthy neighbourhood scheme. Residents who came to the drop-in sessions were not supportive of it remaining. The opening of the road to traffic would not necessarily create an opportunity for through traffic to by-pass any roads as it is a short length of highway between two main roads, no real gains in using it to access the road on either side.

1.2. To agree that officers will work with residents on adjustments to improve the following Croydon Healthy Neighbourhoods (CHN), Ref 1, 4 ,and 7 Subject to Paragraph 1.1 A

A) To work with residents of Albert Rd (Ref CHN 1) to agree adjustments that can be made between Eldon Rd and Harrington Rd. This section is currently unrestricted due to the on-going development requiring a temporary closure.

B) To work with residents of 1) Holmesdale HN (Ref CHN 4) to reduce the impact in Dixon Rd due to displaced traffic, and 2) to work with residents of Priory Rd and Wentworth Rd (Ref CHN 7) to reduce the impact caused by displaced traffic. Any adjustments to 1) and 2) will be integral to the 2024-25 TfL funded LIP programme to ensure the Healthy Neighbourhoods deliver a coherent approach to improving conditions in residential roads through reducing the degree on impact.

Ref	CHN	Unrestricted residential roads within HN subjected to displaced traffic	Residential Roads outside of HN subjected to displaced traffic	Experimental Order	Order Ref
4	Holmesdale Rd	Dixon Rd		The Croydon ( Traffic Movement )No16 Exp Order 2022	2022 No 58
7	Sutherland Rd		Wentworth Rd and Priory Rd	None	None

1.3. Subject to approval of recommendations 1.1 above, to delegate authority to the Corporate Director of Sustainable Communities, Regeneration & Economic Recovery to undertake all measures necessary to make the above referenced experimental orders permanent Traffic Management Orders, including pursuant to the statutory requirements of the Road Traffic Management Act 1984 and Local Authorities' Traffic Orders (Procedure) (England and Wales) Regulations 1996 and make arrangements for the enforcement thereof.

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### **Capital Programme and Capital Strategy 2023-29**

The Executive Mayor introduced the Capital Programme and Capital Strategy 2023-29 report which focused on the maintenance of council assets.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet that there has been a significant improvement in governance put in place over the capital programme and the performance which went into the programme. The report highlighted that the council would be incurring a nil borrowing in the financial year of 2023/24 and 2024/25.

The Shadow Cabinet Member for Finance, Councillor Callton Young, asked for more details on the progress of the debt write-off negotiations or other options the Department for Levelling Up, Housing and Communities

(DLUHC) had requested for, for Members to know and rigorously challenge the budget.

The Executive Mayor responded that the council continued to negotiate with government on moving forward which was not an easy solution as there were a number of issues the government would need to consider. It was clear that the council could not resolve this matter in solitary and attempted to change the way the council operated with the transformation programme in place. The Cabinet Member for Finance, Councillor Jason Cummings, added that the programme had predicted a borrowing of £164.67 million over a period of time should capitalisation carry on for £38 million pounds per year, though the council's expectation was for this to not happen. With no resolution at the current moment, the MTFS could only be put forward at it stood though it was agreed it was not sustainable.

The Executive Mayor in Cabinet **RESOLVED** to:

- 1.1. Approve the Council's 2023-29 General Fund Capital Programme which includes planned expenditure of £479.68m (including capitalisation directions) across the six years.
- 1.2. Approve the Council incurring nil General Fund borrowing for financial years 2023-24 and 2024-25 and borrowing of £164.67m over 2025-29. The cost of this future borrowing is factored into the Council's Medium Term Financial Strategy.
- 1.3. Approve the 2024-25 Housing Revenue Account (HRA) Capital Programme with investment planned of £57.24m with borrowing of nil.
- 1.4. Approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, owing to increased major repairs and improvements, with this £3.914m increase funded by HRA reserves.
- 1.5. Approve the Council's Capital Strategy, as detailed within Appendix A of this report.
- 1.6. Note the Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regard to its level of indebtedness to ensure it can deliver sustainable local government services.

## **Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25**

The Executive Mayor introduced the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25 which detailed how the council managed cash flow and borrowing whilst minimising the level of risk.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet that the council defined its treasury management in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) as the management of the council's borrowing, investments and cash flows, including its banking, money market, capital market transactions and the effective control of the risks associated with those activities, and the pursuit of optimal performance consistent with those risks. The report highlighted the affordability prudential indicators which published the ratio of debt to net revenue stream of the general fund. This had the ratio of the Capital Financial Requirement (CFR) to the net revenue stream and also the ratio of debt. Reviewing the ratio of the CFR, the net revenue stream was 4.4 times (in March 2023), with the aim of the council to bring it down to 2.5 times to a point of sustainability. The MTFs dropped from 4.4 each year to 3.6, therefore the MTFs as it stood, with the capitalisation directions included showed improvement within the long-term sustainability of the council with more work to achieve without incurring continuous increase of debt.

The Shadow Cabinet Member for Finance, Councillor Callton Young, welcomed the report and had a question on Member training in order to have knowledge and the skills to understand and scrutinise the council's treasury management and asked whether the required training was scheduled to take place as Members would be asked to approve the strategy at the upcoming budget Council meeting, or whether the training was scheduled for a later time.

The Corporate Director for Resources (Section 151 Officer), Jane West, responded that training had been put together for Members which would take place after the budget Council as further discussions with the provider were taking place. It was noted that training had been previously provided, and this training was an update. The Cabinet Member for Finance, Councillor Jason Cummings, added that there were also existing ongoing training opportunities within the LGA which were also recommended for all Members to take for personal development.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. The Treasury Management Strategy Statement 2024/25 as set out in this report;
- 1.2. The Prudential Indicators as set out in Appendix A of this report;

- 1.3. The Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in Appendix B;
- 1.4. The Borrowing Strategy and Investment Strategy; and
- 1.5. Note the requirement for Members to undertake training in order to have the appropriate knowledge and skills to enable them to understand and scrutinise the Council's treasury management.

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### **Review of Council Tax Care Leavers Relief Scheme**

The Executive Mayor introduced the Review of Council Tax Care Leavers Relief Scheme which explored the council tax relief given to care leavers ages 18-24. The report further upheld the council's commitment as corporate parent to Croydon's own care experienced young people, to provide support in crucial times in their lives.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet of the changes within the report in relation to fairness and savings. The council would continue paying council tax to all Croydon care leavers as part of the support package offered, residing inside the borough and outside of borough where they would also have to pay council tax. The previous system also meant that the council had a responsibility to pay for care leavers that came into the borough from other boroughs, and this was a change that the council had made which would add savings and fairness. Another fairness change was where a care leaver was living in another property, but the principle paying council tax person was not a care leaver, the current system provided free council tax to anyone else residing in that property. The system has now shifted where the council would not offer free council tax relief to anyone that resided in the property. However, the report in paragraph 4.22, covered clarification in regard to foster care arrangements, which would also be under review on the allowance arrangements, and further for carers on the staying put arrangements to include support for council tax scheme so there was no disadvantage.

The Cabinet Member for Children and Young People, Councillor Maria Gatland, added that supporting care leavers in Croydon or placed outside Croydon had been a top priority and welcomed the continuation of the council tax support, additionally, the support made to foster carers.

The Shadow Opposition Leader, Councillor Stuart King, had a question relating to the corporate parenting principles set to seek the best outcomes for care leavers, and asked how had the council reconciled the requirement to remove council tax relief from households when there was



no make-up of the 54 households, to know whether there was an impact or not.

The Executive Mayor responded that the council's responsibility as corporate parents were to look after the care leavers of Croydon. The Cabinet Member for Finance, Councillor Jason Cummings added for clarification that in reviewing the 54 households this was in relation to a change in the automatic exclusion of the 100% council tax relief which did not preclude the use of the normal council tax support system when the financial assessment of the household council taxpayer was taken into account. The council also had a very good council tax support scheme supporting residents. Further, it was fair to review the impact, if any, this may bring in those households following this change. The Director of Finance, Alister Bannin, added that should a household be affected in paying their council tax they would have access to other council tax support mechanisms such as the main council tax support scheme, transitional fundings, or the council tax hardship funds to apply for. The Head of Payments, Revenues, Benefits & Debt, Catherine Black, added insight to the consultation, which was sent out to over 350 care leavers, further informing care leaving teams that a consultation had been launched, followed up on communications and had encouraged feedback to the consultation.

The Executive Mayor in Cabinet **RESOLVED**: To

- 1.1. Consider the outcome from the consultation as per 6.14, 6.15 and 6.16 below and the equalities impact assessment.
- 1.2. To agree that the CLRS is updated to only support care leavers where Croydon is the Corporate Parent.
- 1.3. To agree that the CLRS is updated to include only care leavers where they are named as a liable party in line with the Council Tax hierarchy of liability, as per 4.16 below.

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### **Croydon Companies Supervision and Monitoring Panel - Update Report**

The Executive Mayor introduced the Croydon Companies Supervision and Monitoring Panel report which updated work in detail ensuring that appropriate management oversight was in place.

The Cabinet Member for Finance, Councillor Jason Cummings, shared with Cabinet that this report highlighted an update on the progress and clarity in the current position with Croydon companies. This covered the Croydon affordable homes and related companies and others that still existed. Progress was moving forward in terms of simplification and

reduction agenda, though there were some delays in relation to the LLPs and which was still progressing.

The Shadow Cabinet Member for Finance, Councillor Callton Young, welcomed the updated report and the council's involvement and noted the actions stated that were dependant upon council's 2019/20 accounts being certified.

The Executive Mayor in Cabinet **RESOLVED**:

- 1.1. To note the status of Croydon Council companies, excluding Brick by Brick (Croydon) Limited.

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### **Exclusion of the Press and Public**

This was not required.

The meeting ended at 8:51pm

**RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2024-25**

(Subject to confirmation of the GLA budget proposals to be considered by the London Assembly at its budget plenary meeting on 22 February)

The Cabinet has considered a report in respect of the level of Council Tax for 2024-25 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. In summary the Cabinet recommends for 2024-25 a Band D charge of £1,895.51 for the Croydon element of Council Tax:

	2023-24	2024-25	Increase	Percentage increase
Council Tax	£1,588.31	£1,642.29	£53.98	2.99% of the 2023-24 charge of £1,805.42
Adult Social Care levy	£217.11	£253.22	£36.11	2.0% of the 2023-24 charge of £1,805.42
<b>Total Croydon Element</b>	<b>£1,805.42</b>	<b>£1,895.51</b>	<b>£90.09</b>	<b>4.99%</b>
Greater London Authority Precept	£434.14	£471.40	£37.26	8.58%
<b>Overall Band D Charge</b>	<b>£2,239.56</b>	<b>£2,366.91</b>	<b>£127.35</b>	<b>5.69%</b>

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

- (1) Approve the 2024-25 net budget requirement of £361,267,000.
- (2) Approve the 2024-25 Council Tax Requirement of £259,761,449.

## Appendix B

Calculation of Council Tax Requirement		£'000	£'000	£'000
(A)	Expenditure and other charges (as set out in section 31A(2) (a) to (f) of the Act)		1,091,973	
(i)	expenditure on Croydon's services, local precepts and levies		1,502	
(ii)	allowance for contingencies		5,000	
(iii)	transfer to General Reserves			
(iv)	transfer to Earmarked Reserves		0	
(v)	transfer from the General Fund from the Collection Fund in respect of prior year deficit on the Collection Fund,		0	
				1,098,475
	<i>Less</i>			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)		639,216	
(i)	Income from services			
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,	1,798		
(iii)	Income from Government Capitalisation	38,000		
	Core and new Social Care Grants	43,929		
	Business Rates Top Up Grant	38,146		
	Business Rates Income	43,744		
	Revenue Support Grant	17,818		
(iv)	Transfer from Earmarked Reserves	16,063		
			199,498	838,714
(C)	<i>Equals</i> The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.* This is (A) above less(B) above (as per Section 31A(4) of the Act)			259,761
<b>Calculation of basic amount of council tax</b>				
(C)	Council Tax Requirement*			259,761
(D)	<i>Divided by</i> The Council's Tax base			137,040.40
(E)	<i>Equals</i> The Basic amount of Council Tax (i.e., the Council Tax for a Band D property to which no relief or exemption is applicable) for services charged to Croydon's General Fund (This is (C) above divided by the tax base at (D) as per Section 31(B) of the Act)			1,895.51

\* The exact Council Tax Requirement is £259,761,449

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

<b>Council Tax for Croydon for 2024-25</b>	
Band A	6/9 x £1,895.51 = £1,263.67
Band B	7/9 x £1,895.51 = £1,474.29
Band C	8/9 x £1,895.51 = £1,684.89
<b>Band D</b>	<b>9/9 x £1,895.51 = £1,895.51</b>
Band E	11/9 x £1,895.51 = £2,316.73
Band F	13/9 x £1,895.51 = £2,737.96
Band G	15/9 x £1,895.51 = £3,159.18
Band H	18/9 x £1,895.51 = £3,791.02

(G) to which is added the following precept (issued by the Mayor of London, in exercise of the powers conferred on him by sections 82, 83, 85, 86, 88 to 90, 92 and 93 of the Greater London Authority Act 1999 (“the 1999 Act”) and sections 40, 47 and 48 of the Local Government Finance Act 1992 (“1992 Act”))

<b>GLA Precept For 2024-25</b>	
Band A	314.27
Band B	366.64
Band C	419.02
<b>Band D</b>	<b>471.40</b>
Band E	576.16
Band F	680.91
Band G	785.67
Band H	942.80

(H) That, having calculated the aggregate in each case of the amounts at (F) and (G) above the Council, in accordance with section 30(2) of the local government finance act 1992, hereby set the following amounts as the amounts of council tax for the year 2024-25 for each of the categories of dwellings shown below:-

<b>Total Council Tax For 2024-25</b>	
Band A	1,577.94
Band B	1,840.93
Band C	2,103.91
<b>Band D</b>	<b>2,366.91</b>
Band E	2,892.89
Band F	3,418.87
Band G	3,944.85
Band H	4,733.82

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## London Borough of Croydon - 2024-28 Medium Term Financial Plan

Assumes continued capitalisation directions of £38m per annum

	2024-25	2025-26	2026-27	2027-28
	£'m	£'m	£'m	£'m
<b>Departmental and Corporate Base Budget</b>	<b>383.702</b>	<b>383.702</b>	<b>383.702</b>	<b>383.702</b>
Demand and demographic pressures	10.717	22.292	27.232	32.369
Provision for future demand and demographic growth		2.425	11.485	20.348
Legacy budget corrections	0.806	1.306	1.806	2.306
Proposed Savings	-23.731	-30.706	-35.725	-35.751
Saving in borrowing costs from asset disposals	-6.684	-9.167	-9.947	-9.947
Future savings target beyond 2024-25 (assumes overall increase in incremental savings of £20m per annum)		-13.025	-28.006	-47.980
Provision for inflation	18.183	30.183	42.183	54.183
Net cost of borrowing (interest, MRP & investment income)	65.766	67.506	67.336	67.356
Risk/contingency provision	5.000	5.000	5.000	5.000
Economic demand pressures contingency	0.000	5.000	10.000	15.000
Council Tax Hardship fund	0.500	0.500	0.500	0.500
Transformation investment	5.000	5.000	5.000	5.000
<b>Gross Budget Requirement</b>	<b>459.259</b>	<b>470.016</b>	<b>480.566</b>	<b>492.086</b>
Core grant funding	-43.929	-44.368	-44.812	-45.260
Use of the capitalisation directive	-38.000	-38.000	-38.000	-38.000
Business Rates - compensation grant for under indexing the business rates multiplier	-16.063	-16.384	-16.712	-17.046
<b>Net Budget Requirement (as per the budget book)</b>	<b>361.267</b>	<b>371.263</b>	<b>381.042</b>	<b>391.780</b>
<b>Financing</b>				
<i>Government Grants:</i>				
Revenue Support Grant	-17.818	-17.996	-18.176	-18.358
<i>Croydon Resources</i>				
Business rates top-up grant	-38.146	-38.909	-39.687	-40.481
Business rates income	-43.744	-42.885	-43.743	-44.617
Council tax (4.99% increase modelled for 24/25, a 2.99% increase per annum thereafter),	-259.761	-269.459	-279.140	-289.171
Prior year collection fund surplus	-1.798	0.000	0.000	0.000
<b>Total Financing</b>	<b>- 361.267</b>	<b>- 369.249</b>	<b>- 380.746</b>	<b>- 392.627</b>

<b>Budget deficit excluding new savings</b>	<b>- 0.000</b>	<b>2.015</b>	<b>0.296</b>	<b>- 0.848</b>
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<b>Cumulative (surplus) / deficit</b>	<b>- 0.000</b>	<b>2.015</b>	<b>2.311</b>	<b>1.464</b>
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## Summary of Departmental Budget Proposals

### Savings and Change Proposals

Figures are incremental

	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	-2,972	-142	0	0
Adult Social Care & Health	-5,000	-4,000	-4,000	0
Housing	-1,989	-589	-993	0
Sustainable Communities Regeneration & Economic Recovery	-1,353	-333	0	0
Assistant Chief Executive	-4,245	-891	-26	-26
Resources	-6,672	-1,020	0	0
Corporate / Council wide	-1,500	0	0	0
<b>Total</b>	<b>-23,731</b>	<b>-6,975</b>	<b>-5,019</b>	<b>-26</b>

### Demand Pressures

	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	0	0	0	0
Adult Social Care & Health	4,530	4,712	4,900	5,096
Housing	0	0	0	0
Sustainable Communities Regeneration & Economic Recovery	722	3,500	0	0
Assistant Chief Executive	3,708	3,324	0	0
Resources	1,686	0	0	0
Corporate / Council wide	71	39	40	41
<b>Total</b>	<b>10,717</b>	<b>11,575</b>	<b>4,940</b>	<b>5,137</b>

### Legacy Budget Corrections

	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	0	0	0	0
Adult Social Care & Health	0	0	0	0
Housing	0	0	0	0
Sustainable Communities Regeneration & Economic Recovery	306	0	0	0
Assistant Chief Executive	0	0	0	0
Resources	500	500	500	500
Corporate / Council wide	0	0	0	0
<b>Total</b>	<b>806</b>	<b>500</b>	<b>500</b>	<b>500</b>

## Net Budget Movement

Savings, demand pressures & legacy budget corrections	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	-2,972	-142	0	0
Adult Social Care & Health	-470	712	900	5,096
Housing	-1,989	-589	-993	0
Sustainable Communities Regeneration & Economic Recovery	-325	3,167	0	0
Assistant Chief Executive	-537	2,433	-26	-26
Resources	-4,486	-520	500	500
Corporate /Council wide	-1,429	39	40	41
<b>Total budget change</b>	<b>-12,208</b>	<b>5,100</b>	<b>421</b>	<b>5,611</b>

## Children, Young People &amp; Education

## Savings and Change proposals

Figures are incremental

Pro-Formas	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new savings identified in the 2023-24 Medium Term Financial Plan</b>						
2023 MTFS	Social Work with Children Looked After and Care Leavers	Reduce spend on Children Looked After placements	-330			
2023 MTFS	Early Years Team	Develop family hubs and introduce external funding	-1,300			
<b>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 SAV CYPE 002	Safeguarding and Quality Assurance	Croydon Safeguarding Children Partnership back office restructure	-50			
<b>Transformation Projects</b>						
<b>Incremental/new savings identified in the 2023-24 Medium Term Financial Plan</b>						
2023 MTFS	Directorate wide	Review all joint funding arrangements across education, health and care	-250			
2023 MTFS	Social Work with Families and 0-17 Children with Disabilities	Calleydown – increasing capacity and reducing respite costs	-142	-142		
<b>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 SAV CYPE 003	Children Looked After and care experienced young people	Review of Children Looked After placements	-900			
<b>Total of Planned Savings</b>			<b>-2,972</b>	<b>-142</b>	<b>0</b>	<b>0</b>

## Net Budget Movement

Figures are incremental

Children, Young People & Education	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-2,972	-142	0	0
Demand pressures	0	0	0	0
<b>Net Budget Movement</b>	<b>-2,972</b>	<b>-142</b>	<b>0</b>	<b>0</b>

### Adult Social Care & Health

#### Savings and Change proposals

Figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</b>						
<b>Transformation Projects</b>						
2024-28 SAV ASCH 001	Departmental wide	Adult Social Care Transformation*	-5,000	-4,000	-4,000	
	<b>Total of proposed savings</b>		<b>-5,000</b>	<b>-4,000</b>	<b>-4,000</b>	<b>-</b>

\*Please note that the savings figures for 2025-26 and 2026-27 are indicative only at this stage and will be reviewed next year following completion of the diagnostic work.

#### Demand Pressures

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>New demand pressures identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 GRO ASC 001	Departmental wide	Demographic growth	4,530	4,712	4,900	5,096
	<b>Total Demand Pressures</b>		<b>4,530</b>	<b>4,712</b>	<b>4,900</b>	<b>5,096</b>

#### Net Budget Movement

Figures are incremental

Adult Social Care & Health	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-5,000	-4,000	-4,000	0
Demand pressures	4,530	4,712	4,900	5,096
<b>Net Budget Movement</b>	<b>-470</b>	<b>712</b>	<b>900</b>	<b>5,096</b>

## Housing

## Savings and Change proposals

Figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	Notes
<b><i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i></b>							
2023 MTFS	Emergency and Temporary Accommodation	Housing Needs restructure including Dynamic Purchasing System implementation	-625				
2023 MTFS	Emergency and Temporary Accommodation	Temporary accommodation occupancy checks	-300				
2023 MTFS	Emergency and Temporary Accommodation	Temporary accommodation case review (discretionary cases)	-450				
2023 MTFS	Emergency and Temporary Accommodation	Data cleanse & rent accounts (income collection)	-200				
2023 MTFS	Emergency and Temporary Accommodation	Repurpose general needs voids for emergency accommodation	-175	-175			
2023 MTFS	Emergency and Temporary Accommodation	Demand management	-239	-414			
<b><i>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</i></b>							
2024-28 SAV HSG 001	Emergency and Temporary Accommodation	Demand management			-653		
2024-28 SAV HSG 002	Emergency and Temporary Accommodation	Supported Housing contracts review			-240		
2024-28 SAV HSG 003	Emergency and Temporary Accommodation	No Recourse to Public Funds			-100		
<b>Total proposed savings</b>			<b>-1,989</b>	<b>-589</b>	<b>-993</b>	<b>0</b>	

## Demand Pressures

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>New demand pressures identified in the 2024-25 financial plan</i></b>						
<b>Total demand pressures</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Net Budget Movement

Figures are incremental

Housing	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-1,989	-589	-993	0
Demand pressures	0	0	0	0
<b>Net Budget Movement</b>	<b>-1,989</b>	<b>-589</b>	<b>-993</b>	<b>0</b>

## Sustainable Communities Regeneration &amp; Economic Recovery

## Savings and Change Proposals

Figures are incremental

Pro-forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Leisure	Redesign leisure sports development service	-45			
2023 MTFS	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		17		
2023 MTFS	Directorate wide	Realignment of one-off investment of public health grant in libraries (£0.200m) and physical activities (£0.200m). Reversal of one-off saving in 2023-24	400			
<b><i>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 SAV SCRER 001	Violence Reduction Network	Community Infrastructure Levy funding substitution for CCTV	-150	-150		
2024-28 SAV SCRER 003	Spatial Planning, Growth Zone and Regeneration	Deletion of posts in Spatial Planning & Regeneration	-122			
2024-28 SAV SCRER 004	Strategic transport	Strategic Transport	-65			
2024-28 SAV SCRER 005	Employment, Skills and Economic Development	Employment, Skills and Economic Development	-60			
2024-28 SAV SCRER 007	Directorate Wide	Fees and charges		-200		
2024-28 SAV SCRER 008	Waste Collection	Charging for replacement waste containers	-30			
2024-28 SAV SCRER 009	Waste Collection	Clinical waste – remodelled service offer (sanitary/offensive waste)	-30			
<b><i>Transformation Projects</i></b>						
2023 MTFS	Building Control	Building control	-300			
2024-28 SAV SCRER 002	Highways and Parking	Fees and charges - Changes to parking policy	-951			
<b>Total of proposed savings</b>			<b>-1,353</b>	<b>-333</b>	<b>0</b>	<b>0</b>

**Demand Pressures**

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Waste & Recycling	Refuse contract		2,500		
2024-28 SAV SCRER 006	Highways and Parking	Deferral of highways maintenance		1,000		
<b><i>Incremental/new demand pressures identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 GRO SCRER 001	Corporate Resilience	Full time apprentice for resilience and emergency planning team and increase in on call payments to volunteers for emergency response	32			
2024-28 GRO SCRER 002	Culture, Leisure & Libraries	Contract management support for large, platinum & gold level contracts	70			
2024-28 GRO SCRER 003	Independent travel	Special Education Needs Transport – Student Number Cost Driver	620			
<b>Total of demand pressures</b>			<b>722</b>	<b>3,500</b>	<b>0</b>	<b>0</b>

**Legacy Budget Corrections**

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
2024-28 GRO SCRER 004	Highways and Parking	Right size Highways staff recharge budget	306			
<b>Total legacy budget corrections</b>			<b>306</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Net Budget Movement**

Figures are incremental

Sustainable Communities Regeneration & Economic Recovery	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-1,353	-333	0	0
Demand pressures	722	3,500	0	0
Legacy budget corrections	306	0	0	0
<b>Net Budget Movement</b>	<b>-325</b>	<b>3,167</b>	<b>0</b>	<b>0</b>

## Assistant Chief Executive

## Savings and Change proposals

All figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 SAV ACE 001	Directorate Wide	Fees and charges including film office income generation	-66	-26	-26	-26
2024-28 SAV ACE 002	Human Resources and Organisation Development	Human Resources - Transformation	-50	-50		
2024-28 SAV ACE 003	Strategy and Policy	Reverse Equality, Diversity and Inclusion team expansion	-50			
2024-28 SAV ACE 004	Concessionary Travel	Concessionary Fares reduced activity	-1,037	-815		
2024-28 SAV ACE 005	Strategy and Policy	Delete vacant PPP National Graduate Development Programme (NGDP) trainee post	-42			
2024-28 SAV ACE 006	Public Health	Substitution funding from Public Health Grant and Contain Outbreak Management Fund Grant	-3,000			
<b>Total of proposed savings</b>			<b>-4,245</b>	<b>-891</b>	<b>-26</b>	<b>-26</b>

## Demand Pressures

All figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</b>						
2023 MTFS	Concessionary Travel	Increase in the Croydon contribution to the TfL freedom pass scheme	3,708	3,324		
<b>Total demand pressures</b>			<b>3,708</b>	<b>3,324</b>	<b>0</b>	<b>0</b>

## Net Budget Movement

Assistant Chief Executive	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed Savings	-4,245	-891	-26	-26
Budget Pressures	3,708	3,324	0	0
Legacy budget corrections	0	0	0	0
<b>Net Budget Movement</b>	<b>-537</b>	<b>2,433</b>	<b>-26</b>	<b>-26</b>



## Resources - Budget Proposals

## Savings and Change proposals

All figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new savings identified in the 2023-24 Medium Term Financial Plan</b>						
2023 MTFS	Finance	Restructure technical support & development teams	-30			
2023 MTFS	Finance	Finance staffing review	-125			
2023 MTFS	Finance	Premier supplier commission	-100			
2023 MTFS	Commercial Investment	PMI Contract Manager - Invest to Save proposal	-79			
<b>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 SAV RES 001	Property Management	Energy management, utilities cost recovery	-2,250			
2024-28 SAV RES 002	Property Management	Review of document storage	-10	-40		
2024-28 SAV RES 003	Property and Facilities Management	Review of postage and mail scanning across the Council	-30	-80		
2024-28 SAV RES 006	Procurement	Review of Procurement Team	-120	-170		
2024-28 SAV RES 007	Commercial Investment	Private Finance Initiative contracts review	-241	-520		
2024-28 SAV RES 008	Property and Legal	Review of property and resources related charges to residents	-50	-150		
2024-28 SAV RES 009	Capital delivery - Non HRA	Review departmental location of Education Capital Delivery Team	-250	-100		
2024-28 SAV RES 010	Property	Increasing advertising income from Council assets and property	-50	-100		
2024-28 SAV RES 011	Finance	Increased bailiff fee income - Council Tax and Business Rates collection	-40			
2024-28 SAV RES 012	Finance	Housing benefit subsidy transformation	-1,156	790		
2024-28 SAV RES 013	Finance	Support Services & Development Team - staffing efficiencies	-48			
2024-28 SAV RES 014	Legal	Reduce spend on external solicitors	-281			
<b>Transformation Projects</b>						
2023 MTFS	Finance	Housing Benefit Review	-1,312			
2024-28 SAV RES 004	Property	Corporate disposals programme	-400	-300		
2024-28 SAV RES 005	Property and Facilities Management	Review of Town Hall Campus	-100	-350		
<b>Total of proposed savings</b>			<b>-6,672</b>	<b>-1,020</b>	<b>0</b>	<b>0</b>

**Demand Pressures**

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Commercial Investment	Increase in business rates payable by Croydon in line with the 2022 Rates Revaluation	750			
2023 MTFS	Insurance, Risk & Anti Fraud	Insurance Fund growth	400			
<b><i>Incremental/new demand pressures identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 GRO RES 001	Finance	Strategic Finance Staffing	536			
<b>Total of Demand Pressures</b>			<b>1,686</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Legacy Budget Corrections**

All figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
2023 MTFS	Finance	Housing Benefit Subsidy - Loss on HB Payments with Care Package Element	500	500	500	500
<b>Total legacy budget corrections</b>			<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>

**Net Budget Movement**

Resources	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed Savings	-6,672	-1,020	0	0
Demand Pressures	1,686	0	0	0
Legacy Budget Corrections	500	500	500	500
<b>Net Budget Movement</b>	<b>-4,486</b>	<b>-520</b>	<b>500</b>	<b>500</b>

## Corporate / Council wide - Budget Proposals

## Savings and Change proposals

Figures are incremental

Pro-forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i>						
2023 MTFS	Council wide	Customer access (council wide)	-1,500			
<b>Total of proposed savings</b>			<b>-1,500</b>	<b>0</b>	<b>0</b>	<b>-</b>

## Demand Pressures

Figures are incremental

	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<i>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</i>						
2023 MTFS	Corporate Items	Increase in external levies	49	26	26	27
2023 MTFS	Corporate Items	Apprenticeship levy	22	13	14	14
<b>Total demand pressures</b>			<b>71</b>	<b>39</b>	<b>40</b>	<b>41</b>

## Net Budget Movement

Figures are incremental

Corporate / Council Wide	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed Savings	-1,500	0	0	0
Demand Pressures	71	39	40	41
<b>Net Budget Movement</b>	<b>-1,429</b>	<b>39</b>	<b>40</b>	<b>41</b>

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## APPENDIX E

<b>LONDON BOROUGH OF CROYDON REPORT:</b>	<b>CABINET</b>
<b>DATE OF DECISION</b>	<b>22 November 2023</b>
<b>REPORT TITLE:</b>	<b>Council Tax Empty &amp; Second Home Premiums</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Allister Bannin,</b> Director of Finance (Deputy Section 151 Officer)
<b>LEAD OFFICER:</b>	<b>Catherine Black,</b> Head of Payments, Revenues, Benefits and Debt <b>Email: catherine.black@croydon.gov.uk Telephone: 27193</b>
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings, Cabinet Member for Finance</b>
<b>KEY DECISION?</b>	<b>No</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>
<b>WARDS AFFECTED:</b>	N/A

### 1. SUMMARY OF REPORT

- 1.1 This report details the history of charging Council Tax premiums for empty properties and the current situation.
- 1.2 This report details the proposed options to change the timeframe for applying empty property premiums and the introduction of premiums on second homes.

### 2 RECOMMENDATIONS

For the reasons set out in the report the Executive Mayor in Cabinet is recommended:

- 2.1 To recommend to Full Council, that Full Council make the necessary determinations as billing authority under Section 11B for financial year 2024-2025 to the effect that where permitted, for dwellings that have been unoccupied and substantially unfurnished for a period of at least one year the amount of Council Tax will be increased by 100% where the period is less than 5 years, by 200% where the period

is at least 5 years but less than 10 years, and by 300% where the period is at least 10 years, and that the discount under Section 11(2)(a) shall not apply. .

- 2.2 To recommend to Full Council, that Full Council make the necessary determinations under Section 11C as billing authority for financial year 2025-2026 to the effect that where permitted, for dwellings where there is no resident of the dwelling and the dwelling is substantially furnished, the amount of Council Tax will be increased by 100%, and the discount under Section 11(2)(a) shall not apply.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 The long-term empty homes premium is designed to encourage more empty homes into productive use, therefore, assisting with the current housing pressure in the borough.
- 3.2 The Levelling-up and Regeneration Act 2023 is enabling councils to raise and retain additional revenue to support local services and keep Council Tax down for residents.
- 3.3 Implementing the change from 2 years to 1 would allow the council to encourage use of properties at an earlier stage and to generate greater income earlier on those properties where the owner wishes them to remain empty.
- 3.4 The second homes premium would allow the council to collect a premium on empty furnished properties which includes those that are actively being used as a second home as well as those which are vacant but furnished.

### **4 BACKGROUND AND DETAILS**

- 4.1 The Levelling-up and Regeneration Act 2023 achieved Royal Assent on 26 October 2023. The intention of this act is to speed up the planning system, hold developers to account, cut bureaucracy, and encourage more councils to put in place plans to enable the building of new homes.
- 4.2 One of the governments measures in this act is to rebalance the housing and land markets, giving local councils the power to increase Council Tax on empty homes.
- 4.3 This act recognises the impact that high levels of second home ownership can have in some areas and will introduce a new discretionary Council Tax premium on second homes of up to 100%.
- 4.4 It will also allow councils to apply a Council Tax premium of up to 100% on homes which have been empty for longer than one year (rather than the two years currently in place).
- 4.5 The premium for second homes can only be implemented with at least 12 months' notice before the start of the financial year to which it relates, meaning the earliest the second home premium can be implemented is the 1 April 2025, providing the decision to implement the premium is taken before 1 April 2024.

- 4.6 It is worth noting that the 12-month lead time is for any initial decision to implement a second home premium. Therefore, if we choose not to implement a premium from 1st April 2025, a decision made after 1st April 2024 can only be effective from 1st April 2026.
- 4.7 The change to long term empty premium can be implemented from 1st April 2024, in accordance with S11B Local Government Finance Act 1992, which allows for a decision to be varied or revoked providing the decision is taken before the start of the financial year.
- 4.8 Both the premiums for long term empty and second homes are in respect of a “financial year” which means the premiums cannot be implemented part way through a year.
- 4.9 Data used for the October CTB1 2023 return shows 828 properties were long term empty and unfurnished between 1 and 2 years, it is likely that a high percentage of these would be for sale, rent or occupied but have not yet informed the council.
- 4.10 The October CTB1 2023 return has 367 properties listed as empty and furnished (second homes). As this would be a new scheme there is likely to be a change in these numbers as owners inform us that these properties are occupied or advertised for sale or rent.

### **Summary**

- 4.11 The Local Government Finance Act 2012 (LGFA 2012) made provision for Local Authorities to technically reform Council Tax discounts and exemption with effect from 1st April 2013. Sections 10,11, and 12 of the LGFA 2012 contained provisions for changes that were agreed by Cabinet in December 2012, and those changes included: -
- Reducing the discount on 2nd homes to nil.
  - Class A and Class C exemption were abolished and replaced by discounts which the Council had the discretion to reduce the discount to nil.
  - Where a discount replaced a Class A exemption, and the discount was not nil, the discount could be limited to 12 months.
  - Where a discount replaced a Class C exemption, and that discount was not nil, the discount could be limited to 12 months.
  - The Council has the discretion to add a “premium” of up to 50% on long term empty properties which has been unoccupied and substantially unfurnished for more than 2 years.
- 4.12 In 2019 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 further enabled a council to increase the premium charged for properties that have been empty and unfurnished for more than 2 years from 50% to 100%. From 2020 a further 100% premium on properties empty and unfurnished for more than 5 years was implemented increasing the premium to 200%. From 2021 a further 100% premium on properties empty and unfurnished for more than 10 years was implemented increasing the premium to 200%.

4.13 This premium applies to the property, so a change of ownership or tenancy will not affect the premium. If when purchased or leased the property has already been empty and unfurnished for two years or more, the new owner will be liable to pay the additional premium.

4.14 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012, describe which classes of dwellings could not be included in the reduced discounts and additional premiums, these are:-

- No premium can be added on a dwelling which is exempt (see Appendix 1 for list of exemptions)
- No premium can be added on a dwelling which is genuinely on the market for sale or letting:
- No premium can be added on a dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service
- No premium can be added on an annex deemed unoccupied, because it is treated by the occupier of the main dwelling as part of the main dwelling.
- We provide a 6 month exemption from the premium for properties that are undergoing works to bring the property back into use.

4.15 The October CTB1 2023 return showed 400 properties are currently charged premiums which result in an additional Council Tax liability of £1,181k.

	100% Premium	200% Premium	300% Premium	Total additional liability from premiums
Number of Properties	283	81	36	400
Croydon Council Tax	£433,785	£239,305	£164,655	£837,745
Croydon adult social care precept	£59,295	£32,711	£22,507	£114,513
GLA precept	£118,568	£65,410	£45,006	£228,984
Overall Council Tax premium liability	£611,648	£337,426	£232,168	£1,181,242

### Considerations & Challenges

4.16 Determining the difference between a second home, a vacant furnished property and a vacant unfurnished property has always proved complicated.

4.17 Collection of premiums is more difficult with a lower percentage collection rate. It is important to remember that in all cases this is a person's second home so there is always the option to bring the property back into use or to sell the property.



4.18 Monitoring properties that are “genuinely” for sale & those undergoing building work can pose a problem.

4.19 Although the changes to the unfurnished premium can be implemented from 1 April 2024 the Council would look to provide reasonable notice to owners, so it is important that a decision to implement these changes is made as soon as reasonably practicable and prior to the start of the financial year.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 The report relates to discretionary premiums the only two options are to implement the changes to empty premiums and second home premiums or to leave the current premiums in place.

5.2 If we were to take the option to leave things as they are currently:

- There would be less incentive for the owners of furnished empty properties to bring them into permanent use.
- The incentive for unfurnished properties to be brought into use would not take effect until a year later.
- The opportunity to collect additional income on empty properties would be reduced.

## **6 CONSULTATION**

6.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have confirmed that there is nothing in the LGFA 2012 that suggests Local Authorities should consult on this matter, as such a consultation is not required.

## **7 CONTRIBUTION TO COUNCIL PRIORITIES**

7.1 The proposal contributes to the Mayors business plan outcomes 1, getting our finances right and outcome 2 a place of opportunity as detailed below.

7.2 Encouraging owners to bring properties increases the availability of housing in the borough.

7.3 Empty properties if not maintained can become in a state of disrepair and can become an eyesore on the local area

7.4 If owners decide to leave a property empty the council will be able to collect additional income to support local services and keep Council Tax down for local residents.

## **8. IMPLICATIONS**

### **FINANCIAL IMPLICATIONS**

8.1.1 The table below shows the annual value of the premium if all properties currently empty and unfurnished remain so. It is likely that a proportion will be brought back into use, and others will be up for sale or rent, therefore the actual number of properties that will have the premium applied will be significantly lower. It is anticipated that between 25% and 50% would have the premium applied.

	<b>All Properties</b>	<b>50%</b>	<b>25%</b>
Number of properties	828	414	207
Croydon Council Tax	£1,332,768	£666,384	£333,192
Croydon Adult Social Care Precept	£182,180	£91,090	£45,545
GLA precept	£364,291	£182,146	£91,073
<b>Overall tax 2023-24</b>	<b>£1,879,239</b>	<b>£939,620</b>	<b>£469,810</b>

8.1.2 The liability generated using current figures would be between £470k and £940k.

8.1.3 Below is a table showing the possible premium liability for second homes. Those empty for under and over a year have been separated as those over a year are far more likely to be liable for the premium. It is unlikely that more than 50% of those recorded as second homes for over a year and 30% of those under would end up having the premium applied.

	2 nd homes over 1 year (A)	2 nd homes over 1 year (assume 50%)	2 nd homes under 1 year (B)	2 nd homes under 1 year (assume 30%) (A + B)	Total (over 1 year 50% under 1 year 30%)
Number of properties	268	134	99	30	164
Croydon Council Tax	£404,901	£202,951	£157,066	£47,120	£250,071
GLA precept	£110,947	£55,473	£42,932	£12,879	£68,352
<b>Overall Tax 2023-24</b>	<b>£572,332</b>	<b>£286,166</b>	<b>£221,468</b>	<b>£66,440</b>	<b>£352,696</b>

8.1.4 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. 09/11/23 8.2

## **LEGAL IMPLICATIONS**

8.2.1 Under Section 67 of the Local Government Finance Act 1992, the function of making a determination under Section 11B in relation to long-term empty dwellings as recommended in this report, or under the new Section 11C in relation to dwellings occupied periodically as recommended in this report, must be discharged only by Full Council.

8.2.2 If Full Council makes the recommended determination under Section 11B, notice of it must be published in at least one local newspaper before the end of a 21 day period starting with the date of the determination. Likewise, a similar notice must be published if full Council makes the recommended determination under the new Section 11C. A billing authority's first determination under the new Section 11C must be made at least one year before the beginning of the financial year to which it relates.

8.2.3 The increases proposed in this report are the maximum by which Council Tax can be increased under Section 11B and the new Section 11C. Billing authorities are required to have regard to any guidance issued by the Secretary of State in exercising their functions under Section 11B and Section 11C.

Comments approved by the Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 7/11/2023)

### **8.3 EQUALITIES IMPLICATIONS**

8.3.1 The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must, in the performance of its functions, therefore have due regard to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.3.2 Given the nature of empty properties, it is hard to capture any diversity data of the owners. Properties could be empty for a range of different reasons, ranging from owner's death to property being own by charities and has been left empty. It is clear from the EQIA that the Council only has information about the owner's name and address and is in no position to collect any further data. For this reason, the EQIA is unable to provide any information about the likely impact on any groups due to lack of data.

8.3.3 Comments by Naseer Ahmad for the Equalities Manager. (13/11/2023)

## **9. APPENDICES**

### **Appendix 1 - Unoccupied Property Exemptions**

## **10. BACKGROUND DOCUMENT**

10.1 N/A

## **11. URGENCY**

11.1 N/A

## **Appendix 1 - Unoccupied Property Exemptions**

Below is a list of empty property exemptions. If these exemptions are relevant to a property the premium is not applied:

- the owner or tenant has died
- the owner or tenant is in prison
- the owner or tenant is a long-term hospital in-patient
- the owner or tenant lives in a nursing home, care home or certain type of hostel
- the owner is a student in the UK who is living elsewhere for their studies
- the owner has been made bankrupt and the property is in the hands of the trustees in bankruptcy
- the owner or tenant has moved out in order to provide personal care for another person or to receive personal care themselves
- it is a self-contained unit that forms part of a larger property and the occupier is a dependent relative of the person living in the other part of the property
- the property is an annex that cannot be let separately from the main property because of planning restrictions
- the property is an empty caravan pitch or houseboat mooring
- occupation of the property is prohibited by law
- the property is in the hands of the executor or administrator of the estate (either probate has yet to be granted or it is less than six months since probate was granted)
- the property has been repossessed by the mortgage lender
- the property is owned by a charity and has been empty for less than six months

**Executive Response to Scrutiny Budget Report and Scrutiny Budget Report to Cabinet, 14<sup>th</sup> February 2024**

Dear Cllr Davis,

I write in response to the Scrutiny and Overview Committee's report on my Administration's Budget proposals for 2024/25.

I want to thank the Committee for their balanced consideration of the proposals and for your report setting out your conclusions.

The Committee have made three recommendations to which I will respond directly. I will also respond to the broader conclusions offered.

Recommendations

**Recommendation 1: The Scrutiny & Overview Committee recommends that further work is undertaken to raise awareness of the availability of the Hardship Scheme, targeted toward groups identified in the Equalities Impact Assessments as potentially being most affected by the proposed Council Tax increase.**

The Council has undertaken a range of activity to promote the scheme:

- The hardship scheme was introduced in the letter from me that was included with all Council Tax bills at the start of April 2024. The Council Tax booklet also reiterated this.
- On the back of Council Tax bills we are promoting to residents how to “get help with the rising cost of living” which includes getting help paying Council Tax and “get money off your bill”. You can find these details [here](#).
- We have updated the website with the new hardship scheme [here](#) and linked the Hardship Fund to the [cost of living web page](#).
- Throughout the month we send out various Council Tax campaigns to prompt residents via email or SMS, and we include a link to the hardship scheme and the cost of living crisis web pages within each. The campaigns are directed at residents who:
  - do not pay by direct debit, i.e. cash payers. We send out a pre 5<sup>th</sup> of the month reminder that the monthly instalment is due on or before the 5<sup>th</sup> of the month.
  - are going to receive a reminder notice for not paying a monthly instalment in full. They receive a nudge that the monthly instalment is outstanding and this needs to be paid to avoid a reminder notice being issued.
  - are about to receive a summons. They are advised what to do to avoid a summons being issued.
  - pay by direct debit but for some reason the direct debit has not been paid, i.e. they need to pay the missed instalment to keep up to date.
  - have a special payment arrangement with us but it is not kept up to date and the arrangement fails. They are advised about the broken arrangement and what they need to do to get it reinstated.

- We shared a Council Tax Hardship information pack with over 500 third sector partners to encourage take up of the fund.
- We have changed the back of the Council Tax Reminder Notices and Summons notifications to include a link to the new hardship scheme.
- Officers in the revenues service meet with Citizens Advice Bureau (CAB), South West London Law Centre (SWLLC), and Money and Pension Service (MAPS) on a monthly basis to agree how best we can collectively support Croydon residents, and from listening to their advice and feedback we have changed the front of all Council Tax bills which includes Adhoc Bills and Annual Bills to promote the hardship scheme.
- Again working with CAB, SWLLC and MAPs, Croydon residents can access face to face support via a referral system 2 days per week Access Croydon (CAB) Tuesday and Davis House (SWLLC) on a Wednesday. This referral system is working well.
- CAB, SWLLC and MAPs also promote Croydon's hardship scheme.

This successful campaign has resulted in an increased number of residents receiving Council Tax Support, to the value of £1m deducted from bills in the last year.

I hope the Committee will agree this reflects a sizeable effort to promote the scheme, but officers will continue to keep this in review to ensure its effectiveness.

**Recommendation 2: Given it was noted that the removal of Economic Demand Pressures Fund presented a greater risk, the Scrutiny & Overview Committee recommends that an updated version of Appendix L – Financial Risks is presented as part of the budget papers for the consideration of Council. This should include potential mitigation being provided for each risk and all financial risks for 2024-25 being quantified. The Committee would also recommend that the Financial Risks document is scheduled for review by the Audit & Governance Committee at the earliest possible opportunity.**

Agreed, this will be provided for Full Council.

**Recommendation 3: In the interests of transparency, the Scrutiny & Overview Committee would recommend that additional information is included in the final budget report to Council to explain the further legacy Capitalisation Direction of £9.4m for 2019-20.**

This will be explored by officers subject to considerations around commercial sensitivity.

### Comments and conclusions

#### **Budget preparations**

I welcome and support the Committee's comments about the hard work of colleagues across the Council that has enabled us to present a balanced budget for 2024/25. The Committee note the early and detailed preparations that have gone into this, with information provided to colleagues at an early stage to enable due and thoughtful scrutiny.

This budget demonstrates clear financial rigour and reflects a whole Council effort to get Croydon's finances back on track. The Committee note the significantly financially constrained environment the wider local government sector is currently operating in, on top of the unique challenges faced in Croydon.

As the Committee note, when I was elected in May 2022, I inherited a Council recovering from significant financial collapse. The first Report in the Public Interest in 2020 had identified wide-ranging and significant failures in leadership, governance and financial management, and serious weaknesses in the authority's strategy around commercial investment and residential development, and in November 2020, the Council issued its first S114 notice, indicating that it was in a position whereby it could not continue to deliver a balanced budget without exceptional financial support. A second S114 notice was issued in December 2020.

The Committee will be aware that in 2022, I embarked on an 'Opening the Books' exercise. This identified a range of additional challenges, including the need to rectify significant legacy budget errors. The Council subsequently issued a third S114 notice in November 2022 and we were forced to request a further Capitalisation Direction from Government.

The historic financial issues uncovered have left the Council with a recurring budget gap, a significant amount of which relates to the exceptional costs of servicing the Council's £1.4bn debt. Last year, I took the difficult decision to reduce this by £22m a year by proposing an above the cap increase in Council tax of 14.99%. Further capitalisation directions from Government, along with the Council agreeing to make 2023-24 savings of £36m, enabled us to set a balanced budget for 2023-24. The Council is therefore no longer subject to the S114 issued in November 2022.

I am pleased therefore that through hard work and financial discipline we are now able to deliver a balanced budget again, with no additional burden to Croydon taxpayers above the London borough Council Tax cap of 4.99%. I committed last year to not raise Council Tax above the threshold limit and I am pleased that through a rigorous and prudent budget setting process we have been able to uphold this pledge.

A key part of how we will achieve this is through our commitment to deliver £30.9m in savings this year, with further to be identified for future budget years. In order to do this, it will require a wholesale transformation of the way the Council works, creating a more efficient and resilient Council for the future.

### **Capitalisation**

The Committee notes the current situation for the Council with regards to continuing capitalisation support from Government. The Committee will be aware that the on-going impact of the legacy issues facing Croydon means that extraordinary government support is still necessary, and this is budgeted at £38m for 2024-25 with the same in future years of the MTFS.

As detailed in the report to Cabinet, Croydon's historic financial legacy has resulted in a debt burden that is not sustainable, and will require Government support to resolve. As the report

notes, for 2024-25 debt servicing costs for Croydon, after allowance for the Council's asset disposal programme, are estimated at 15% of our core spending power. As such, the current expectation is that a further Capitalisation Direction of £38m will be approved by Government for 2024-25 with an additional legacy capitalisation direction of £9.4m for 2019-20.

I do not believe that the continued use of Capitalisation Directions provides a sustainable way for Croydon Council to manage our finances and I continue to engage in dialogue with Government to agree a longer-term solution.

My ambition is that the Council will soon be able to deliver balanced budgets that do not rely on future exceptional government financial support and do not put additional pressure on Croydon's taxpayers.

## **Savings**

The Committee notes that the proposed savings set out in this Budget are "deliverable" whilst still meeting the statutory needs of our most vulnerable residents.

The Committee will note that at Period 8, our financial position showed an overall underspend of £1.3m, despite the wider inflationary and demand pressures facing the sector currently. The MTFs also sets out how Croydon's financial position has stabilised in the past 12 months, as the Council continues to make progress in tackling its financial challenges.

The Committee also note that the scale, pace and wide-ranging nature of these savings mean that they will need to be closely monitored. I can assure them that we will continue to apply the rigour and financial discipline we have shown within this financial year, with ongoing monthly monitoring enabling us to identify risk of slippage and to take remedial action at an early stage.

## **Transformation**

As noted in the Cabinet report for this budget, given Croydon's financial challenges, the Council must reduce its expenditure significantly over the medium-term. My Business Plan makes it clear that I see our wholesale transformation as fundamental to how we achieve this.

Croydon Council must become more efficient and better-run. We must be more effective in the work that we do: we must do less, but what we do, we must do well. We must make services more efficient and seek to get value for money from every penny of taxpayers' money we spend. As such, this budget includes investment in modernising and improving the way we work.

We have already appointed a dedicated Transformation Director and a detailed Transformation Strategy for the Council will be coming to Cabinet in due course.

## **Risk**

As the Committee has noted, and the S151 Officer has reported in her statutory Section 25 Statement, removing the £5m Economic Demands Pressures Fund from the 2024-25 budget



increases the overall level of risk in the Council's 2024-25 budget. Many councils are experiencing similar increases in risk profile and this is recognised by Government.

Councils are being asked by Government to balance shortfalls with reserves and capitalisation in 2024/25. With inflation currently down from levels experienced in 2023 and better budget control in place across the Council, I share the Committee's view that on balance, the increased risk is manageable and that contingencies and reserves are sufficient.

### **Support to residents**

The recent survey we undertook to this budget showed that residents see our services for vulnerable residents as a top priority. We will continue to reflect this whilst ensuring best value for money for them as taxpayers.

There is a range of support in place for residents struggling to pay their Council Tax. The lower a resident's income the high the support provided, and pensioners and disabled residents may be entitled to receive up to 100% support and working age residents up to 80%. This sits alongside a broader offer of support available for residents struggling with the current cost of living which is detailed on our website [here](#).

### Conclusion

Whilst we are making clear progress, as recognised by the Improvement and Assurance Panel and the Secretary of State, Croydon has a huge journey of transformation ahead, and I look forward to working with members and all our partners to deliver a bright future for Croydon.

Yours sincerely

Mayor Jason Perry

Executive Mayor of Croydon

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Cabinet</b>
<b>DATE</b>	<b>14 February 2024</b>
<b>REPORT TITLE:</b>	<b>Report of the Scrutiny and Overview Committee: Budget Scrutiny 2024-25</b>
<b>LEAD OFFICER:</b>	<b>Stephen Lawrence-Orumwense Director of Legal Services &amp; Monitoring Officer Adrian May Interim Head of Democratic Services</b>
<b>LEAD MEMBER:</b>	<b>Councillor Rowenna Davis Chair of Scrutiny &amp; Overview Committee</b>
<b>ORIGIN OF ITEM:</b>	<p style="text-align: center;">As part of the consideration of the Council Tax and Budget Report, the Executive Mayor is required to consider feedback from the Scrutiny &amp; Overview Committee.</p> <p style="text-align: center;">In accordance with the Council's Constitution, the Scrutiny &amp; Overview Committee scrutinises the entirety of the budget proposals and reports its findings to Cabinet as part of the budget setting process. The findings of the Committee, together with the response of the Executive Mayor will be presented at the Budget Council meeting.</p>
<b>KEY DECISION?</b>	No
<b>PUBLIC/EXEMPT:</b>	Public
<b>WARDS AFFECTED:</b>	All

### 1. THE BUDGET SCRUTINY REPORT

- 1.1. The Scrutiny & Overview Committee is required in the procedure rules set out in the Council's Constitution to report to the Executive Mayor in Cabinet the findings from its scrutiny of the budget setting process. This report is being provided to Cabinet alongside the Budget papers to respond to the conclusions and recommendations of

the Committee. Both this report and the response of the Executive Mayor will be included in the budget papers to be considered by Council on 28 February 2024.

- 1.2. The level of scrutiny given to the process for setting 2024-25 budget has been in line with the expanded scope conducted in each of the past two years, as it was found that this approach allowed the members of the Scrutiny & Overview Committee to have a greater understanding of the potential risks to the delivery of the budget. A summary of the budget process is set out in section 3 of this report.
- 1.3. The Scrutiny & Overview Committee had a final opportunity to review the budget proposals at its meeting on 12 February 2024. It was at this meeting that the Committee, taking account of its work over the preceding months, reached its conclusions on the budget. These recommendations are set out for the consideration of the Mayor in section 2 of this report. The wider conclusions of the Committee arising from the meeting on 12 February 2024 are set out in section 4.

## **2. RECOMMENDATIONS**

- 2.1. Following its discussion of the 2024-25 Budget update, the Committee agreed to submit the following recommendations for the consideration of the Mayor: -
  1. The Scrutiny & Overview Committee recommends that further work is undertaken to raise awareness of the availability of the Hardship Scheme, targeted toward groups identified in the Equalities Impact Assessments as potentially being most affected by the proposed Council Tax increase.
  2. Given it was noted that the removal of Economic Demand Pressures Fund presented a greater risk, the Scrutiny & Overview Committee recommends that an updated version of Appendix L – Financial Risks is presented as part of the budget papers for the consideration of Council. This should include potential mitigation being provided for each risk and all financial risks for 2024-25 being quantified. The Committee would also recommend that the Financial Risks document is scheduled for review by the Audit & Governance Committee at the earliest possible opportunity.
  3. In the interests of transparency, the Scrutiny & Overview Committee would recommend that additional information is included in the final budget report to Council to explain the further legacy Capitalisation Direction of £9.4m for 2019-20.

## **3. BUDGET SCRUTINY PROCESS 2024-25**

- 3.1. Although the Scrutiny & Overview Committee first considered a report on the setting of the 2024-25 budget at its meeting on 24 October 2023, the Committee has prioritised monitoring the delivery of the in-year budget throughout the year with the inclusion of the latest financial performance monitoring report on the agenda for each meeting. This has allowed the Committee to identify the key areas of risk it wanted

to scrutinise in greater detail and reassure itself that the Council was effectively managing its in-year budget.

- 3.2. In preparation for the Budget Scrutiny process, the members of the Committee received two training sessions on best practice for budget scrutiny, delivered by the Centre for Governance and Scrutiny. The first of these focussed on scrutinising in-year budget performance and the second on best practice for budget scrutiny. Members also attended extra training on scrutinising risk and adult health and social care scrutiny.
- 3.3. At the Scrutiny & Overview Committee on 24 October 2023, consideration was given to the Medium Term Financial Strategy (MTFS) report, which included savings proposals for 2024-25. From its discussion of the information provided, it was acknowledged that there had been a lot of work invested in improving the financial governance and monitoring processes of the Council. However, the Committee agreed that despite this hard work, the path to long-term sustainability and independence of the Council would remain at risk, until a solution, that was agreeable to both the Council and the Government, could be found to address the historic debt burden.
- 3.4. The Scrutiny & Overview Committee met again on 16 January 2024, to consider the Capital Programme & Capital Strategy 2023-29 report. From its consideration of the Capital Programme, the Committee reached a similar conclusion to its consideration of the MTFS report on 24 October. There was evidence that both the governance process of the Council had improved, but the ongoing requirement for capitalisation of £38m each year, to deliver a balanced General Fund budget, was unsustainable and most of the income generated through the asset disposal plan was needed to prevent further borrowing, rather than reducing the Council's existing debt.
- 3.5. The Committee acknowledged that the financial situation for the Housing Revenue Account capital budget was much healthier than the General Fund capital budget and was supportive of the proposal to use reserves, rather than borrowing, to fund capital works in 2024-25.
- 3.6. The four scrutiny Sub-Committees (Children & Young People, Health & Social Care, Streets & Environment, and Homes) each met with the respective Cabinet Members and Corporate Directors for their relevant remits to identify key areas of risk to review at their meetings in January 2024. The areas scrutinised were:-

Meeting	Budget Challenge Items
<p>Health &amp; Social Care Sub-Committee</p> <p>Link to Sub-Committee papers:  <a href="#">Monday, 24th January, 2024</a></p>	<ul style="list-style-type: none"> <li>• Adult Social Care and Health Directorate 2023-24 Budget, Savings and Transformation</li> </ul>

Meeting	Budget Challenge Items
Children & Young People Sub-Committee  Link to Sub-Committee papers: <a href="#">Tuesday, 25th January, 2024</a>	<ul style="list-style-type: none"> <li>• Review of Children Looked After placements.</li> <li>• Children’s Social Care staffing budget realignment</li> </ul>
Homes Sub-Committee  Link to Sub-Committee papers: <a href="#">Monday, 29th January, 2024</a>	<ul style="list-style-type: none"> <li>• Housing Revenue Account Budget</li> <li>• Housing General Fund Budget</li> <li>• Deep Dive on Emergency/Temporary Accommodation.</li> </ul>
Streets & Environment Sub-Committee  Link to Sub-Committee papers: <a href="#">Tuesday, 30th January, 2024</a>	<ul style="list-style-type: none"> <li>• Fees and charges - Changes to parking policy</li> <li>• SEND Transport – Student Number Cost Driver</li> <li>• Deferral of growth in highways maintenance</li> </ul>

- 2.7. The conclusions from the Sub-Committee meetings were included in the budget papers for the consideration of the main Committee at the meeting on 12 February 2024. These conclusions indicated that there was an acceptable level of assurance that Services had a good understanding of their budgets and had identified potential risks to delivery.
- 2.8. The Children & Young People Sub-Committee flagged for the attention of the Scrutiny & Overview Committee the removal from the MTFS of the proposed saving of £1.1m from the realignment of the Children’s Social Care staffing budget, due to the unacceptable risk involved. As alternative savings had still to be identified, it was flagged to the Committee to explore in further detail at its meeting on 12 February 2024.
- 2.9. Although the Homes Sub-Committee concluded that the Housing Revenue Account (HRA) Capital Programme was well thought through based upon the information available at this stage, it was agreed that the real test would come in the summer once further stock condition data was analysed leading to an updated HRA Business Plan.
- 2.10. The Homes Sub-Committee welcomed the savings delivered through transformation of the Homelessness service in 2023-24 and was reassured that these were not solely reliant on staff vacancy savings. However, further evidence was required to demonstrate that this transformation work would result in a transformed service focussed on reducing homelessness through prevention and early intervention.
- 2.11. The Homes Sub-Committee had concerns about the potential risks to the General Fund budget associated with the increased demand for the homelessness services

and looked forward to reviewing the demand management transformation within the service later in the year.

- 2.12. The Streets & Environment Sub-Committee had concerns about whether 5% growth for SEND Transport would be sufficient to cover rising demands for the service as a result of an increasing number of Education and Health Care Plans (EHCPs) in the borough, as well as cost inflation that may occur during 24/25.
- 2.13. Although it was acknowledged that SEND Transport was being looked at as part of the Transformation Programme, and that some savings had been made as part of Phase 1 of the project. The Sub-Committee noted that Phase 2 was still in very early stages of development and agreed there was limited understanding of any potential savings.
- 2.14. Regarding the deferral of growth in the highway's maintenance budget, the Streets & Environment Sub-Committee concluded that this saving would contribute to an increased backlog in highways investment that could lead to increased costs for highways maintenance and repairs in the future but endorsed the risk-based approach to targeting maintenance. Although the Sub-Committee was supportive of the £1,000,000 growth proposed for the highway's maintenance budget in 2025/26, there was concern that this would still constitute a real terms cut to the budget from 22/23.
- 2.15. A full summary of the conclusions reached by the Scrutiny Sub-Committees, along with those from earlier budget scrutiny items considered by the Scrutiny & Overview Committee can be found attached at Appendix A.
- 2.16. The final meeting in the budget scrutiny cycle was held on 12 February 2024. At this meeting, the Committee considered the budget report presented before Cabinet to finalise its conclusions on what was proposed. The conclusions of the Committee are set out in the next section of this report.

### **3. CONCLUSIONS OF THE SCRUTINY & OVERVIEW COMMITTEE ON THE BUDGET 2023-24 PROPOSALS**

- 3.1. At the meeting on 12 February 2024, the Committee had the opportunity to question, the Cabinet Member for Finance, Councillor Jason Cummings, the Chief Executive, the Corporate Director for Resources & S151 Officer, other Members of the Corporate Management Team and the Director of Finance on the Mayor's budget proposals. The questioning of the Committee focused on five key themes, which were the Dealing with the Debt, Demand Assumptions, Transformation, Savings and Public Engagement.
- 3.2. Following its discussion of the Budget report, the Scrutiny & Overview Committee commended the hard work of officers, the Executive Mayor and Cabinet Members in preparing the 2024-25 Budget, particularly in light of the financial challenges facing the Council and across the local government sector as a whole.

- 3.3. The provision of budget information to Scrutiny at an earlier stage, in comparison to previous years, was appreciated and helped to ensure that the Committee could effectively scrutinise the budget.
- 3.4. Despite the hard work of all involved, the Committee agreed that the Council still cannot balance its budget without Government approval for further capitalisation. Without a solution being identified to address the £38m annual shortfall in the General Fund budget, the long term sustainability and independence of the Council remains uncertain.
- 3.5. The Committee noted that, based on the information provided, the proposed savings were deliverable whilst meeting the statutory needs of its vulnerable residents, although the scale, pace and wide-ranging nature of these savings mean that they will need to be closely monitored.
- 3.6. The Committee agreed with the Section 151 Officer that removing the £5m Economic Demands Pressures Fund from the 2024-25 budget increased the level of risk, particularly in a volatile economic environment where demand for many services is increasing, but recognised that this judgement had been based on improved budget modelling processes.
- 3.7. There was recognition that the scale and pace of transformation was not where the Council wanted it to be. However, the recent recruitment of a Director of Transformation and the forthcoming Transformation Strategy were reflective of a growing ambition and appetite for transformation across the Council.
- 3.8. The Committee noted the reduction from £2m to £500,000 in funds available for the Hardship Fund, but welcomed that this amount had been reallocated to the Council Tax Support Scheme, rather than amalgamated into the wider General Fund budget.

## **4 APPENDICES**

- 4.1. Appendix A: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees

## **5 BACKGROUND DOCUMENTS**

- 5.1. None

### Scrutiny & Overview Committee

12<sup>th</sup> February 2024

#### **Budget Scrutiny 2024-25: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees**

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#### **Scrutiny & Overview Committee – 24 October 2023**

##### **Medium Term Financial Strategy 2024-2028**

1. The Committee acknowledged that the Council was going above and beyond what it could do to improve its financial position through improving its governance and budget monitoring processes, delivering transformation, and selling its assets.
2. However, the level of debt held by the Council remained unsustainable and would only increase while capitalisation remained the only option available to the Government to support the Council to balance the identified ongoing annual shortfall of £38m in future year's budgets. It was therefore essential for Government to identify a solution as soon as possible to assist both Croydon and other similar local authorities with unsustainable levels of debt.
3. The Committee welcomed reassurance that the voices of frontline staff were being heard in the budget setting process and agreed that this would need to be tested throughout the budget scrutiny process.
4. The Committee welcomed reassurance that Council tax enforcement was only used as a last resort and in the first instance the Council when notifying residents of arrears provided the offer of help and assistance to find a viable solution. The Committee agreed that it would like to revisit this at a later date to seek reassurance on the level of support offered to residents.

#### **Scrutiny & Overview Committee – 16 January 2024**

##### **Capital Programme and Capital Strategy 2023-29**

1. The Committee acknowledged that both transparency and the governance processes of the Council have been improved due to the hard work of officers and the Cabinet. However, despite this hard work, the financial situation remained dire and potentially dangerous with the £38m budget gap remaining unresolved without further capitalisation and the Council being in breach of the Prudential Code.
2. The Committee also acknowledged that the financial situation for the Housing Revenue Account capital budget was much healthier than the General Fund capital budget and was supportive of the proposal to use reserves, rather than borrowing, to fund capital works in 2024-25.



## **Health & Social Care Sub-Committee – 22 January 2024**

### **Adult Social Care and Health Directorate 2023-24 Budget, Savings and Transformation**

#### **Conclusions**

1. The Sub-Committee commended the work of the Adult Social Care team in managing its budget, acknowledging that there was a good level of understanding of and control over the budget for the service.
2. The Sub-Committee also commended the work of the Panel reviewing the packages of care, which was a key to delivering savings within the service.
3. The Sub-Committee also welcomed a review on the further use of technology within the service, as a means of identifying further savings.
4. Although, the Health and Social Care Sub-Committee did not have any specific concerns about the Adult Social Care and Health Directorate budget for 2024-25, there were a few areas, such as the transformation partnership workstream, that were still in the early stages of development and would require further in-depth scrutiny over the forthcoming year to provide further reassurance on delivery.

## **Children & Young People Sub-Committee – 23 January 2024**

### **Budget Scrutiny Challenge**

#### 2024-28 SAV CYPE 001 – Children’s Social Care staffing budget realignment

#### **Conclusions**

1. The Sub-Committee were grateful for the information and responses provided by officers and the Cabinet Member at the meeting.
2. The Sub-Committee were reassured that officers and the Cabinet Member had recognised that holding a 7% vacancy would present an unacceptable risk in Children’s Social Care, and that this saving would not be included in the updated Medium Term Financial Strategy (MTFS).
3. The Sub-Committee were confident that removing this saving from the MTFS was the correct decision to protect children and ensure that caseloads for social workers did not become unmanageable.
4. The Sub-Committee understood that the £1.1 million saving would need to be achieved and that the updated MTFS would set out how this saving would be made while also considering the provisional Local Government Finance Settlement, feedback from the budget engagement process and updated Council Tax and business rate income forecasts.
5. The Sub-Committee were unable to comment on whether the £1.1 million saving in the budget would be achievable as the information on where this saving was to be achieved was not yet available. As such, the Sub-Committee would recommend the Scrutiny & Overview Committee reassure itself on the deliverability of any new savings proposals at its meeting on 12 February 2024, when considering the wider Budget.
6. The Sub-Committee were reassured by the peer challenge work being undertaken with other local authorities to look at different areas of Children’s Services, and by the Council’s engagement with the Sector Led Improvement Programme (SLIP) to improve practice outcomes.

#### 2024-28 SAV CYPE 003 – Review of Children Looked After Placements

#### **Conclusions**

1. The Sub-Committee shared their gratitude to social workers and foster carers who were working to meet the needs of children in the borough.
2. The Sub-Committee wanted to monitor the efforts of the Council to increase the in-house foster provision in the borough and agreed that this should be added to the Work Programme for 2024/25.
3. Members were optimistic that the savings targeted from the review of children looked after placements would be deliverable, in light of the work already undertaken in this area during 2023/24.

4. The Sub-Committee were reassured that both the officers and the Cabinet Member understood the potential impact upon service users and the wider community of delivering this saving, and that no decisions would be taken for financial reasons, if they would be harmful to children and young people.
5. The Sub-Committee were supportive of the planned increase of in-house provision through the opening of a new Children's Home supported by Department for Education funding.
6. Members were optimistic about plans to continue to improve the Council's relationship with placement providers through the continued development of processes, and through possible 'preferred provider' agreements.
7. The Sub-Committee were confident that the scope for the procurement of a proposed CYPE Strategic Transformation Partner seemed well targeted but understood that the process was still in the early stages of development and that a market warming exercise had yet to take place.

## Homes Sub-Committee – 29 January 2024

### Update on the Housing Revenue Account and Housing General Fund Budget 2024-25

#### Conclusions

1. The Sub-Committee recognised that a lot of different work streams were being managed simultaneously within the Housing service and that it was a credit to the team that noticeable improvement towards stabilising the service and building solid governance processes had been established.
2. The Sub-Committee was concerned that much of the data gathered had still to be analysed and concluded that this represented a key risk to the delivery of the budget, particularly the results from the stock condition surveys which could have a major impact on both the level of repairs needed and the longer-term capital investment required.
3. However, the Sub-Committee was reasonably reassured that the Housing service had worked as well as it could with the data already available, which had resulted in the budget for repairs and maintenance being rightsized.
4. The Sub-Committee concluded that Housing Revenue Account (HRA) Capital Programme was well thought through based upon the information available at this stage, but the real test would come in the summer once further stock condition data was analysed leading to an updated HRA Business Plan, which the Sub-Committee looked forward to reviewing later in the year.
5. The Sub-Committee was also reassured that many of their concerns raised at the meeting were already known to the Housing service and work was underway to address these.
6. While it remained a work in progress, the Sub-Committee welcomed the savings delivered through transformation of the Homelessness service in 2023-24 and was reassured that these were not solely reliant on staff vacancy savings. However, further evidence was required to demonstrate that this transformation work would result in a transformed service focussed on reducing homelessness through prevention and early intervention.
7. The Sub-Committee noted concern about the potential risks to the General Fund budget associated with the increased demand for the homelessness services and looked forward to reviewing the demand management transformation within the service later in the year.
8. Overall, the Sub-Committee was unable to provide total reassurance on the 2024-25 budget, given the data that would normally be expected to inform the setting of a budget was still being collated and validated. However, it did agree that the Housing Service had a good understanding of the pressures on the service and seemed to have the right priorities in place to drive forward improvement.

## **Streets & Environment Sub-Committee – 30 January 2024**

### **Budget Scrutiny Challenge**

#### 2024-28 SAV SCRER 002 - Fees and charges - Changes to parking policy

##### **Conclusions**

1. The Sub-Committee encouraged the Council to continue to engage with residents and local businesses on forthcoming changes to parking policy and charges.
2. The Sub-Committee were supportive of the promotion of the 'Love Clean Streets' app as a reporting tool for parking contraventions as an alternative for residents contacting the Council by phone or email.
3. The Sub-Committee were encouraged to hear that the 'Love Clean Streets' app would be utilised during the 'Clean Up Croydon' campaign and were reassured that it was being considered how to also encourage more residents to use the app to report parking contraventions and provide updates to residents on the enforcement of these reports.
4. The Sub-Committee understood that the introduction of nominal charges for parking in district centres was being explored to tackle meter feeding and increase parking turnover, but were of the view that the right balance needed to be found to ensure that the footfall of local businesses was improved, and could be evidenced by data.
5. The Sub-Committee were encouraged that a more intelligence led approach by Parking department could lead to savings through maximising the opportunities available in the 'Sitem' software. Members understood that any potential savings arising from this would not be included in the 24/25 budget.
6. The Sub-Committee were reassured that parking income targets for 24/25 would be set at a realistic level based upon 23/24 contravention data, and taking account of increased likelihood of compliance as residents became more familiar with schemes such as Healthy Neighbourhoods and Healthy School Streets.

#### 2024-28 GRO SCRER 003 - SEND Transport – Growth Proposal

##### **Conclusions**

1. Members supported that officers were exploring possible commercial uses of the SEND Transport fleet during weekends, school holidays and during the school day. The Sub-Committee were optimistic that this may provide some additional income to the Council but acknowledged that this could be offset by the cost of any such commercial operation.
2. The Sub-Committee were concerned about whether a 5% growth for SEND Transport would be sufficient to cover rising demands for the service as a result of an increasing number of Education and Health Care Plans (EHCPs) in the borough, as well as cost inflation that may occur during 24/25.

3. The Sub-Committee acknowledged that SEND Transport was being looked at as part of the Transformation Programme, and that some savings had been made as part of Phase 1 of the project. However, as Phase 2 was still in very early stages of development there was limited understanding of any potential savings.
4. The Sub-Committee appreciated that Muster Points had been identified as a possible point of savings for the SEND Transport service but were of the view that the potential budget impact was limited and that the change would likely not be appropriate for some students.

#### 2024-28 SAV SCRER 006 - Deferral of growth in highways maintenance

#### **Conclusions**

1. The Sub-Committee were of the view that this saving would contribute to an increased backlog in highways investment that could lead to increased costs for highways maintenance and repairs in the future.
2. The Sub-Committee were supportive of the £1,000,000 growth proposed for the highways maintenance budget in 25/26 but were concerned that this would still constitute a real-terms cut to the budget from 22/23.
3. The Sub-Committee were reassured that the Council would take a risk-based approach to conducting highways maintenance to ensure that highways remained as safe and well maintained as possible within the available budget.
4. The Sub-Committee welcomed confirmation of the additional government funding from the Prime Minister's Network North announcement but accepted that this additional investment would not fully mitigate the deferment of growth in the highways maintenance budget.

	<p>Please note this Report has been updated from that reported to Cabinet on 14 February 2024 with the following:</p> <ul style="list-style-type: none"> <li>• It incorporates a departmental and subjective analysis of the 2024-25 Budget in Appendix B (which was marked to follow at Cabinet).</li> <li>• Appendix L (Financial Risks) is updated following the request by Scrutiny and Overview Committee on 12<sup>th</sup> February for more information.</li> <li>• Paragraph 3.13 has been amended to more fully explain the further legacy Capitalisation Direction request of £9.4m for 2019-20 as requested by Scrutiny and Overview Committee.</li> </ul>
<b>REPORT:</b>	<b>Cabinet</b>
<b>DATE OF DECISION</b>	<b>14 February 2024</b>
<b>REPORT TITLE:</b>	<b>Revenue Budget and Council Tax Levels 2024-25</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)</b>
<b>LEAD OFFICER:</b>	<b>Jane West, Corporate Director of Resources (Section 151 Officer)</b>
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings, Cabinet Member for Finance</b>
<b>KEY DECISION?</b>	<p><b>Yes</b> <span style="float: right;"><b>REASON:</b></span></p> <p style="text-align: center;">Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates</p> <p style="text-align: right;">and</p> <p style="text-align: center;">Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards</p>
<b>CONTAINS EXEMPT INFORMATION?</b>	<p><b>No</b> <span style="float: right;"><b>Public</b></span></p> <p style="text-align: right;"><b>Grounds for the exemption: N/A</b></p>
<b>WARDS AFFECTED:</b>	<b>All</b>

**1 SUMMARY OF REPORT:**

- 1.1 In Autumn 2020 Croydon Council was issued with a Report in the Public Interest (RIPI) identifying wide-ranging and significant failures in leadership, governance and financial management. The report brought to light significant financial concerns, including serious weaknesses in Croydon's strategy for commercial investment and residential development.
- 1.2 In November 2020, the Council issued its first S114 notice, flagging that it was in a position whereby it could not continue to operate without exceptional financial support from government. In December 2020, the Council requested exceptional financial support of over £150m over four years from 2020-21. The government provided an in-year Capitalisation Direction of £70m for 2020-21 designed to address outstanding deficits and commitments, with further Capitalisation Directions of £50m for 2021-22, £25m for 2022-23 and £5m for 2023-24.
- 1.3 Further budget issues emerged during the 'Opening the Books' exercise launched by the Executive Mayor in June 2022. This ultimately led to budget corrections of £49m for 2023-24 and prior year adjustments of £161.6m. The financial magnitude of such changes required the Council's Section 151 Officer to issue Croydon's third Section 114 report on 22 November 2022. This made it clear to all Councillors that Croydon faced a financial situation of an extremely serious nature with significant estimated unfunded financial deficits forecast from 2023-24 onwards.
- 1.4 A package of measures was subsequently agreed with central government that enabled the Council to set a balanced budget for 2023-24. These included:
  - An increase in the 2023-24 referendum cap for council tax increases from 4.99% to 14.99% for Croydon. This resulted in the Council generating additional income of £21m in 2023-24. It also meant that Croydon had the largest council tax increase in the country. The Executive Mayor made clear that this was a one-off decision to increase above the national cap and he would not support doing so again should government propose a higher referendum cap for Croydon.
  - Central government making available exceptional financial support, in the form of permission for additional borrowing to fund revenue (a Capitalisation Direction) of £63m in 2023-24 (£58m in addition to the £5m previously agreed for 2023-24).
  - A further Capitalisation Direction of £161.6m to cover the prior year legacy finance issues that were revealed through the Opening the Books programme.
- 1.5 These measures, along with the Council agreeing to make 2023-24 savings of £36m, enabled Croydon to set a balanced budget for 2023-24. The Council is therefore not currently subject to the S114(3) report issued on 22 November 2022.
- 1.6 This Report sets out a balanced 2024-25 budget and council tax charge for Croydon in accordance with the Local Government Finance Act 1992. A net budget requirement of £361.3m is proposed for 2024-25 with a 2.99% (£53.98 per year Band D) council tax



increase (for the Council element excluding the GLA precept) and 2% (£36.11 per year Band D) increase regarding the adult social care precept.

- 1.7 A forward financial forecast was last presented to Cabinet on 25<sup>th</sup> October 2023. A gross budget deficit of £75m, before allowance for savings and any exceptional government financial support, was modelled for 2024-25, increasing to an annual deficit of £137m by 2027-28.
- 1.8 The October Cabinet Report set out proposed 2024-25 savings of £30.9m that could contribute towards closing the forecast deficit. It was also noted that dialogue was on-going with the Department for Levelling-Up, Housing and Communities (DLUHC) regarding the need for a further package of exceptional government financial support. This was modelled at £38m per annum for 2024-25 and future years and reduced the forecast 2024-25 budget deficit to £6m. A period of public engagement, incorporating the statutory consultation with businesses, was approved on the proposals set out in the Report including those for savings and growth.
- 1.9 The budget assumptions that underpin the 2024-28 financial forecast have now been refreshed and take account of the Final Local Government Finance Settlement (LGFS) announced on 5<sup>th</sup> February 2024. The savings and growth proposals have been reviewed and due regard has been had to the response to the public engagement.
- 1.10 Croydon's finances, like those of the wider local government sector, continue to be under strain from inflationary pressures and increasing demand for essential social care, housing and welfare services. An allowance of £18.1m is made within the 2024-25 budget for inflationary pressures and £11.5m to meet demand and legacy budget pressures. Overall new inflation and growth pressures of £109m are modelled by 2027-28.
- 1.11 The Council's historic legacy of service failings, poor financial management, weak decision making and poor governance of major investments has resulted in a debt burden that is not sustainable without government support. The most recent financial sustainability indicators<sup>1</sup>, provided by the Office for Local Government (OFLOG), demonstrate that Croydon's debt level, and debt servicing cost, is far higher than the median figure for both England and the Council's nearest statistical neighbours (the 15 London boroughs that CIPFA consider are most like Croydon).

### **Table 1 – OFLOG Financial Sustainability Data – 2021-22 Outturn**

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<sup>1</sup> The OFLOG data measures debt servicing costs and debt levels as a percentage of core spending power. Core spending power is a government calculated indicator that is published annually within the local government finance settlement. It indicates the core revenue funding available to a local authority, including council tax, locally retained business rates, adult social care grants and revenue support grant.

	Croydon	Nearest neighbour median	England median
Debt servicing costs as a percentage of core spending power	16.0%	9.0%	8.0%
Total debt as a percentage of core spending power	478.6%	275.6%	226.7%

- 1.12 For 2024-25 debt servicing costs for Croydon, after allowance for the Council's asset disposal programme, are estimated at 15% of core spending power.
- 1.13 The current expectation is that a further Capitalisation Direction of £38m will be approved by government for 2024-25 (and for subsequent years to 2027-28) with an additional legacy capitalisation direction of £9.4m for 2019-20. The Council is concerned that the continued use of Capitalisation Directions does not provide a financially sustainable solution to the Council's future budget. Dialogue will continue with the government on identifying alternative forms of financial support such as a £540m debt write off or equivalent support that would deliver estimated annual revenue budget savings of £38m. This would enable the Council to set balanced budgets that do not rely on future exceptional government financial support and do not put additional pressure on Croydon's taxpayers.
- 1.14 In January 2021 the Secretary of State for DLUHC (formerly MHCLG) appointed an Improvement and Assurance Panel (IAP) to advise, support and challenge the Council on a non-statutory basis to help deliver the Croydon Renewal Plan and address the well documented governance and financial failures across the Council. Despite the progress made in delivering the Croydon Renewal Plan, the Secretary of State concluded in July 2023 that, the reliance on Capitalisation Directions resulting from high historic debt levels meant the Council was not meeting its best value duty. The IAP was moved onto a statutory footing with a power to direct the council if they felt it was acting in a way not designed to meet its duty of best value. This power of direction has not been used and is a power of last resort. The Council has not had any powers or functions removed from it. Unlike other councils under intervention, the Secretary of State has not deemed it necessary to appoint Commissioners to Croydon Council.
- 1.15 The IAP have led the development of the Croydon Exit Strategy and have chosen to work with the Council in its production, reflecting the very close working relationship that exists. The Exit Strategy was reported to the 25 October 2023 Cabinet meeting. A crucial part of this Exit Strategy is the resolution of the Council's independent financial sustainability. Without this, the Council cannot demonstrate that it is meeting its duty of best value.
- 1.16 This Report sets out the Council's proposals for a balanced 2024-25 revenue budget which include:
- A council tax increase of 2.99% and a 2% increase in the adult social care precept levy. These do not exceed the national referendum cap limit.
  - Proposed savings, demand pressures, and inflation.
  - Legacy financial issues and budget corrections
  - Debt, borrowing costs and financial sustainability.
  - Budget risks, reserves and balances.

- An update on discussions with government and the duty of best value
- A statement of assurance (as required by Section 25 of the Local Government Act 2003) from the Corporate Director of Resources and Section 151 Officer that the proposed budget is robust and that the Council is holding sufficient reserves against its risks.

1.17 Finally, the report proposes that the Council be recommended to introduce new additional council tax charges in relation to empty properties and second homes as detailed more fully in the report to Cabinet of 22 November 2023. The Levelling-up and Regeneration Act 2023 has enabled local authorities to change the timeframe for applying empty property council tax premiums and to introduce council tax premiums on second homes. The changes are designed to bring more empty homes into productive use and to generate greater income earlier on those properties where the owner wishes them to remain empty. The changes will enable councils to raise and retain additional revenue to support local services and keep Council Tax down for residents. A report was considered by Cabinet on 22 November 2023 (Appendix H) on these changes and it is now recommended that approval is sought from Full Council to enable the necessary determinations to be made and put in place prior to the commencement of the financial year to which this budget report relates.

## **2. RECOMMENDATIONS**

The Executive Mayor in Cabinet is recommended to:

- 2.1 Consider the responses to the budget engagement with residents and statutory consultation with businesses (set out in Section 10 of this report and detailed more fully in Appendix J).
- 2.2 Consider and have due regard to the equalities impact assessment undertaken on the budget proposals as set out in Appendix N.
- 2.3 Approve the responses to the Scrutiny and Overview Committee recommendations (to follow after publication of this report) on the budget proposals as set out in Section 20.
- 2.4 Approve that (subject to Full Council approving the budget and any further decisions required of the Executive) that Corporate Directors be authorised to implement their respective growth and savings proposals for 2024-25 in accordance with the recommendations within this report, the Council's Constitution, Financial Regulations, relevant Schemes of Delegation and undertake any further consultation required, including regarding the Equalities Impacts of specific decisions within the Budget envelope as approved by Full Council.
- 2.5 Propose to Full Council for approval an increase in the Croydon element of the 2024-25 council tax charge by 2.99% (Band D £53.98).
- 2.6 Propose to Full Council for approval a 2% increase (Band D £36.11) in the 2024-25 Adult Social Care precept levy.
- 2.7 Note, based on the Mayor of London's draft consolidated budget, a proposed 8.58% (Band D £37.26) 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 I and note that the inclusion of the GLA precept will result in a total increase of 5.69% (Band D £127.35) 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 2024-25 at £361.267m.
- 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 £5m budget in 2024-25 to support delivery of the transformation programme.
- 2.12 Propose to Full Council the Reserves Policy set out in Appendix M.
- 2.13 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) and the Local Government Finance Act 1992.
- 2.14 Note the revenue budget assumptions detailed in the report and budget projections to 2027-28 made by the Corporate Director of Resources in agreement with the Chief Executive and with the Corporate Management Team.
- 2.15 Note the Council's request for a Capitalisation Direction from the Department of Levelling Up, Housing and Communities [DLUHC] of up to £38m for 2024-25, £9.439m relating to 2019-20 and current assumption that up to a further £38m per annum in exceptional financial support will be required for future years.
- 2.16 Note that all Directors will be required to report on their projected financial position compared to their revenue estimates in accordance with the 2024-25 monthly financial performance reporting timetable.
- 2.17 Note the statement (Appendix K of the Report) of the Corporate Director of Resources and S151 Officer, under Section 25 of the Local Government Act 2003, regarding the adequacy of reserves and robustness of estimates.
- 2.18 Note that the provisional Dedicated Schools Grant allocation for 2024-25 will increase by £28.583m to £466.825m (section 12 of the Report).
- 2.19 Propose to Full Council that the necessary determinations are made as billing authority under Section 11B of the Local Government Finance Act 1992 for financial year 2024-2025 to the effect that where permitted, for dwellings that have been unoccupied and substantially unfurnished for a period of at least one year the amount of Council Tax will be increased by 100% where the period is less than 5 years, by 200% where the period is at least 5 years but less than 10 years, and by 300% where the period is at least 10 years, and that the discount under Section 11(2)(a) shall not apply.
- 2.20 Propose to Full Council that the necessary determinations are made under Section 11C of the Local government Finance Act 1992 as billing authority for financial year 2025-2026 to the effect that where permitted, for dwellings where there is no resident of the dwelling and

the dwelling is substantially furnished, the amount of Council Tax will be increased by 100%, and the discount under Section 11(2)(a) shall not apply.

- 2.21 Propose to Full Council that the Council Tax Support scheme (statutory local council tax reduction scheme) under Section 13A(2) of the Local Government Finance Act 1992 is not changed from that agreed by Full Council resolution on 1<sup>st</sup> March 2023.

### **3. BACKGROUND**

- 3.1 Local government finances are under strain from inflation, the impact of cost-of-living pressures on local communities and an increase in demand for essential social care, housing 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 Statement<sup>2</sup> 2023. The economic and fiscal outlook set out in the Statement included:
- The economy has proved to be more resilient to the shocks of the pandemic and energy crisis than anticipated. Compared to the March 2023 National Budget there is a forecast £27 billion fiscal windfall. The Autumn Statement set out that virtually all of this will fund a 2p cut in employee National Insurance Contributions, permanent tax relief for business investment, and further welfare reforms. Previously announced public spending plans were largely unchanged.
  - Inflation has been more persistent and domestically fuelled than anticipated. Consumer Price Index (CPI) inflation is now forecast to reduce from a 11% peak in October 2022 to 3% in 2024-25 before returning to the Government's 2% target in the first half of 2025.
  - The 2023-24 funding allocation for local government is less generous than planned. It assumed underlying inflation (GDP deflator) of 2.5% as compared to the latest estimate of 6.1%. There has been no grant top-up to reflect this shortfall with local government absorbing the extra cost.
  - 2023-24 interest rates have reached levels not seen since the 2008 financial crisis.
  - Unemployment is estimated to rise to 1.6 million people (4.6 per cent of the labour force) in the second quarter of 2025.
  - Beyond 2024-25 day-to-day public spending is set to increase by 0.9% in real terms on average each year from 2025-26 to 2028-29. This includes existing commitments on health, schools and childcare and implies, according to the Institute for Fiscal Studies<sup>3</sup>, a real terms funding cut of 3.4%

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<sup>2</sup> Autumn Statement - HM Treasury 22 November 2023

<sup>3</sup> Institute for Fiscal Studies – The impact of the Autumn Statement on public services, council funding and devolution deals – 24 November 2023.

per annum for 'unprotected' departments, such as local government, in England.

- 3.3 The continuation of inflationary pressures, and the rise in the cost of living, has contributed towards an increase in demand for Croydon services, such as homelessness prevention, and higher pay and supplier costs. These impacts are embedded within the 2024-25 Croydon budget proposals with £18.1m set aside as an inflation provision and a provision of £11.5m for additional demand and legacy budget pressures.
- 3.4 The Autumn Statement 2023, other than a welcome unfreezing of Local Housing Allowances to covering 30% of local housing rents and an additional £120m for homelessness prevention, broadly stuck to previously announced public spending plans. The Local Government Association expressed disappointment that the growing evidence of the financial strain facing councils has not been more fully recognised.
- 3.5 The Secretary of State for Levelling up Housing & Communities subsequently announced, on January 24<sup>th</sup>, additional funding measures worth £600m for local authorities. This includes £500 million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant. This new funding is intended to improve service performance and local authorities will be asked to produce productivity plans setting out how they will improve service performance. The final Local Government Finance Settlement (LGFS), confirming individual local authority allocations, was announced on 5<sup>th</sup> February 2024.
- 3.6 The depth of the financial stress emerging across local government is evidenced by three local authorities issuing s114 notices, arising from their inability to set balanced budgets between June and November 2023. This compares to three authorities (including Croydon) in the previous five years. In addition, several other councils have publicly indicated that they might need to make the same announcement in the next few months.

#### Local Legacy and Structural Issues

- 3.7 In Autumn 2020 Croydon Council was issued with a Report in the Public Interest identifying significant failures in leadership, governance and financial management. The Report brought to light serious financial concerns which centred on the Council's strategy of commercial investment and residential development.
- 3.8 In November 2020, the Council issued its first S114 notice, flagging that it was in a position whereby it could not continue to operate without exceptional financial support. In December 2020, the Council requested exceptional financial support, which was agreed by government through the provision of capitalisation directions, of £150m over four years from 2020-21.

- 3.9 Croydon put in place the 'Croydon Renewal Plan' in response to the financial crisis and made significant progress by delivering cumulative savings of £90m over 2021-22 and 2022-23. However, the requirement upon Croydon, following external audit review and the outcome of the 'Opening the Books' exercise launched by the Executive Mayor in 2022, identified that the full scale of the financial challenges was far greater than had been originally envisaged. On-going legacy budget corrections of £49m were required for 2023-24 with prior year adjustments of £161.6m identified.
- 3.10 The seriousness of the Council's financial position resulted in the Corporate Director of Resources and S151 Officer deciding that Croydon Council's budget was not financially sustainable and issuing a Section 114 Notice from 2023-24 onwards. The section 114 Notice was issued on 22 November 2022 and reported to Cabinet on 30 November 2022. The Report concluded that the Council cannot solve its financial issues on its own and set out a range of requests of government for exceptional financial and other support.
- 3.11 A package of measures was subsequently agreed with central government that enabled the Council to set a balanced budget for 2023-24. These included:
- An increase in the 2023-24 Referendum Cap for council tax increases from 4.99% to 14.99% for Croydon.
  - Central government making available exceptional financial support, in the form of permission for additional borrowing to fund revenue (a Capitalisation Direction) of £63m in 2023-24 (£58m on top of the £5m previously agreed by government in 2021 for 2023-24).
  - A further Capitalisation Direction of £161.6m to cover the new prior year legacy finance issues that were revealed through the Opening the Books programme.
- 3.12 These measures, along with the Council agreeing to make savings of £36m in 2023-24, enabled Croydon to set a balanced budget for 2023-24. The Council is therefore currently not subject to the S114(3) report issued on 22 November 2022.
- 3.13 The 'Opening the Books' exercise more clearly established the Council's underlying financial position. But there is still a risk that further legacy issues will emerge. Just recently an issue has arisen in relation to an historic contractual issue for highway works and improvements. Although the Council was aware that the contractor's final account, pre-dating 2019-20, had not been resolved and that the contractor was claiming a much higher sum than the Council deemed was owing, the level of risk in relation to the claim ultimately being successful was until recently deemed to be low, a view supported by Counsel advice and by relative inaction by the contractor who did not actively pursue the claim between 2021 and summer 2023. In the autumn 2023, based on a re-invigorated approach taken by the contractor, the risk of the claim being successful was escalated from a low risk to a

medium risk in the risk register. The scale of the claim from the contractor also increased. The contractor was eventually successful in a binding adjudication decision at the top end of the claim and the Council eventually had to pay the contractor £9.439m in January 2024. The adjudication decision is potentially the subject of an appeal through Arbitration proceedings. As the 2019-20 accounts are still open, the Council has had to charge the payment back into that year. With no funding available in reserves for 2019-20, the Council has requested a further legacy Capitalisation Direction of £9.439m for 2019-20 to cover this payment.

- 3.14 The use of Capitalisation Directions, which allow additional local authority borrowing, is the Government's only solution at this stage for councils in financial distress. A key structural problem already facing Croydon is that the Council has a high level of debt. As at the end of 2021-22 OFLOG data confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, is double that for the median English authority. The subsequent further use of Capitalisation Directions has added to Croydon's debt burden. As mitigation against this debt increase the council has put in place an asset disposal programme that aims to deliver £200m of receipts over the 2022-23 to 2025-26 period. After allowance for the disposals programme the net cost of servicing Croydon's 2024-25 debt is estimated at 15% of core spending power.
- 3.15 The on-going impact of the legacy issues facing Croydon means that extraordinary government support is still necessary unless a resolution to the high cost of servicing the Council's General Fund debt of £1.4bn is found. Such support is budgeted at £38m for 2024-25 and modelled to be required at the same level for future years.
- 3.16 Dialogue has continued with government regarding the level and type of future government support. The Council's preferred option for future government support would be for a £540m debt write off or an equivalent level of revenue grant support to be provided. This would deliver estimated revenue budget savings of £38m p.a. and enable the Council to set balanced budgets that neither relied on future government support nor placed additional and avoidable pressure on Croydon's taxpayers.
- 3.17 For 2024-25 the Government have notified Croydon that there will be no change in how exceptional support is made available. The use of a Capitalisation Direction of £38m is now budgeted for 2024-25 and a request has been submitted for a further £9.439m relating to 2019-20. Further exceptional financial support will be required from government for future years and £38m is modelled into the MTFS on an ongoing basis.

#### **4. THE 2024-25 BUDGET AND COUNCIL TAX REQUIREMENT**



- 4.1 The determination of Croydon's 2024-25 net budget requirement of £361.3m and council tax requirement of £259.8m is set out in Table 2. The medium-term forecast, to 2027-28, is set out in Appendix A with a departmental and subjective budget summary for 2024-25 provided in Appendix B.

**Table 2 – 2024-25 Budget and Council Tax Requirement**

	<b>£'m</b>
<b>Directorate &amp; Corporate Base Budget</b>	<b>383.702</b>
Provision for pay and contract inflation (includes £0.749m b/fwd)	18.183
Demand pressures and correction of legacy issues	11.523
Net cost of borrowing (overall cost)	65.766
Saving from the asset disposal programme	-6.684
Savings and change proposals	-23.731
Transformation programme (reduction from £10m in 2023-24)	5.000
Contingency funding (unchanged from 2023-24)	5.000
Council tax – hardship support	0.500
<b>Gross Budget Requirement</b>	<b>459.259</b>
Core Grants	-43.929
Section 31 grant for under indexing the business rates multiplier	-16.063
Government capitalisation directive	-38.000
<b>Net Budget Requirement (as per the budget book)</b>	<b>361.267</b>
Prior year collection fund Surplus	-1.798
Revenue Support Grant	-17.818
Business rates (local income and top-up Grant)	-81.890
<b>Council Tax Requirement (including the adult social care precept)</b>	<b>259.761</b>

## 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 2024-25 budget estimate are set out below.

### Inflation and Economic Demand Pressures.

- 5.2 Inflationary pressures have decreased markedly over the past year. The Consumer Price Index (CPI), the measure targeted by the Bank of England, stood at 4.0% in December 2023 compared to 10.5% in December 2022.
- 5.3 The drivers behind the downturn in inflation are varied but include a faster than expected decline in energy costs and downwards pressure on prices from rising interest rates. Although inflation has decreased the OBR<sup>4</sup> noted that inflationary pressures are more persistent than previously thought. They expect it to be below 5% by the end of this year and reach 2% in the first half of 2025.
- 5.4 There is a risk that some of this year's higher inflation will feed through to council costs with a lag. For example, the 2024-25 increase in the London Living Wage (LLW) is 10.04%, up from £11.95 per hour to £13.15 per hour. This followed the government's increase to the National Living Wage, set

<sup>4</sup> OBR – November 2023 Economic and fiscal outlook Report to accompany the Autumn Statement.

when 2023-24 inflationary pressures were peaking. The Council is committed, as part of the Ethical Care Charter, to ensure that relevant social care provision takes this increase into account.

- 5.5 For Croydon an inflation provision of £32.9m was made in 2023-24 of which:
- £1.2m was required to meet catch-up pressures from 2022-23.
  - £20.7m has been allocated in 2023-24 to meet contract and price pressures. This is based on review of detailed directorate requests.
  - £10.3m was allocated to fund the 2023-24 pay award (equivalent to a 6.5% pay award)
  - A balance of £0.75m remains unallocated.
- 5.6 For 2024-25 the MTFS Update report to October Cabinet allowed for an inflation provision of £17m based on the expected easing in inflationary pressures. Whilst inflation is still forecast to reduce significantly it is now proposed to top-up the £17m with the unallocated 2023-24 provision of £0.75m and an additional £0.389m. An overall 2024-25 provision of £18.183m will provide additional financial cover should, as the OBR suggest, inflation prove to be more persistent than previously anticipated. £18.183m could be seen to fund an estimated 2024-25 4% pay award of £6.4m with £11.783m of funding for non-pay inflation.
- 5.7 For years beyond 2024-25 the forecast budget allows for a further easing in inflationary pressures with a provision of £12m. This could be seen to fund a 2% pay award of £3.2m with £8.8m funding for non-pay inflation.
- 5.8 The use of the 2024-25 inflation provision will be controlled corporately and drawn down in accordance with the national pay award and agreement of specific directorate pressures. The latest report<sup>5</sup> 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 the external cost shocks on inflation take longer to unwind than they did to emerge. 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.
- 5.9 The 2023-24 budget also included a £5.5m provision (economic demands and pressures) that allowed for the broader impact of the increase in the cost of living on the Council. As at month 8 (November 2023) £4.6m of the 2023-24 budget has been allocated to fund on-going pressures regarding homelessness (£2.2m), housing benefit subsidy shortfalls (£1.7m) and an increase in caseloads for children's social care workers (£0.7m). The unallocated balance will not be carried forward in 2024-25 and is released to fund other pressures. For financial modelling purposes, the medium term

forecast allows for an additional £5m per annum to be set aside from 2025-26 onwards.

- 5.10 A budget of £2m was set aside in 2023-24 as a Council Tax Hardship Fund to protect low-income households that find themselves in financial difficulty due to the increase in the Croydon Council Tax. Actual spend from the Hardship Fund is not forecast to exceed £0.5m in 2023-24 and the 2024-25 budget is rebased at this lower level. As set out in Appendix G there has been a significant increase in the local council tax support caseload over the past year which equates to a forecast reduction in the 2024-25 council tax base of 1,052 Band D equivalent properties – an income loss of £2m. The reduction in the Hardship Fund partially mitigates this impact.
- 5.11 A contingency of £5m is retained within the 2024-25 budget against emergent financial risks. As at month 8 (November) none of the 2023-24 risk contingency of £5m is forecast to be used.

#### Demand Pressures and Legacy Budget Corrections

- 5.12 The 2024-25 budget includes £11.5m, as summarised in Table 3 and detailed in Appendix C, to meet necessary demand pressures, such as those arising from demographic growth, and to correct legacy issues.
- 5.13 The Opening the Books exercise launched by the Executive Mayor in July 2022 required budget corrections of £49m for 2023-24 with prior year adjustments of £161.6m. This better established the Council's true underlying financial position and there is less risk of further historic legacy issues emerging. Legacy budget corrections of £0.8m are included within the 2024-25 budget.

**Table 3 – 2024-25 Demand Pressures and Budget Corrections**

Directorate	Demand Pressures £'000s	Legacy Budget Corrections £'000s	Total £'000s
Children, Young People and Education	0	0	<b>0</b>
Adult Social Care and Health	4,530	0	<b>4,530</b>
Housing	0	0	<b>0</b>
Sustainable Communities Regeneration and Economic Recovery	722	306	<b>1,028</b>
Assistant Chief Executive	3,708	500	<b>4,208</b>

Resources	1,686	0	<b>1,686</b>
Corporate	71	0	<b>71</b>
<b>Total</b>	<b>10,717</b>	<b>806</b>	<b>11,523</b>

5.14 New demand and demographic pressures will emerge beyond 2024-25 and an overall allowance of £14m per annum is modelled for future years. This is in line with the growth provided over the past 2 years.

5.15 The 2024-25 Final Local Government Finance Settlement (LGFS) confirmed a £3.8m grant increase for the adult social care discharge fund and market sustainability and improvement fund. The 2024-25 Croydon budget directly allocates this funding for use by Adult Social Care. It supplements the £4.5m set aside within the 2024-25 Croydon budget to meet demand and demographic pressures.

#### Savings and Transformation

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

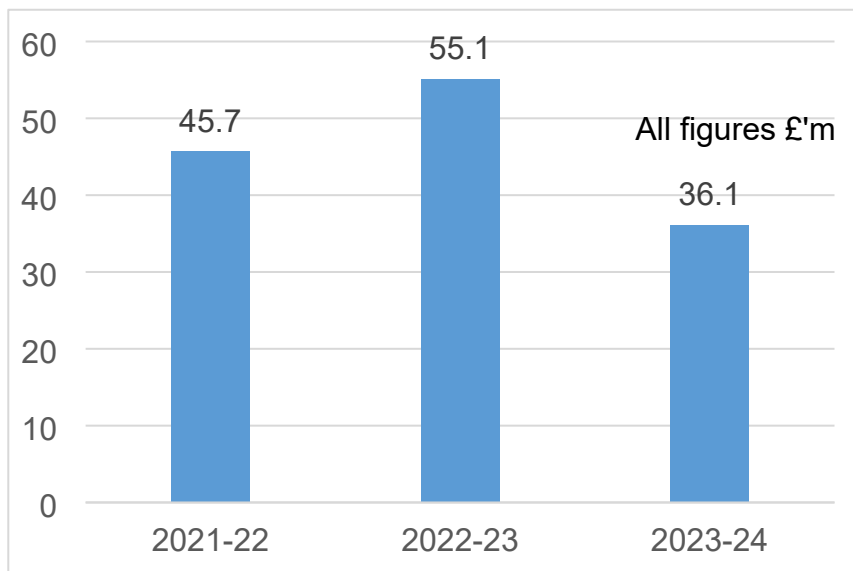
5.17 As set out in Table 4 overall savings of £30.4m are proposed for 2024-25. The savings have been developed in accordance with guidance from the Corporate Director of Resources and have been through a robust process of development and challenge with the Executive Mayor, Cabinet Members, the Chief Executive, the Corporate Management Team, service directors and managers. They have also been subject to review by the Scrutiny and Overview Committee and formed part of the public engagement process regarding the 2024-25 budget.

**Table 4 – 2024-25 Savings and Change proposals by Directorate.**

Directorate	£000s
Children, Young People and Education	2,972
Adult Social Care and Health	5,000
Housing	1,989
Sustainable Communities Regeneration and Economic Recovery	1,353
Assistant Chief Executive	4,245
Resources	6,672
Corporate	1,500
<b>Total (Appendix C)</b>	<b>23,731</b>
Debt servicing saving from asset disposals	6,684
<b>Overall</b>	<b>30,415</b>

- 5.18 Directorate savings of £23.7m are proposed for 2024-25 and are summarised in Appendix C. These include incremental savings of £6m that were originally put forward within the 2023 budget process. The asset disposal programme will deliver an estimated 2024-25 saving of £6.7m in debt servicing costs.
- 5.19 The savings programme is focused on the Council'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.
- 5.20 The scale of savings required by the Council cannot be met through 'salami-slicing' or just stopping some services. Croydon is committed to service transformation that delivers both financial and service benefits. The Council set aside £10m to fund transformation work in 2023-24 and a further £5m per annum is budgeted for 2024-28. An update on the transformation projects is provided in Appendix D. Given the magnitude of Croydon's financial challenge the level of the transformation budget will be regularly reviewed so that the transformation plans can be delivered safely and sustainably.
- 5.21 Beyond 2024-25, the MTFs models savings of £20m per annum. Given the financial pressures the Council faces, it will strive to go further than this as long as it is safe to do so. As set out in Chart 1 the Council has identified an average of £45m+ per year in savings from 2021-22 to 2023-24. These annual savings are significantly higher than other London boroughs and our statistical neighbours. This is not sustainable for the future and would risk hollowing out the services received by residents.

**Chart 1- Budget Savings 2021-22 to 2023-24**



### Net Cost of Borrowing

- 5.22 Given the Council’s high debt burden the 2024-28 capital programme only covers essential work on assets such as operational buildings, roads, parks and ICT infrastructure so that future debt charges are minimised.
- 5.23 The Council’s asset base is under continual review to identify surplus assets that can be sold. This will generate capital receipts that can avoid further borrowing and/or repay debt. Two tranches of assets have already been approved by the Executive Mayor in Cabinet for immediate sale. The asset disposal programme aims to generate capital receipts of £200m over the 2022-23 to 2025-26 period of which £148m is forecast to be receivable by the end of 2023-24.
- 5.24 The 2024-25 budget for the net cost of borrowing is £65.8m prior to forecast savings of £6.7m from asset sales. The net budget of £59.1m provides for debt servicing costs of £61.7m (interest payable on borrowing and the annual charge to revenue for debt repayment – the minimum revenue provision) that is partially offset by investment income of £2.6m. The debt servicing cost is forecast to be 15% of 2024-25 core spending power.
- 5.25 The 2024-25 budget for the net cost of borrowing, and future forecast, aligns with the proposed 2024-28 capital programme and Treasury Management Strategy. It includes the use of capitalisation directions as set out in Table 5. The forecast assumes that further capitalisation directions of £38m per annum are required from 2025-26 onwards. The estimated additional annual debt servicing cost for each £38m tranche is £2.5m per annum.

**Table 5 – Budgeted Capitalisation Directions**

	£'m
Prior to 2023-24	145.0

Legacy issues to 2022-23 (agreed for 2023-24 Budget)	161.6
2023-24 – Existing	5.0
2023-24 – New	58.0
2024-25 – New	38.0
2025-26 – assumed	38.0
2026-27 – assumed	38.0
2027-28 – assumed	38.0
<b>Total government support</b>	<b>£521.6m</b>
Additional legacy request in relation to a highways contractual matter.	£9.4m

5.26 As exemplified in Table 5 the agreed capitalisation direction for 2023-24 of £63m and assumed requirement of £38m per annum for the next 4 years will increase borrowing need by £215m. This compares to the potential generation of £200m in receipts from the asset disposal programme. The asset disposal programme will mitigate the impact of further capitalisation directives but will not enable in-roads to be made into Croydon’s historic debt burden.

#### Government Grant and Business Rates Funding

5.27 The Final Local Government Finance Settlement (LGFS) was announced by a written Ministerial statement on 5th February 2024. The core grant and revenue support grant funding receivable by Croydon in 2024-25 is set out in in Appendix E. There is a net increase of £5.8m from 2023-24 in general grants. This includes an additional allocation of Social Care Grant of £2.9m following the announcement by the Secretary of State for Levelling up Housing & Communities, on January 24<sup>th</sup>, of additional funding measures worth £600m for local authorities.

5.28 The 2024 Final LGFS is for one year only. The assumptions that underpin the Council’s forecast beyond 2024-25 are set out in Appendix E and will be updated as part of the 2025-26 budget strategy.

5.29 For business rates the small business rate multiplier will be frozen for a fourth year at 49.9p, while the standard multiplier will be uprated by September CPI to 54.6p. The current 75% relief for eligible Retail, Hospital and Leisure (RHL) properties is being extended for 2024-25. Local authorities will be fully compensated for the loss of income arising from these measures.

5.30 The current business rate forecast is set out in Appendix F and takes account of the uplift in the business rate multiplier. The forecast has been updated in line with the annual NNDR1 return submitted to government. For future years an annual 2% inflationary uplift is modelled. There is no underlying growth in the tax base with the impact of appeals, empty buildings and deletions expected to offset the addition of new hereditaments.

5.31 The final entries have been completed regarding 2022-23 business rates and an update provided on the 2023-24 position. As set out in Appendix F prior

year deficits of £1.8m are now modelled which form part of a proposed drawdown of £3.5m from the business rates and collection fund smoothing reserve of £8.4m.

## **6. REQUEST FOR GOVERNMENT SUPPORT**

- 6.1 The magnitude of the financial challenge facing Croydon means that it cannot become financially and operationally sustainable without significant central government assistance.
- 6.2 The current budget modelling identifies a requirement of £38m per annum from 2024-25 to 2027-28. This is a reduction from the requirement for a capitalisation direction of £63m in 2023-24.
- 6.3 As set out in Table 5 it is currently assumed that future government support of £38m per annum will be provided through the use of capitalisation directions. This replicates how central government has previously supported the Council and will in 2024-25. The Council is concerned that the continued use of capitalisation directions, which add to Croydon's debt burden and negate the benefits from the asset disposal programme, will not provide a financially sustainable solution to the Council's future budget. A disproportionately high level of savings is already required to fund the annual cost of debt repayment.
- 6.5 A debt reduction, or equivalent grant support, would recognise both the unique 'toxic' debt burden faced by Croydon but also the burdens it has taken on without sufficient funding capacity to service the debt.
- 6.6 Further to the announcement of the 2024-25 Provisional LGFS it is expected that exceptional government financial support will continue to be facilitated through use of a Capitalisation Direction of £38m in 2024-25. An additional legacy request, relating to 2019-20, of £9.439m has also been submitted concerning the highway works and improvements contract. This is modelled within the Croydon budget proposals.

## **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 137,040.4 Band D equivalents for 2024-25. This is a decrease of 190 Band D equivalent households from 2023-24 to 2024-25. The report agreed by the Corporate Director of Resources (S151) Officer is attached as Appendix G.
- 7.2 Although the number of dwellings has increased in line with the trend growth seen over the past 5 years the 2024-25 tax base has decreased due to an upturn in the level of discounts offered through the local council tax support scheme and number of students qualifying for council tax exemptions.



- 7.3 The Levelling-up and Regeneration Act 2023 achieved Royal Assent on 26 October 2023. It allows councils to apply a Council Tax premium of up to 100% on homes which have been empty for longer than one year (rather than the two years currently in place). Full Council will be recommended to approve this and other Council tax changes in respect of empty dwellings as detailed in full in the 22 November 2023 Cabinet report, Appendix H to this report. The tax base forecast includes a net uplift of 141 dwellings based on adoption of these changes. Full Council are required to consider whether to approve this change, and to charge a premium on second homes from 2025-26.
- 7.4 From 1 April 2022 the Council changed the Council Tax Support Scheme to an income band scheme. This means that weekly household income is used to determine the percentage of Council Tax support provided.
- 7.5 At the Council budget meeting on 1 March 2023, it was resolved to “Change the rate at which the income bands are increased annually from the level of Consumer Price Index (CPI) 10.1% to the amount Council Tax is increased for that year which could be up to 15% cap.” The income band levels increase being in line with Council Tax increase was only for 2023-24 and therefore the Council Tax Support Scheme will revert from 1 April 2024 to increase the income bands in line with consumer price index (CPI) year on year inflation as at September in the prior year.
- 7.6 The forecast council tax collection rate of 97.5% is unchanged from 2023-24.
- 7.7 The Band D council tax charge for Croydon is calculated by dividing the council tax requirement by the council tax base. The figures for 2024-25 are:

A	Croydon Council Tax Requirement	£259,761,449
B	Tax Base (Band D equivalent)	137,040.40
A / B	Band D Charge	£1,895.51

- 7.8 This represents an increase in the Croydon element of the council tax charge of 2.99% 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 £1.73 (annual £90.09 and daily £0.25)
- 7.9 As part of the Localism Act 2011, the Government replaced the power to cap excessive budgets and council tax increases with a statutory duty to undertake a referendum on proposed council tax increases above limits it sets. For 2024-25 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 2024-25 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2023-24’. The 2024-25 Croydon Council tax

increase is below 5% and will not require a referendum.

## 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	64,600,845
B	Tax Base (Band D equivalent)	137,040.40
A / B	Band D Charge	471.40

8.2 The Mayor for London has proposed a Band D charge of £471.40 This is subject to formal approval by the Mayor for London following the London Assembly meeting of 22 February 2024. The proposed GLA charge represents an increase of £37.26, or 8.58%, compared to 2023-24.

## 9 TOTAL 2024-25 COUNCIL TAX REQUIREMENT

9.1 The overall amount to be met from the council tax, subject to confirmation of the GLA precept, is £324.4m.

A	Croydon Council Tax Requirement	£259,761,449
B	GLA Council Tax Requirement	£64,600,845
C	Total Council Tax Requirement	£324,362,294

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 I.

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	£324,362,294
B	Tax Base (Band D equivalent)	137,040.40
A/B	Band D Charge	£2,366.91

## 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 surplus of £2.230m is estimated for 2023-24, which relates to the finalisation of amounts for 2022-23, of which the Croydon share is estimated at £1.798m.

## **10. BUDGET ENGAGEMENT**

- 10.1 An update on the Medium-Term Financial Strategy 2024-25 to 2027-28 was considered by Cabinet on 25<sup>th</sup> October 2023. It was agreed, in line with the Executive Mayor's commitment to listen to Croydon's residents, that a public engagement programme be launched to allow residents, partners, the voluntary, community and faith sector and other interested parties to provide their views and feedback on the revenue budget proposals set out in the Report. The public engagement programme would also cover the annual statutory budget consultation with local businesses.
- 10.2 The budget engagement subsequently ran on the Council's online platform from 6<sup>th</sup> November 2023 for six weeks. It gave residents and businesses the opportunity to provide their views on the services and areas of spending which are most important for them and offer the opportunity to comment on how specific savings proposals may impact them and what mitigations the Council may wish to consider.
- 10.3 The Budget engagement was publicised across all Council communications channels including social media, shared with local voluntary, community and faith sector organisations, resident associations, local businesses and other partners, and publicised in the Council's libraries and children's centres with staff briefed to support residents and print copies of the information and survey if needed.
- 10.4 Separate individual service consultations with service users, staff and trade unions will also be undertaken ahead of implementation of individual savings proposals where required.
- 10.5 The feedback from the consultation (public engagement) is summarised in Appendix J. 939 responses were received with respondents giving 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, culture and leisure and sports facilities.

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

- Increase in council tax (248)
- Cost of living (50)
- Service cuts and reductions (38).

10.7 This report recommends that the Executive Mayor in Cabinet consider the responses to the budget engagement with residents and statutory consultation with businesses as set out in Appendix J. Officers have reviewed the feedback and are content that the proposals in the report are not inconsistent.

## **11 VIEWS OF THE DIRECTOR OF FINANCE UNDER SECTION 25 of the LOCAL GOVERNMENT ACT 2003**

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 2024-25 estimates.
- the adequacy of the balances and reserves the budget provides for in light of the medium-term risks facing the authority.

11.2 As set out in Appendix K the Corporate Director of Resources is satisfied with the accuracy and robustness of the estimates included in this report. It should be noted that 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.

11.3 Reserves play a crucial role in good public financial management. As well as providing resilience against unexpected events or emergent needs they enable investment in service transformation and council priorities. An update on the key medium term financial risks facing Croydon is set out in Appendix K with key directorate risks detailed in Appendix L.

11.4 The Council has a well-documented history of the imprudent use of reserves to balance its budget and has taken robust action over the past four years to restore reserves from a negative base. This action will be strengthened by putting in place, as set out in Appendix M, a reserves policy for 2024-25.

11.5 The current estimate of reserves that will carry forward to 2023-24 are summarised in Table 6. The current estimate is still subject to review

through the closedown of the accounts process for 2019-20 to 2022-23. The estimated general fund balance was £27.5m at the start of 2023-24 and is not anticipated to change prior to the start of 2024-25. 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.

**Table 6 – Reserves Carried Forward to 2023-24**

	<b>Balance 1<sup>st</sup> April 2023 £'m</b>
Earmarked Reserves	60.4
Restricted Reserves	76.8
Balances held by Schools	6.7
General Fund Balances	27.5
<b>Total</b>	<b>171.4</b>

11.6 As set out in Appendix K it is the view of the Corporate Director of Resources that the 2024-25 budget provides for an adequate level of balances and reserves considering the medium-term risks facing the authority.

11.7 Over the longer-term the Council faces a significant challenge to identify further savings that balance the budget. The current Budget modelling identifies a target for new savings of £20m per annum beyond 2025-26. However, there is an annual £38m shortfall driven by the cost of debt in the Council's ongoing annual budget which is currently assumed to be funded from annual Capitalisation Directions, which in turn will generate more cost pressures from their associated debt charges. This is not a sustainable financial position and will need to be resolved.

## **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 LGFS 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 7 Croydon's provisional DSG allocation for 2024-25 will increase by £28.583m to £466.825m. The key growth areas are the High Needs, Early Years and Schools Block. The growth allocated to the School's Block was £5.701m representing an 2024-25 increase of 1.82%.

**Table 7 – Croydon DSG Allocations**

<b>Financial Year</b>	<b>Schools Block</b>	<b>Central Services Block</b>	<b>High Needs Block</b>	<b>Early Years Block</b>	<b>Total DSG</b>
	<b>(£'m)</b>	<b>(£'m)</b>	<b>(£'m)</b>	<b>(£m)</b>	<b>(£m)</b>
2023-24	313.433	4.728	89.704	30.377	<b>438.242</b>
2024-25	319.134	4.696	92.227	50.768	<b>466.825</b>
<b>Change</b>	<b>5.701</b>	<b>-0.032</b>	<b>2.523</b>	<b>20.391</b>	<b>28.583</b>

12.3 **Schools Block** - The Schools Block of £319.134m funds mainstream schools from reception class to Year 11 (nursery and sixth-form funding are excluded). Croydon has 109 schools with 50,578 pupils according to the most recent Department for Education (DfE) data. This is a net increase of 101 from last year.

12.4 Whilst local authorities allocate the school's block budget the DfE is moving towards implementing a National Funding Formula (NFF). For 2024-25 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 largely mirror the NFF and the current changes are unlikely to have a significant impact. There may be a small benefit for secondary schools.

12.6 Table 8 sets out the funding breakdown of the Schools Block across primary and secondary schools and the percentage grant change from 2023-24.

**Table 8 – Schools Block**

	2023-24 (A)	2024-25 (B)	Total Change (C) = (B) - (A)	Value change	Percentage Change
	(A)	(B)	(C)		
Primary School Rate of Funding (£'s)	5,383.68	5,477.01	93.33	£2,919,409	1.73%
Primary School Pupil Numbers (no)	31,280.50	31,278.50	-2.00	<b>-£10,954</b>	<b>-0.01</b>
<b>Primary Block Funding (£'s)</b>	<b>168,404,202</b>	<b>171,312,657</b>	<b>2,908,455</b>	<b>£2,908,455</b>	<b>1.73%</b>
Secondary school Rate of Funding (£'s)	7,278.90	7,391.76	112.86	£2,166,404	1.55%
Secondary school Pupil Numbers (No)	19,195.50	19,299.33	103.83	£767,486	0.54%
<b>Secondary Block Funding</b>	<b>139,722,125</b>	<b>142,656,016</b>	<b>2,933,891</b>	<b>2,933,891</b>	<b>2.09%</b>
Premises (£; s)	3,243,546	3,446,676	203,130	203,130	6.26%
Growth (£'s)	2,063,504	1,718,503	<b>-345,001</b>	<b>-345,001</b>	<b>-16.72%</b>
<b>Overall Total</b>	<b>313,433,377</b>	<b>319,133,852</b>	<b>5,700,475</b>	<b>5,700,475</b>	<b>1.82%</b>

- 12.7 Primary school numbers have fallen by two pupils (31,279 – 31,281), whilst secondary school numbers have increased by 103 (19,299 – 19,196). Several primary schools are facing financial challenges due to a reduction in their pupil numbers over recent years and the low percentage increase in 2024-25 funding.
- 12.8 The funding formula factors used to determine each individual school budget allocation are set by the DfE. The funding rates and local factors were reviewed and thereafter recommended by Croydon Schools Forum on 6<sup>th</sup> November 2023 with Cabinet approval on 31<sup>st</sup> January 2024.
- 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.
- 12.10 As set out in Table 9 there is a 2.8% increase in 2024-25 HNB funding. The percentage increase in the basic allocation is 7.19% but the DfE are no longer providing the additional high-needs allocation received in 2023-24. The HNB includes the minimum funding requirements for special schools highlighted in the 2023-24 DfE operational guide.

**Table 9 – 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)
2023-24	80,165,501	7,199,777	-2,775,000	1,433,437	3,680,676	89,704,391
2024-25	85,933,273	7,635,729	-2,790,000	1,447,663	0	92,226,665
Change	5,767,772	435,952	-15,000	14,226	-3,680,676	2,522,274

12.11 The High Needs funding pressures have become more acute since the introduction of the Children and Families Act 2014 and the requirement to meet the needs of 18 to 25 year-old students. For Croydon there was a budget gap of £1.8m 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. At the close of 2022-23 the cumulative Croydon deficit was £15.4m. The Council signed a “Safety Valve” agreement with the DfE last year which is designed to assist local authorities that have the highest cumulative percentage DSG deficits on their balance sheet.

12.13 The rationale is to inject cash in the form of both capital and revenue to fund the provision of more school places for children with special educational needs and disabilities (SEND) as well as clear the agreed historical deficits. Croydon signed a Safety Valve agreement for a £27.4m cash intervention, through which Croydon received £10.96m in March 2023 and is expecting another £3.29m in 2023-24 provided that the financial targets signed under the agreement are met.

12.14 The government recently confirmed the extension of the Statutory Override for the DSG deficit for the years, from 2023-24 to 2025-26. This means that the DSG deficit is not an immediate financial risk to the local authority.

12.15 **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 2024-25, compared to 2023-24 are shown in Table 10.

12.16 The reason for the significant increase is that the government introduced 15 hours entitlement for eligible working parents of children from 9 months to 2 years old (new entitlement from 1 September 2024) and 15 hours entitlement for eligible working parents of 2-year-old children from 1 April 2024. From September 2025, eligible working parents of children aged nine months and above will be able to access 30 hours (over 38 weeks a year) from the term following their child turning nine months to when they start school.



**Table 10 – Early Years Block**

	2023-24	Change	2024-25
3&4 Year Old Funding Rate (£'s)	5.78	0.98	6.76
3&4 Year Old (units)	7,919.62	201.19	8,120.81
15 hrs * 38weeks	570.00	0	570
<b>3&amp;4 Year Old Funding (£'s)</b>	<b>26,091,980</b>	<b>5,199,125</b>	<b>31,291,105</b>
2 Year Old Funding Rate (£'s)	6.63	3.49	10.12
2 Year Old Funding Rate (units)	849.16	1,366.75	2,215.91
15 hrs * 38weeks	570	0	570
<b>2 Year Old Funding (£'s)</b>	<b>3,209,060</b>	<b>9,573,195</b>	<b>12,782,255</b>
under 2 years Old Funding Rate (£'s)	0	13.79	13.79
under 2 years old early years (units)	0	675.10	675.10
15 hrs * 38weeks	0	570	570
<b>Under 2 Year Old Funding (£'s)</b>	<b>0</b>	<b>5,306,489</b>	<b>5,306,489</b>
Early years pupil premium	168,855	118,176	287,031
Disability access fund	134,136	115,204	249,340
Initial supplementary funding allocation	773,262	78,364	851,626
<b>Total Funding</b>	<b>30,377,293</b>	<b>20,390,553</b>	<b>50,767,846</b>

12.17 An Early Years National Funding Formula was introduced in April 2017. It aims to ensure that all early year settings are funded at the same rates within each local authority. The main risk with this block is the challenges faced by the Maintained Nursery schools due to funding shortfalls and existing deficits. The service is working with these schools on their three-year deficit recovery plan.

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

12.19 The 2024-2524 CSSB allocations are set out in Table 11. This includes protection for historic prudential borrowing costs and historical teacher pension costs.

**Table 11 – 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 2023-24	52.93	50,476.00	2,671,694	2,056,320	4,728,014
Year 2024-25	52.20	50,577.83	2,640,163	2,056,320	4,696,482
<b>Change</b>	<b>-0.73</b>	<b>101.83</b>	<b>-£31,521</b>	<b>0.00</b>	<b>-31,531.27</b>

## 12.20 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
- 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 £0.032m will be met by savings within the service.

12.21 Historic Commitments. The DfE policy team agreed on the protection of funding for historic commitments following a submission to the DfE by the Council. The protection covers the prudential borrowing and historical teachers' Pension costs. Without such protection the grant funding would have reduced by 20%. There is a future risk that such protection may not continue.

## 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.....,
- a) 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 I.**

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

a) 1<sup>st</sup> 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 11<sup>th</sup> March in the financial year preceding that for which it is set (i.e., before 11<sup>th</sup> 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 11<sup>th</sup> 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 2024-25 sets out the principles for the financial year beginning on 1<sup>st</sup> April 2024, and for Croydon it provides that *"For 2024-25, 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 2024-25 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2023-24."*
- 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.
- 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 Appendix K.**
- 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.

Council tax on empty homes premiums:

14.27As detailed in the report to Mayor in Cabinet on 22 November 2023, under Section 67 of the Local Government Finance Act 1992, the function of making a determination under Section 11B in relation to long-term empty dwellings as recommended in this report, or under the new Section 11C in relation to dwellings occupied periodically as recommended in this report, must be discharged only by Full Council.

14.28If Full Council makes the recommended determination under Section 11B, notice of it must be published in at least one local newspaper before the end of a 21 day period starting with the date of the determination. Likewise, a similar notice must be published if full Council makes the recommended determination under the new Section 11C. A billing authority's first determination under the new Section 11C must be made at least one year before the beginning of the financial year to which it relates.

14.29The increases recommended to Full Council are the maximum by which Council Tax can be increased under Section 11B and the new Section 11C. Billing authorities are required to have regard to any guidance issued by the Secretary of State in exercising their functions under Section 11B and Section 11C.

Approved by: Stephen Lawrence-Orumwense Director of Legal Services and Monitoring Officer – 6<sup>th</sup> February 2024

## **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. The Council will ensure that there is sufficient mitigation when a service has been changed so 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 is 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 have been considered 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 two years.
- 15.8 As a result, particular consideration has been given in the equality analysis to proposals which include increases in fees and charges, the proposed increase in Council Tax, and considering the responses from the budget engagement activity. Also a separate EQIA was completed in relation to fees and charges which were presented to Cabinet on 6 December 2023.
- 15.9 Intelligence from the Council Tax Support Scheme EQIA in 2023 provides the following data which highlights the equality characteristics most affected by increases:
- 31% of council tax claimants are disabled
  - in 28% of council tax claims either the claimant or partner are disabled and neither are in work
  - 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, e.g. from the Council's Council Tax Support Scheme. In addition, the Council is proposing through this budget to continue the additional Hardship Fund set up in 2023-24, at £0.5m in 2024-25, which has been available for households struggling to pay the extra council tax increase in 2023-24.
- 15.11 The Hardship Fund will continue to 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, increased debts from utilities and debts in other areas such as housing costs. The eligibility for this fund is significantly different from the existing Council Tax Support Scheme and does not use the same income based criteria. This should provide support for residents affected by in work poverty.
- 15.12 Existing mitigation for residents 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 Executive 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 for 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. Separate EQIAs have been prepared, where needed, and 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: Helen Reeves, Interim Head of Strategy and Policy, 5/2/2024.

## **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, 31/1/2024.

## **20. SCRUTINY AND OVERVIEW COMMITTEE**

20.1 The budget proposals are due to be considered by Scrutiny and Overview Committee on the 12<sup>th</sup> 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 2024 Medium-Term Financial Strategy forecast
- B General Fund Departmental and Subjective Budget summary (*now included, was marked to follow at 14 February Cabinet*)
- C General Fund growth and savings proposals
- D Transformation Programme
- E Government Grant
- F Business Rates Forecast
- G 2024-25 Croydon Tax Base
- H Empty Homes and Second Homes
- I Recommendations for Council Tax Requirement 2024-25 and Council Tax charge by Band.

- J Budget Proposals for 2024-25 – Feedback from the Public Engagement Process
- K Statement by the Director of Resources (section 151 Officer) on the robustness of the budget estimates and the adequacy of balances and reserves.
- L Directorate Financial Risks *(updated following the request by Scrutiny and Overview Committee on 12th February for more information)*
- M Reserves Policy
- N 2024-25 Budget EQIA

## **BACKGROUND DOCUMENTS**

MTFS Update Cabinet Report - 25<sup>th</sup> October 2023

## London Borough of Croydon - 2024-28 Medium Term Financial Plan

Assumes continued capitalisation directions of £38m per annum

	2024-25	2025-26	2026-27	2027-28
	£'m	£'m	£'m	£'m
<b>Departmental and Corporate Base Budget</b>	<b>383.702</b>	<b>383.702</b>	<b>383.702</b>	<b>383.702</b>
Demand and demographic pressures	10.717	22.292	27.232	32.369
Provision for future demand and demographic growth		2.425	11.485	20.348
Legacy budget corrections	0.806	1.306	1.806	2.306
Proposed Savings	-23.731	-30.706	-35.725	-35.751
Saving in borrowing costs from asset disposals	-6.684	-9.167	-9.947	-9.947
Future savings target beyond 2024-25 (assumes overall increase in incremental savings of £20m per annum)		-13.025	-28.006	-47.980
Provision for inflation	18.183	30.183	42.183	54.183
Net cost of borrowing (interest, MRP & investment income)	65.766	67.506	67.336	67.356
Risk/contingency provision	5.000	5.000	5.000	5.000
Economic demand pressures contingency	0.000	5.000	10.000	15.000
Council Tax Hardship fund	0.500	0.500	0.500	0.500
Transformation investment	5.000	5.000	5.000	5.000
<b>Gross Budget Requirement</b>	<b>459.259</b>	<b>470.016</b>	<b>480.566</b>	<b>492.086</b>
Core grant funding	-43.929	-44.368	-44.812	-45.260
Use of the capitalisation directive	-38.000	-38.000	-38.000	-38.000
Business Rates - compensation grant for under indexing the business rates multiplier	-16.063	-16.384	-16.712	-17.046
<b>Net Budget Requirement (as per the budget book)</b>	<b>361.267</b>	<b>371.263</b>	<b>381.042</b>	<b>391.780</b>
<b>Financing</b>				
<i>Government Grants:</i>				
Revenue Support Grant	-17.818	-17.996	-18.176	-18.358
<i>Croydon Resources</i>				
Business rates top-up grant	-38.146	-38.909	-39.687	-40.481
Business rates income	-43.744	-42.885	-43.743	-44.617
Council tax (4.99% increase modelled for 24/25, a 2.99% increase per annum thereafter),	-259.761	-269.459	-279.140	-289.171
Prior year collection fund surplus	-1.798	0.000	0.000	0.000
<b>Total Financing</b>	<b>- 361.267</b>	<b>- 369.249</b>	<b>- 380.746</b>	<b>- 392.627</b>

<b>Budget deficit excluding new savings</b>	<b>- 0.000</b>	<b>2.015</b>	<b>0.296</b>	<b>- 0.848</b>
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<b>Cumulative (surplus) / deficit</b>	<b>- 0.000</b>	<b>2.015</b>	<b>2.311</b>	<b>1.464</b>
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## Departmental Budget Analysis

	2023-24	2023-24	2023-24	2024-25	2024-25	2024-25
	Original Budget	Approved Changes	Current Budget	Growth and Savings	Other movements	Original Budget
	£	£	£	£	£	£
<b>C1100D : TOTAL SUSTAINABLE COMMUNITIES REGEN &amp; ECONOMIC RECOVERY</b>	<b>66,794,000</b>	<b>7,151,000</b>	<b>73,945,000</b>	<b>-325,000</b>	<b>492,000</b>	<b>74,112,000</b>
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	6,754,000	571,000	7,325,000	-547,000	0	6,778,000
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTOR	-19,000	39,000	20,000	0	-84,000	-64,000
C1120E : SUSTAINABLE COMMUNITIES	50,259,000	6,070,000	56,329,000	-85,000	557,000	56,801,000
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	9,800,000	471,000	10,271,000	307,000	19,000	10,597,000
<b>C1500D : TOTAL ASSISTANT CHIEF EXECUTIVE</b>	<b>39,624,000</b>	<b>4,207,000</b>	<b>43,831,000</b>	<b>-537,000</b>	<b>-639,000</b>	<b>42,655,000</b>
C1520E : CHIEF PEOPLE OFFICER DIVISION	2,911,000	942,000	3,853,000	-50,000	59,000	3,862,000
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	4,701,000	547,000	5,248,000	-97,000	18,000	5,169,000
C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	18,000	1,013,000	1,031,000	-3,000,000	2,749,000	780,000
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	31,744,000	1,605,000	33,349,000	2,610,000	-3,465,000	32,494,000
C1535E : LOCAL AND EXTERNAL ELECTIONS	250,000	100,000	350,000	0	0	350,000
<b>C1300D : HOUSING - GF</b>	<b>13,225,000</b>	<b>8,525,000</b>	<b>21,750,000</b>	<b>-1,989,000</b>	<b>4,032,000</b>	<b>23,793,000</b>
C1305E : CENTRAL HOUSING	4,213,000	60,000	4,273,000	-19,187	3,463,187	7,717,000
C1306E : HOUSING NEEDS AND HOMELESSNESS	9,154,000	8,383,000	17,537,000	-1,969,813	545,813	16,113,000
C1307E : TENANCY - GF	-142,000	82,000	-60,000	0	23,000	-37,000
<b>C1400D : TOTAL ADULT SOCIAL CARE AND HEALTH</b>	<b>132,153,000</b>	<b>10,787,000</b>	<b>142,940,000</b>	<b>-470,000</b>	<b>-1,050,000</b>	<b>141,420,000</b>
C1405E : TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	1,831,000	97,000	1,928,000	0	0	1,928,000
C1410E : ADULT SOCIAL CARE OPERATIONS	114,947,000	9,129,000	124,076,000	-470,000	-1,013,000	122,593,000
C1420E : ASCH COMMISSIONING POLICY AND IMROVEMENT	15,375,000	1,524,000	16,899,000	0	0	16,899,000
C1450E : ADULT SOCIAL CARE AND HEALTH OBSOLETE CODES	0	37,000	37,000	0	-37,000	0
<b>C1200D : TOTAL CHILDREN, YOUNG PEOPLE AND EDUCATION</b>	<b>92,338,000</b>	<b>9,062,000</b>	<b>101,400,000</b>	<b>-2,972,000</b>	<b>-236,000</b>	<b>98,192,000</b>
C1230E : QUALITY, COMMISSIONING AND PERFORMANCE IMPROVEMENT	6,614,000	1,036,000	7,650,000	-50,000	170,000	7,770,000
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	603,000	-70,000	533,000	0	-533,000	0
C1210E : CHILDREN'S SOCIAL CARE	68,333,000	7,329,000	75,662,000	-1,497,000	-314,000	73,851,000
C1220E : EDUCATION DIVISION	16,788,000	767,000	17,555,000	-1,425,000	441,000	16,571,000
<b>C1600D : TOTAL RESOURCES</b>	<b>35,638,000</b>	<b>2,612,000</b>	<b>38,250,000</b>	<b>-4,486,000</b>	<b>2,582,000</b>	<b>36,346,000</b>
C1625E : MONITORING OFFICER	2,145,000	156,000	2,301,000	0	0	2,301,000
C1620E : PENSIONS DIVISION	352,000	20,000	372,000	0	0	372,000
C1640E : LEGAL SERVICES DIVISION	198,000	149,000	347,000	-281,000	0	66,000
C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	18,983,000	360,000	19,343,000	-2,830,000	2,582,000	19,095,000
C1650E : INTERNAL AUDIT SERVICE	414,000	99,000	513,000	0	10,000	523,000
C1605E : RESOURCES DIRECTORATE SUMMARY	-2,666,000	320,000	-2,346,000	0	-10,000	-2,356,000
C1610E : DIRECTOR OF FINANCE	15,660,000	1,472,000	17,132,000	-1,775,000	0	15,357,000
C1630E : INSURANCE, ANTI-FRAUD AND RISK	552,000	36,000	588,000	400,000	0	988,000
<b>TOTAL GENERAL FUND NET CONTROLLABLE BUDGET</b>	<b>379,772,000</b>	<b>42,344,000</b>	<b>422,116,000</b>	<b>-10,779,000</b>	<b>5,181,000</b>	<b>416,518,000</b>
CORPORATELY HELD BUDGETS	24,139,000	- 42,344,000	- 18,205,000	-1,429,000	2,383,000	- 17,251,000
CAPITALISATION DIRECTIONS	- 63,000,000	-	- 63,000,000	0	25,000,000	- 38,000,000
<b>NET BUDGET REQUIREMENT</b>	<b>340,911,000</b>	<b>-</b>	<b>340,911,000</b>	<b>- 12,208,000</b>	<b>32,564,000</b>	<b>361,267,000</b>

## Subjective Budget Analysis

	2023-24 Original Budget	2023-24 Approved Changes	2023-24 Approved Current Budget	2024-25 Savings/Growth and other net Movements	2024-25 Original Budget
	£	£	£	£	£
<b>41000X : TOTAL CONTROLLABLE EXPENDITURE</b>	<b>928,508,000</b>	<b>49,747,751</b>	<b>978,255,751</b>	<b>32,059,250</b>	<b>1,010,315,001</b>
31000W : EMPLOYEES	190,072,000	13,172,722	203,244,722	3,287,278	206,532,000
31020W : TRANSPORT RELATED EXPENDITURE	13,313,000	185,000	13,498,000	623,000	14,121,000
31010W : PREMISES RELATED EXPENDITURE	68,128,000	6,059,000	74,187,000	- 6,047,000	68,140,000
31070W : RECHARGES FROM OTHER SERVICES OUTSIDE THE GENERAL FUND	-	-	-	204,000	204,000
31040W : THIRD PARTY PAYMENTS	219,708,000	19,960,029	239,668,029	8,568,972	248,237,001
31030W : SUPPLIES AND SERVICES	71,863,100	5,707,000	77,570,100	- 1,859,100	75,711,000
31060W : RECHARGES FROM OTHER SERVICES WITHIN THE GENERAL FUND	33,405,900	3,701,000	37,106,900	- 1,471,900	35,635,000
31050W : TRANSFER PAYMENTS	332,018,000	963,000	332,981,000	28,754,000	361,735,000
<b>40000X : TOTAL CONTROLLABLE INCOME</b>	<b>- 586,533,000</b>	<b>- 7,403,751</b>	<b>- 593,936,751</b>	<b>- 40,238,250</b>	<b>- 634,175,001</b>
30040W : RECHARGES INCOME WITHIN GENERAL FUND	- 57,000	- 2,908,000	- 2,965,000	-	- 2,965,000
30050W : RECHARGES INCOME - INTO GENERAL FUND	- 48,079,000	11,080,999	- 36,998,001	- 388,000	- 37,386,001
30020W : CUSTOMER & CLIENT RECEIPTS	- 104,911,000	- 9,010,000	- 113,921,000	457,000	- 113,464,000
30010W : OTHER GRANTS, REIMBURSEMENTS & CONTRIBUTIONS	- 28,960,000	538,000	- 28,422,000	- 6,769,000	- 35,191,000
30030W : INCOME	-	-	-	-	-
30000W : GOVERNMENT GRANTS	- 404,526,000	- 7,104,750	- 411,630,750	- 33,538,250	- 445,169,000
<b>42000X : TOTAL CONTROLLABLE APPROPRIATIONS</b>	<b>- 28,000</b>	<b>-</b>	<b>- 28,000</b>	<b>-</b>	<b>- 28,000</b>
<b>50000Y : TOTAL NET CONTROLLABLE EXPENDITURE</b>	<b>341,947,000</b>	<b>42,344,000</b>	<b>384,291,000</b>	<b>- 8,179,000</b>	<b>376,112,000</b>
51000Y : TOTAL NET NON-CONTROLLABLE EXPENDITURE	37,825,000	-	37,825,000	2,581,000	40,406,000
<b>60000A : TOTAL NET EXPENDITURE (I&amp;E)</b>	<b>379,772,000</b>	<b>42,344,000</b>	<b>422,116,000</b>	<b>- 5,598,000</b>	<b>416,518,000</b>
CORPORATELY HELD BUDGETS	24,139,000	- 42,344,000	- 18,205,000	954,000	- 17,251,000
CAPITALISATION DIRECTIONS	- 63,000,000	-	- 63,000,000	25,000,000	- 38,000,000
<b>NET BUDGET REQUIREMENT</b>	<b>340,911,000</b>	<b>-</b>	<b>340,911,000</b>	<b>20,356,000</b>	<b>361,267,000</b>



## Summary of Departmental Budget Proposals

### Savings and Change Proposals

Figures are incremental

	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	-2,972	-142	0	0
Adult Social Care & Health	-5,000	-4,000	-4,000	0
Housing	-1,989	-589	-993	0
Sustainable Communities Regeneration & Economic Recovery	-1,353	-333	0	0
Assistant Chief Executive	-4,245	-891	-26	-26
Resources	-6,672	-1,020	0	0
Corporate / Council wide	-1,500	0	0	0
<b>Total</b>	<b>-23,731</b>	<b>-6,975</b>	<b>-5,019</b>	<b>-26</b>

### Demand Pressures

	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	0	0	0	0
Adult Social Care & Health	4,530	4,712	4,900	5,096
Housing	0	0	0	0
Sustainable Communities Regeneration & Economic Recovery	722	3,500	0	0
Assistant Chief Executive	3,708	3,324	0	0
Resources	1,686	0	0	0
Corporate / Council wide	71	39	40	41
<b>Total</b>	<b>10,717</b>	<b>11,575</b>	<b>4,940</b>	<b>5,137</b>

### Legacy Budget Corrections

	2024-25 £'000s	2025-26 £'000s	2026-27 £'000s	2027-28 £'000s
Children, Young People & Education	0	0	0	0
Adult Social Care & Health	0	0	0	0
Housing	0	0	0	0
Sustainable Communities Regeneration & Economic Recovery	306	0	0	0
Assistant Chief Executive	0	0	0	0
Resources	500	500	500	500
Corporate / Council wide	0	0	0	0
<b>Total</b>	<b>806</b>	<b>500</b>	<b>500</b>	<b>500</b>

## Net Budget Movement

<b>Savings, demand pressures &amp; legacy budget corrections</b>	<b>2024-25 £'000s</b>	<b>2025-26 £'000s</b>	<b>2026-27 £'000s</b>	<b>2027-28 £'000s</b>
Children, Young People & Education	-2,972	-142	0	0
Adult Social Care & Health	-470	712	900	5,096
Housing	-1,989	-589	-993	0
Sustainable Communities Regeneration & Economic Recovery	-325	3,167	0	0
Assistant Chief Executive	-537	2,433	-26	-26
Resources	-4,486	-520	500	500
Corporate /Council wide	-1,429	39	40	41
<b>Total budget change</b>	<b>-12,208</b>	<b>5,100</b>	<b>421</b>	<b>5,611</b>

## Children, Young People &amp; Education

## Savings and Change proposals

Figures are incremental

Pro-Formas	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/new savings identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Social Work with Children Looked After and Care Leavers	Reduce spend on Children Looked After placements	-330			
2023 MTFS	Early Years Team	Develop family hubs and introduce external funding	-1,300			
<b><i>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 SAV CYPE 002	Safeguarding and Quality Assurance	Croydon Safeguarding Children Partnership back office restructure	-50			
<b><i>Transformation Projects</i></b>						
<b><i>Incremental/new savings identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Directorate wide	Review all joint funding arrangements across education, health and care	-250			
2023 MTFS	Social Work with Families and 0-17 Children with Disabilities	Calleydown – increasing capacity and reducing respite costs	-142	-142		
<b><i>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 SAV CYPE 003	Children Looked After and care experienced young people	Review of Children Looked After placements	-900			
<b>Total of Planned Savings</b>			<b>-2,972</b>	<b>-142</b>	<b>0</b>	<b>0</b>

## Net Budget Movement

Figures are incremental

Children, Young People & Education	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-2,972	-142	0	0
Demand pressures	0	0	0	0
<b>Net Budget Movement</b>	<b>-2,972</b>	<b>-142</b>	<b>0</b>	<b>0</b>

### Adult Social Care & Health

#### Savings and Change proposals

Figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</b>						
<b>Transformation Projects</b>						
2024-28 SAV ASCH 001	Departmental wide	Adult Social Care Transformation*	-5,000	-4,000	-4,000	
<b>Total of proposed savings</b>			<b>-5,000</b>	<b>-4,000</b>	<b>-4,000</b>	<b>-</b>

\*Please note that the savings figures for 2025-26 and 2026-27 are indicative only at this stage and will be reviewed next year following completion of the diagnostic work.

#### Demand Pressures

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>New demand pressures identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 GRO ASC 001	Departmental wide	Demographic growth	4,530	4,712	4,900	5,096
<b>Total Demand Pressures</b>			<b>4,530</b>	<b>4,712</b>	<b>4,900</b>	<b>5,096</b>

#### Net Budget Movement

Figures are incremental

Adult Social Care & Health	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-5,000	-4,000	-4,000	0
Demand pressures	4,530	4,712	4,900	5,096
<b>Net Budget Movement</b>	<b>-470</b>	<b>712</b>	<b>900</b>	<b>5,096</b>

## Housing

## Savings and Change proposals

Figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	Notes
<b><i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i></b>							
2023 MTFS	Emergency and Temporary Accommodation	Housing Needs restructure including Dynamic Purchasing System implementation	-625				
2023 MTFS	Emergency and Temporary Accommodation	Temporary accommodation occupancy checks	-300				
2023 MTFS	Emergency and Temporary Accommodation	Temporary accommodation case review (discretionary cases)	-450				
2023 MTFS	Emergency and Temporary Accommodation	Data cleanse & rent accounts (income collection)	-200				
2023 MTFS	Emergency and Temporary Accommodation	Repurpose general needs voids for emergency accommodation	-175	-175			
2023 MTFS	Emergency and Temporary Accommodation	Demand management	-239	-414			
<b><i>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</i></b>							
2024-28 SAV HSG 001	Emergency and Temporary Accommodation	Demand management			-653		
2024-28 SAV HSG 002	Emergency and Temporary Accommodation	Supported Housing contracts review			-240		
2024-28 SAV HSG 003	Emergency and Temporary Accommodation	No Recourse to Public Funds			-100		
<b>Total proposed savings</b>			<b>-1,989</b>	<b>-589</b>	<b>-993</b>	<b>0</b>	

## Demand Pressures

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>New demand pressures identified in the 2024-25 financial plan</i></b>						
<b>Total demand pressures</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Net Budget Movement

Figures are incremental

Housing	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-1,989	-589	-993	0
Demand pressures	0	0	0	0
<b>Net Budget Movement</b>	<b>-1,989</b>	<b>-589</b>	<b>-993</b>	<b>0</b>

## Sustainable Communities Regeneration &amp; Economic Recovery

## Savings and Change Proposals

Figures are incremental

Pro-forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Leisure	Redesign leisure sports development service	-45			
2023 MTFS	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		17		
2023 MTFS	Directorate wide	Realignment of one-off investment of public health grant in libraries (£0.200m) and physical activities (£0.200m). Reversal of one-off saving in 2023-24	400			
<b><i>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 SAV SCRER 001	Violence Reduction Network	Community Infrastructure Levy funding substitution for CCTV	-150	-150		
2024-28 SAV SCRER 003	Spatial Planning, Growth Zone and Regeneration	Deletion of posts in Spatial Planning & Regeneration	-122			
2024-28 SAV SCRER 004	Strategic transport	Strategic Transport	-65			
2024-28 SAV SCRER 005	Employment, Skills and Economic Development	Employment, Skills and Economic Development	-60			
2024-28 SAV SCRER 007	Directorate Wide	Fees and charges		-200		
2024-28 SAV SCRER 008	Waste Collection	Charging for replacement waste containers	-30			
2024-28 SAV SCRER 009	Waste Collection	Clinical waste – remodelled service offer (sanitary/offensive waste)	-30			
<b><i>Transformation Projects</i></b>						
2023 MTFS	Building Control	Building control	-300			
2024-28 SAV SCRER 002	Highways and Parking	Fees and charges - Changes to parking policy	-951			
<b>Total of proposed savings</b>			<b>-1,353</b>	<b>-333</b>	<b>0</b>	<b>0</b>

**Demand Pressures**

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Waste & Recycling	Refuse contract		2,500		
2024-28 SAV SCRER 006	Highways and Parking	Deferral of highways maintenance		1,000		
<b><i>Incremental/new demand pressures identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 GRO SCRER 001	Corporate Resilience	Full time apprentice for resilience and emergency planning team and increase in on call payments to volunteers for emergency response	32			
2024-28 GRO SCRER 002	Culture, Leisure & Libraries	Contract management support for large, platinum & gold level contracts	70			
2024-28 GRO SCRER 003	Independent travel	Special Education Needs Transport – Student Number Cost Driver	620			
<b>Total of demand pressures</b>			<b>722</b>	<b>3,500</b>	<b>0</b>	<b>0</b>

**Legacy Budget Corrections**

Figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
2024-28 GRO SCRER 004	Highways and Parking	Right size Highways staff recharge budget	306			
<b>Total legacy budget corrections</b>			<b>306</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Net Budget Movement**

Figures are incremental

Sustainable Communities Regeneration & Economic Recovery	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed savings	-1,353	-333	0	0
Demand pressures	722	3,500	0	0
Legacy budget corrections	306	0	0	0
<b>Net Budget Movement</b>	<b>-325</b>	<b>3,167</b>	<b>0</b>	<b>0</b>

## Assistant Chief Executive

## Savings and Change proposals

All figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/New savings identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 SAV ACE 001	Directorate Wide	Fees and charges including film office income generation	-66	-26	-26	-26
2024-28 SAV ACE 002	Human Resources and Organisation Development	Human Resources - Transformation	-50	-50		
2024-28 SAV ACE 003	Strategy and Policy	Reverse Equality, Diversity and Inclusion team expansion	-50			
2024-28 SAV ACE 004	Concessionary Travel	Concessionary Fares reduced activity	-1,037	-815		
2024-28 SAV ACE 005	Strategy and Policy	Delete vacant PPP National Graduate Development Programme (NGDP) trainee post	-42			
2024-28 SAV ACE 006	Public Health	Substitution funding from Public Health Grant and Contain Outbreak Management Fund Grant	-3,000			
<b>Total of proposed savings</b>			<b>-4,245</b>	<b>-891</b>	<b>-26</b>	<b>-26</b>

## Demand Pressures

All figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</b>						
2023 MTFS	Concessionary Travel	Increase in the Croydon contribution to the TfL freedom pass scheme	3,708	3,324		
<b>Total demand pressures</b>			<b>3,708</b>	<b>3,324</b>	<b>0</b>	<b>0</b>

## Net Budget Movement

Assistant Chief Executive	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed Savings	-4,245	-891	-26	-26
Budget Pressures	3,708	3,324	0	0
Legacy budget corrections	0	0	0	0
<b>Net Budget Movement</b>	<b>-537</b>	<b>2,433</b>	<b>-26</b>	<b>-26</b>



## Resources - Budget Proposals

## Savings and Change proposals

All figures are incremental

Pro-Forma	Service	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b>Incremental/new savings identified in the 2023-24 Medium Term Financial Plan</b>						
2023 MTFS	Finance	Restructure technical support & development teams	-30			
2023 MTFS	Finance	Finance staffing review	-125			
2023 MTFS	Finance	Premier supplier commission	-100			
2023 MTFS	Commercial Investment	PMI Contract Manager - Invest to Save proposal	-79			
<b>Incremental/new savings identified in the 2024-25 Medium Term Financial Plan</b>						
2024-28 SAV RES 001	Property Management	Energy management, utilities cost recovery	-2,250			
2024-28 SAV RES 002	Property Management	Review of document storage	-10	-40		
2024-28 SAV RES 003	Property and Facilities Management	Review of postage and mail scanning across the Council	-30	-80		
2024-28 SAV RES 006	Procurement	Review of Procurement Team	-120	-170		
2024-28 SAV RES 007	Commercial Investment	Private Finance Initiative contracts review	-241	-520		
2024-28 SAV RES 008	Property and Legal	Review of property and resources related charges to residents	-50	-150		
2024-28 SAV RES 009	Capital delivery - Non HRA	Review departmental location of Education Capital Delivery Team	-250	-100		
2024-28 SAV RES 010	Property	Increasing advertising income from Council assets and property	-50	-100		
2024-28 SAV RES 011	Finance	Increased bailiff fee income - Council Tax and Business Rates collection	-40			
2024-28 SAV RES 012	Finance	Housing benefit subsidy transformation	-1,156	790		
2024-28 SAV RES 013	Finance	Support Services & Development Team - staffing efficiencies	-48			
2024-28 SAV RES 014	Legal	Reduce spend on external solicitors	-281			
<b>Transformation Projects</b>						
2023 MTFS	Finance	Housing Benefit Review	-1,312			
2024-28 SAV RES 004	Property	Corporate disposals programme	-400	-300		
2024-28 SAV RES 005	Property and Facilities Management	Review of Town Hall Campus	-100	-350		
<b>Total of proposed savings</b>			<b>-6,672</b>	<b>-1,020</b>	<b>0</b>	<b>0</b>

**Demand Pressures**

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<b><i>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</i></b>						
2023 MTFS	Commercial Investment	Increase in business rates payable by Croydon in line with the 2022 Rates Revaluation	750			
2023 MTFS	Insurance, Risk & Anti Fraud	Insurance Fund growth	400			
<b><i>Incremental/new demand pressures identified in the 2024-25 Medium Term Financial Plan</i></b>						
2024-28 GRO RES 001	Finance	Strategic Finance Staffing	536			
<b>Total of Demand Pressures</b>			<b>1,686</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Legacy Budget Corrections**

All figures are incremental

Pro-Forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
2023 MTFS	Finance	Housing Benefit Subsidy - Loss on HB Payments with Care Package Element	500	500	500	500
<b>Total legacy budget corrections</b>			<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>

**Net Budget Movement**

Resources	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed Savings	-6,672	-1,020	0	0
Demand Pressures	1,686	0	0	0
Legacy Budget Corrections	500	500	500	500
<b>Net Budget Movement</b>	<b>-4,486</b>	<b>-520</b>	<b>500</b>	<b>500</b>

## Corporate / Council wide - Budget Proposals

## Savings and Change proposals

Figures are incremental

Pro-forma	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<i>Incremental/New savings identified in the 2023-24 Medium Term Financial Plan</i>						
2023 MTFS	Council wide	Customer access (council wide)	-1,500			
<b>Total of proposed savings</b>			<b>-1,500</b>	<b>0</b>	<b>0</b>	<b>-</b>

## Demand Pressures

Figures are incremental

	Division	Description	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
<i>Incremental/new demand pressures identified in the 2023-24 Medium Term Financial Plan</i>						
2023 MTFS	Corporate Items	Increase in external levies	49	26	26	27
2023 MTFS	Corporate Items	Apprenticeship levy	22	13	14	14
<b>Total demand pressures</b>			<b>71</b>	<b>39</b>	<b>40</b>	<b>41</b>

## Net Budget Movement

Figures are incremental

Corporate / Council Wide	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Proposed Savings	-1,500	0	0	0
Demand Pressures	71	39	40	41
<b>Net Budget Movement</b>	<b>-1,429</b>	<b>39</b>	<b>40</b>	<b>41</b>

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Appendix D: Transformation Projects

<b>RAG Definition</b>	<b>Red – Project not on track and mitigation outside of project manager control</b>	<b>Amber – Project not on track, mitigation within project manager control</b>	<b>Green – Project on track</b>	<b>Blue – Project complete/closed</b>	<b>Project not started</b>
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Workstream	Status	Project	Description	RAG	Budget	Benefits
Assets	Closed	Family Justice Service Review PR000067	Relocation of the Family Justice Service, into an appropriate fit for purpose location in another LBC Asset.	Blue	£0	Delivered savings of <b>£350,000</b> per annum from 2023-24 Relocation of the service to allow for an asset saving.
	In Delivery	Asset Disposal and Property Transformation PR000146	Annual Assets Disposal Plan (AADP) has a target disposal value of a minimum £50m pa to support the requirements of the MTFS through the reduction in capital borrowing and annual revenue costs.	Green	£124,500	<b>£100m</b> capital receipts 2023-24 & 2024-25.
	Discovery Phase	Croydon Campus PR000104	To reconfigure Croydon Campus including Town Hall, BWH and Davis House introducing a Community Hub to improve customer experience	Green	£250,000	Currently in discovery phase, benefits to be determined.
		Community Hubs PR000049	The proposed Community Hub model intends to consolidate the use of libraries, to ensure they are being utilised fully and not left unused and closed for several days per week	Green	£250,000	
		CALAT PR000110	A review of the Adult Learning Service (CALAT) to determine: WHAT the future service should be, HOW it should be delivered, from WHERE, and within the umbrella of affordability.	Green	£50,000	
	Housing	Closed	Housing Benefit Review PR000000	Project closed as duplication with Phase 1 of the Housing Benefit Subsidy SEA & EA/TA review.	Blue	£0

Workstream	Status	Project	Description	RAG	Budget	Benefits
	In Delivery	Housing Needs Restructure PR000132	The project will restructure the Housing Needs and Homelessness service to ensure it is fit-for-purpose, and an efficient and effective service is provided within a reduced financial envelope.	Amber	£260,000	Indicative savings of <b>£1.75m-£2.0m</b> to be delivered over 2023-24 and 2024-25, from 3 projects (i.e. Housing Needs restructure, Housing Benefit subsidy and Housing Association recharges).
		Housing Benefit Subsidy Support Exempt Accommodation (SEA) & Emergency Accommodation/ Temporary Accommodation PR000059	Review SEA and establish occupation and charging principles.	Green	£0	
		Housing Association Liaison (recharges & nominations) PR000165	A Housing Liaison officer who will be focused on the governance of all relevant contracts and nomination agreements to maximise properties available to the Council to move households out of emergency and into temporary accommodation.	Green	£59,000	
		Dynamic Purchasing System (contract compliance) PR000087	The project is intended to address identified procurement compliance issue with acquisition of emergency accommodation – within a VFM framework as part of the MTFS savings.	Amber	£142,000	Improve practice Manage demand Improve efficiency Increase effectiveness.
		Data Cleanse & Rent Accounts PR000164	This project will cleanse historical and backdated rent accounts, to minimise debt and maximise income opportunities.	Amber	£26,000	Improve practice Improve efficiency Increase effectiveness.
		Not Started	Temporary Accommodation (occupancy checks) PR000163	To conduct occupancy checks in emergency and temporary accommodation. This will enable the council to carry out both welfare checks and have		£291,000

Workstream	Status	Project	Description	RAG	Budget	Benefits
			updated information on the number of households living in such accommodation.			
		Temporary Accommodation (case review) PR000161	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.		£491,000	
		Supported Housing Review PR000166	A review of the Council's housing related contracts across the Housing and CYPE and ASC&H directorates to formalise arrangements, ensure best value and compliance, and address areas of overlap in provision.		£80,000	
ASC&H	In Delivery	Adult Social Care Transformation PR000360	Ongoing Adult Social Care improvement budget capitalisation.	Green	£1,100,000	<b>£9.4m</b> packages of care saving 2023-24
		ASC Reviews Capacity PR000090	Supporting the pace of stratified and statutory reviews being delivered in Adult Social Care and Health.	Green	£0	No longer Transformation funded, costs moved to social care grant fund
		S117 Project PR000070	Improved processes and procedures for meeting the Section 117 after-care needs following and Local Government Ombudsman (LGO) report.	Green	£178,000	2034 out of 2327 desktop reviews completed.
	Discovery Phase	Transitioning Commissioning Care Model PR000103	Develop pathways across Childrens and Adults to commission enabling services.	Green	£0	No longer Transformation funded, costs moved to social care grant fund.
		Intermediate Care PR000100	Establish a community reablement service.	Green	£0	No longer Transformation funded, costs moved to social care grant fund

Workstream	Status	Project	Description	RAG	Budget	Benefits
		ASCH Strategic Delivery Partner PR000349	A delivery partner to enhance the work of our managing demand programme transformation.	Green	£1,134,480	There will be no tangible benefits identified until the completion of the phase 1 diagnostic (expected circa Feb 2024).
		Outcomes Based Domiciliary Care Model PR000102	Remodel end to end process for provision of Domiciliary Care.	Green	£0	No longer Transformation funded, costs moved to social care grant fund.
CYPE	In Delivery	Sustaining Demand at the Front Door PR000078	To develop systems & processes in the front door of Children's Social Care, maximising efficiencies, multi-agency contributions to target resources to greatest effect, reducing cost of interventions & placements.	Amber	£190,000	On track to achieve <b>£200,000</b> savings per annum from 2023-24
		Corporate Parenting Transformation PR000298	To deliver, implement and further improve the fostering service as reviewed in 22/23 - including the development of a digital platform for recruiting and training of foster carers.	Amber	£742,750	Aim to achieve savings of <b>£225,000</b> in 2023-24 & <b>£912,944</b> in 2024-25
		Joint Funding Arrangements PR000074	To review and improve joint funding arrangements and processes across children's social care, health and education.	Amber	£110,000	Aim to achieve <b>£250,000</b> savings in 2024-25
		Further Development of the Locality SEND Support Model Across Early Years Settings PR000063	To ensure that more pupils are educated in the borough and in mainstream schools. To provide early support for pupils with special educational needs.	Amber	£240,000	This project will not directly deliver a general fund saving but will be an enabler for the organisation to meet the KPIs and continue to implement the strategies within the Safety Valve process.
	Discovery Phase	Calleydown Transformation PR000089	To explore the scope for expanding the physical building	Amber	£134,000	Aim to achieve savings of <b>£142,000</b> in 2024-25 & <b>£142,000</b> in 2025-26.



Workstream	Status	Project	Description	RAG	Budget	Benefits
			capacity of this residential home vulnerable residents.			
<b>Service Transformation</b>	Closed	VCS Review PR000083	As the Community Fund reaches the end of its lifecycle, a review of VCS spend across the Council to better ensure VCS spend, and ensuing outcomes sit within the financial envelope set by the MTFS.	Blue	£0	Delivered a <b>£800,000</b> saving built into the 2023-34 Assistant Chief Executive budget.
		Commercial & Income Opportunities PR000093	Evaluate income and growth opportunities across identified council services.	Blue	£0	<b>£200,000</b> pa increase in the Premier Supplier Programme added to MTFS budget.
		PFI Contract Manager PR000098	To recruit a Private Finance Initiative (PFI) Manager.	Blue	£0	PFI contract manager successfully recruited.
	In Delivery	Croydon Parking Policy 2023 PR000357	This project is intended to review the existing Parking Policy.	Green	£200,000	<b>£951,000</b> additional income is expected in 2024-25 and in subsequent years.
		Income and Debt Portfolio PR000094	To correctly price fees and charges and improve management of demand.	Amber	£50,000	The current projects are expected to increase collected fees and charges by <b>£3.1m</b> over the next 3 years.
		Building Control Transformation PR000108	To transform the Building Control service, to ensure the provisions meets statutory requirements and represents value for money in the current economic climate.	Green	£450,000	Planning and Building control projects are expected to generate <b>£300,000</b> in 2024-25.
		Planning Transformation PR000109	The review and revamping of the Development Management Planning Service addressing some of the long-standing operational concerns to ensure an efficient and effective value for money service is provided. Also, that service reputational concerns are addressed.	Amber	£300,000	

Workstream	Status	Project	Description	RAG	Budget	Benefits
		Community Equipment Service PR000092	Review the financial performance and sustainability of Community Equipment Service (CES) - exploring opportunities to reduce costs; grow income; evaluate options for service delivery.	Green	£234,000	Projected financial benefits from the approach profiled at approx. <b>£3m</b> over 7 years of a contract.
	Discovery Phase	Croydon Museum Transformation PR000068	To determine whether the current model represents the best approach to delivering services and value for money in the current financial climate.	Green	£169,600	Currently in discovery phase, benefits to be determined.
		Approach to Strategic Planning and Commissioning Transformation PR000026	To develop a new framework for policy making, strategic planning and commissioning - identifying the resources, skills, knowledge and culture we will need to deliver our Council priorities and plan.	Amber	£0	
		Passenger Special Education Needs (SEND) Transport Transformation PR000065	To review the approach to providing passenger transport to SEND children and adults - that includes consideration of personal travel plans and new commissioning approach.	Green	£100,000	
Enabling	In Delivery	Human Resources (HR) Transformation PR000052	The HR Transformation Programme is made up of a number of projects in HR to support wider elements of service improvement, culture change and financial savings.	Green	£93,000	HR redesign savings of <b>£50,000</b> in 2024-25 and <b>£50,000</b> in 2025-26 Restructuring of the Payroll team saving <b>£150,000</b> to be realised by 31st March 2024
		Business Intelligence Review PR000007	A project that drives efficiency using Business Intelligence. <u>Workstream one</u> - data matching initiatives using the National Fraud Initiative as a guide for areas to review, to ensure the council only provides discounts and benefits to	Amber	£25,520	<u>Single Person's Discount:</u> 1911 SPDs cancelled <b>£914,213</b> (additional revenue raised) <u>Freedom Passes (Disability)</u>

Workstream	Status	Project	Description	RAG	Budget	Benefits
			residents that are eligible to receive such discounts. <u>Workstream two</u> – to explore data maturity across the organisation, creating and understanding by carrying out a data / intelligence maturity review.			474 passes de-activated saving <b>£81,528</b> – (Based on £172 per head (covid)) or <b>£142,200</b> – (Based on potential £300 per head - pre-covid guess) <u>Freedom Passes – (Older Persons)</u> 2783 applicants reviewed 1063 evidence provided 945 accepted 113 rejected, 5 to check
	Discovery Phase	Customer Access Review PR000105	This project is to facilitate the engagement of a management consultancy company, called Methods, to deliver on a Customer Access Discovery task – this will inform next steps of the project.	Green	£200,000	Currently in discovery phase, benefits to be determined
Oracle Improvement Programme Development PR000344		Funding of resources to develop the One Oracle Programme business case	Amber	£915,000		
Digital& Resident Access Review PR000053		This project is intended to conduct a review of Digital & Resident Access to assess the service for opportunities of transformation including the structure, tools and processes used by the service.	Green	£80,000		

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Grant Forecast						
	Actual	Provisional LGFS	Final LGFS	Future Forecast		
	2023-24	2024-25	2024-25	2025-26	2026-27	2027-28
	£'m	£'m	£'m	£'m	£'m	£'m
<b>Grants held corporately within Core Spending Power</b>						
Improved Better Care Fund	9.978	9.978	9.978	10.078	10.179	10.280
Services Grant	2.994	0.471	0.517	0.522	0.527	0.533
New Homes Bonus	1.646	2.471	2.471	2.496	2.521	2.546
Social Care Grant	18.999	22.106	25.025	25.275	25.528	25.783
	<b>33.617</b>	<b>35.026</b>	<b>37.991</b>	<b>38.371</b>	<b>38.755</b>	<b>39.142</b>
<b>Other Grants held corporately</b>						
Housing Benefit Admin Grant	1.567	1.567	1.567	1.583	1.598	1.614
DSG & Education Grants held centrally	4.023	4.371	4.371	4.415	4.459	4.503
<b>Core Grants as Per Croydon's MTFS</b>	<b>39.207</b>	<b>40.964</b>	<b>43.929</b>	<b>44.368</b>	<b>44.812</b>	<b>45.260</b>
Revenue Support Grant	16.711	17.818	17.818	17.996	18.176	18.358
<b>Total Corporate Grants</b>	<b>55.918</b>	<b>58.782</b>	<b>61.747</b>	<b>62.364</b>	<b>62.988</b>	<b>63.618</b>
<b>Grants held departmentally within Core Spending Power</b>						
New Adult Social Care discharge fund	1.399	2.332	2.332	2.355	2.379	2.403
Market sustainability and Improvement fund	3.281	6.131	6.131	6.192	6.254	6.317
	<b>4.680</b>	<b>8.463</b>	<b>8.463</b>	<b>8.548</b>	<b>8.633</b>	<b>8.719</b>

Notes.

1. The 2024-25 grant forecasts are based on the provisional and final local government finance settlement.

2. All grants are modelled to increase by 1% per annum beyond 2024-25

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## Business Rates - Forecast

	2023-24	2024-25	2025-26	2026-27	2027-28	
	£'m	£'m	£'m	£'m	£'m	
Section 31 grant for underindexing the business rates multiplier	12.419	16.063	16.384	16.712	17.046	As per NNDR1 for 2024-25 with future years uplifted by 2%
Business Rates-top-up grant	35.921	38.146	38.909	39.687	40.481	2024-25 as per the LGFS. Years thereafter uprated by an assumed 2% per annum
In-Year Business Rates Income	32.168	33.128	33.791	34.466	35.156	Croydon 30% share of business rates income collected. Estimate as per the 2024-25 NNDR1. Inflationary uplift of 2% per annum assumed for future years.
Other section 31 grants (for business rate reliefs)	10.338	8.916	9.094	9.276	9.462	Based on NNDR1 for 2024-25 with 2% future uplift
Prior Year Adjustments	-12.215	-1.818	0.000	0.000	0.000	2022-23 actual and 2023-24 forecast collection fund deficit.
Draw down from business rate reserve	12.215	3.518	0.000	0.000	0.000	Reserve c/fwd to 24-25 of £8.387m to fund prior year and smoothing adjustments .
<b>Total - All Business Rates</b>	<b>90.846</b>	<b>97.953</b>	<b>98.178</b>	<b>100.142</b>	<b>102.144</b>	

## Croydon Budget Presentation

Section 31 grant for underindexing the business rates multiplier	12.419	16.063	16.384	16.712	17.046
Business Rates Income	78.427	81.890	81.794	83.430	85.098
<b>Total</b>	<b>90.846</b>	<b>97.953</b>	<b>98.178</b>	<b>100.142</b>	<b>102.144</b>

## Notes:

1. This forecast is based on the NNDR1 submitted in January 2024 updated for changes to the business rates multiplier
2. Beyond 2024-25 business rates are modelled to increase by 2% (allowance for inflation)
3. The business rates system is due to be rebased from 2025-26. It is assumed to have a neutral impact

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<b>REPORT TO:</b>	<b>Corporate Director of Resources – Jane West</b>
<b>SUBJECT:</b>	<b>Calculation of the Council Tax Base 2024-25, and Determination of the 2023-24 Collection Fund Deficit for Council Tax</b>
<b>LEAD OFFICER:</b>	<b>Andrew Lord – Interim Finance Consultant</b>

## 1. Recommendations

- 1.1 Note that the Council Tax Support scheme is not changed from that agreed by Full Council resolution on 1<sup>st</sup> March 2023.

### Delegated Approval

- 1.2 By the delegation granted to the appointed S151 Officer by the Corporate Services Committee on 7<sup>th</sup> January 2004, I determine that the 2024-25 Council Tax Base for the London Borough of Croydon be **137,040.4 Band D equivalent properties**.
- 1.3 That the forecast Council Tax Collection Fund surplus for the financial year 2023-4 is estimated to be **£2,230,000** – of which the Council's share is **£1,797,713**.

-----  
Jane West  
Corporate Director of Resources (section 151 officer)

Dated 31 January 2024

## 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 30<sup>th</sup> November and before 31<sup>st</sup> 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 an “*estimate*” for the forthcoming financial year. The actual sum collected is accounted for within the Collection Fund with adjustments made to subsequent budgets for an in-year surplus, or deficit, against the ‘estimated’ taxbase.
  - 2.4 The calculations set out in the body of this report estimate a council tax base of **137,040.4 Band D equivalent** properties for 2024-25. This is a decrease of 190.5 Band D equivalents over that approved for 2023-24 and, at the £1,805.42 Band D charge approved by Croydon Council, for 2023-24, represents an adverse **movement against base budget of £0.344m** (this being prior to a Council decision on setting the 2024-25 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 Levelling-Up, Housing and Communities in the October 2023 CTB1 return with an allowance made for an increase of 2,087 in the number of new dwellings (1,798 Band D equivalents) compared to 2023-24. The underlying increase in the number of new Band D equivalents is 1.06% compared to an average increase of 1.12% for the past 5 years.
  - 2.6 Local Council Tax Support Scheme (LCTS) discounts of 17,579 are modelled for 2024-25 compared to 16,393 in 2023-24. This increase is based on trend data to the end of November 2023 and assumes that the rate of increase will reduce by 50% for the remainder of 2023-24 and for 2024-25. The income foregone, based on Band D equivalents, from the increase in LCTS discounts is estimated at £1.900m. Within this movement the caseload for the disabled not working category has increased by 554 from April 2022 to November 2023. This is of particular significance as this group of claimants are entitled to the most CTS, their average weekly CTS entitlement is £33.02 compared to £13.42 per week for income banded claimants.
  - 2.7 An estimated 2,747 dwellings are forecast to be exempt from paying council tax in 2024-25. This is an increase of 672 dwellings (32%) compared to 2023-24 and equates to an additional income loss of £1.116m. The increase is based on current data. The main causes for the upturn are an increase in exemptions applicable for students and an allowance for new exemptions regarding the new Croydon Enclave development.
  - 2.9 The Levelling-Up and Regeneration Act 2023 is enabling councils to encourage owners to bring empty properties back into use as well as raise

and retain revenue to support local services and keep Council tax down for residents. As part of the Act a local authority can, from 2024-25 onwards, charge a 100% premium on dwellings that have been unoccupied, and substantially furnished, for a period of at least 1 year. This is a reduction from the current 2- year period. Full Council will approve the necessary determination to make this change for Croydon and allowance is made within the 2024-25 Council Tax Base for a charge to 141 dwellings. The estimated additional income is £0.258m

2.10 The forecast council tax collection rate is budgeted to remain at 97.5%. This is based on current year performance and takes account of the decision, 25<sup>th</sup> October 2023 Cabinet, to reinstate the council tax recovery process for residents in receipt of council tax support.

2.11 A summary of the movement in the forecast 2024-25 tax base is set out below. The movement is based on Band D equivalents:

	Band D Equivalents
<b>2023-24 Council Tax Base</b>	<b>137,230.9</b>
Allowance for new dwellings	+1,798
Increase in Local Council Tax Support Discounts	-1,052.5
Increase in exemptions	-618.0
Other movements including Single Persons Discount	-461.0
Reduction in the 100% empty home premium to one year from 2 years.	+143.0
<b>2024-25 Council Tax Base</b>	<b>137,040.4</b>

Prior Year Collection Fund Surplus

2.9 The Local Government and Finance Act 1988 requires that all council tax income is paid into a Collection Fund, along with payments out regarding the Greater London Authority precept and a contribution towards the Council's own General Fund. Subsequent budget adjustments are made should the actual sum paid into the Collection Fund be more, or less, than the originally approved tax base.

2.10 For 2024-25 the net impact of the expected prior year adjustments is an estimated £2,230,000, of which the Croydon share is £1,797,713. This reflects the actual surplus at the close of 2022-23 with a breakeven position forecast

for the current year. This sum will be taken account of within the Council's proposed 2024-25 Budget.

**Appendix 1 – Council Tax Base for 2024-25**

2024/25 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	0	4,262	23,906	52,147	41,816	23,959	11,769	7,493	655	166,007
Allowance for new dwellings at 1.185%	0	509	513	557	322	151	13	14	8	2,087
Less Exemptions	0	-180	-538	-876	-553	-396	-128	-66	-10	-2,747
<b>Chargeable Dwellings</b>	<b>0</b>	<b>4,591</b>	<b>23,881</b>	<b>51,828</b>	<b>41,585</b>	<b>23,714</b>	<b>11,654</b>	<b>7,441</b>	<b>653</b>	<b>165,347</b>
Disabled Adjustments (Net)	1	23	129	107	11	-104	-39	-99	-29	0
Single-Person Discounts (25%)	0	-607	-3,276	-4,944	-2,678	-1,216	-499	-268	-13	-13,502
Other Discounts (50%)	0	-1	-6	-17	-19	-14	-15	-23	-11	-104
Family Annexe Discount	0	-4	-1	0	0	0	0	0	0	-5
Empty Dwellings 100% Premium	0	17	65	94	60	21	9	15	2	283
Empty Dwellings 100% Premium		5	23	36	40	23	9	5	0	141
Empty dwellings 200% Premium		8	50	50	34	8	8	4	0	162
Empty dwellings 300% Premium		6	18	21	51	9	0	3	0	108
Local C/Tax Reduction Scheme	0	-940	-4,874	-6,511	-3,745	-1,142	-262	-103	-2	-17,579
<b>Net Chargeable Dwellings</b>	<b>1</b>	<b>3,099</b>	<b>16,009</b>	<b>40,664</b>	<b>35,338</b>	<b>21,299</b>	<b>10,865</b>	<b>6,975</b>	<b>600</b>	<b>134,851</b>
<b>Band D Equivalent</b>	<b>1</b>	<b>2,066</b>	<b>12,451</b>	<b>36,146</b>	<b>35,338</b>	<b>26,032</b>	<b>15,694</b>	<b>11,626</b>	<b>1,201</b>	<b>140,554</b>
Collection Rate										0.975
Current taxbase forecast										<b>137,040.4</b>



## APPENDIX H

<b>LONDON BOROUGH OF CROYDON REPORT:</b>	<b>CABINET</b>
<b>DATE OF DECISION</b>	<b>22 November 2023</b>
<b>REPORT TITLE:</b>	<b>Council Tax Empty &amp; Second Home Premiums</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Allister Bannin,</b> Director of Finance (Deputy Section 151 Officer)
<b>LEAD OFFICER:</b>	<b>Catherine Black,</b> Head of Payments, Revenues, Benefits and Debt <b>Email: catherine.black@croydon.gov.uk Telephone: 27193</b>
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings, Cabinet Member for Finance</b>
<b>KEY DECISION?</b>	<b>No</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>
<b>WARDS AFFECTED:</b>	N/A

### 1. SUMMARY OF REPORT

- 1.1 This report details the history of charging Council Tax premiums for empty properties and the current situation.
- 1.2 This report details the proposed options to change the timeframe for applying empty property premiums and the introduction of premiums on second homes.

### 2 RECOMMENDATIONS

For the reasons set out in the report the Executive Mayor in Cabinet is recommended:

- 2.1 To recommend to Full Council, that Full Council make the necessary determinations as billing authority under Section 11B for financial year 2024-2025 to the effect that where permitted, for dwellings that have been unoccupied and substantially unfurnished for a period of at least one year the amount of Council Tax will be increased by 100% where the period is less than 5 years, by 200% where the period

is at least 5 years but less than 10 years, and by 300% where the period is at least 10 years, and that the discount under Section 11(2)(a) shall not apply. .

- 2.2 To recommend to Full Council, that Full Council make the necessary determinations under Section 11C as billing authority for financial year 2025-2026 to the effect that where permitted, for dwellings where there is no resident of the dwelling and the dwelling is substantially furnished, the amount of Council Tax will be increased by 100%, and the discount under Section 11(2)(a) shall not apply.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 The long-term empty homes premium is designed to encourage more empty homes into productive use, therefore, assisting with the current housing pressure in the borough.
- 3.2 The Levelling-up and Regeneration Act 2023 is enabling councils to raise and retain additional revenue to support local services and keep Council Tax down for residents.
- 3.3 Implementing the change from 2 years to 1 would allow the council to encourage use of properties at an earlier stage and to generate greater income earlier on those properties where the owner wishes them to remain empty.
- 3.4 The second homes premium would allow the council to collect a premium on empty furnished properties which includes those that are actively being used as a second home as well as those which are vacant but furnished.

### **4 BACKGROUND AND DETAILS**

- 4.1 The Levelling-up and Regeneration Act 2023 achieved Royal Assent on 26 October 2023. The intention of this act is to speed up the planning system, hold developers to account, cut bureaucracy, and encourage more councils to put in place plans to enable the building of new homes.
- 4.2 One of the governments measures in this act is to rebalance the housing and land markets, giving local councils the power to increase Council Tax on empty homes.
- 4.3 This act recognises the impact that high levels of second home ownership can have in some areas and will introduce a new discretionary Council Tax premium on second homes of up to 100%.
- 4.4 It will also allow councils to apply a Council Tax premium of up to 100% on homes which have been empty for longer than one year (rather than the two years currently in place).
- 4.5 The premium for second homes can only be implemented with at least 12 months' notice before the start of the financial year to which it relates, meaning the earliest the second home premium can be implemented is the 1 April 2025, providing the decision to implement the premium is taken before 1 April 2024.



- 4.6 It is worth noting that the 12-month lead time is for any initial decision to implement a second home premium. Therefore, if we choose not to implement a premium from 1st April 2025, a decision made after 1st April 2024 can only be effective from 1st April 2026.
- 4.7 The change to long term empty premium can be implemented from 1st April 2024, in accordance with S11B Local Government Finance Act 1992, which allows for a decision to be varied or revoked providing the decision is taken before the start of the financial year.
- 4.8 Both the premiums for long term empty and second homes are in respect of a “financial year” which means the premiums cannot be implemented part way through a year.
- 4.9 Data used for the October CTB1 2023 return shows 828 properties were long term empty and unfurnished between 1 and 2 years, it is likely that a high percentage of these would be for sale, rent or occupied but have not yet informed the council.
- 4.10 The October CTB1 2023 return has 367 properties listed as empty and furnished (second homes). As this would be a new scheme there is likely to be a change in these numbers as owners inform us that these properties are occupied or advertised for sale or rent.

## **Summary**

- 4.11 The Local Government Finance Act 2012 (LGFA 2012) made provision for Local Authorities to technically reform Council Tax discounts and exemption with effect from 1st April 2013. Sections 10,11, and 12 of the LGFA 2012 contained provisions for changes that were agreed by Cabinet in December 2012, and those changes included: -
- Reducing the discount on 2nd homes to nil.
  - Class A and Class C exemption were abolished and replaced by discounts which the Council had the discretion to reduce the discount to nil.
  - Where a discount replaced a Class A exemption, and the discount was not nil, the discount could be limited to 12 months.
  - Where a discount replaced a Class C exemption, and that discount was not nil, the discount could be limited to 12 months.
  - The Council has the discretion to add a “premium” of up to 50% on long term empty properties which has been unoccupied and substantially unfurnished for more than 2 years.
- 4.12 In 2019 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 further enabled a council to increase the premium charged for properties that have been empty and unfurnished for more than 2 years from 50% to 100%. From 2020 a further 100% premium on properties empty and unfurnished for more than 5 years was implemented increasing the premium to 200%. From 2021 a further 100% premium on properties empty and unfurnished for more than 10 years was implemented increasing the premium to 200%.

4.13 This premium applies to the property, so a change of ownership or tenancy will not affect the premium. If when purchased or leased the property has already been empty and unfurnished for two years or more, the new owner will be liable to pay the additional premium.

4.14 The Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012, describe which classes of dwellings could not be included in the reduced discounts and additional premiums, these are:-

- No premium can be added on a dwelling which is exempt (see Appendix 1 for list of exemptions)
- No premium can be added on a dwelling which is genuinely on the market for sale or letting:
- No premium can be added on a dwelling which is the sole or main residence of a member of the armed forces, who is absent from the property as a result of such service
- No premium can be added on an annex deemed unoccupied, because it is treated by the occupier of the main dwelling as part of the main dwelling.
- We provide a 6 month exemption from the premium for properties that are undergoing works to bring the property back into use.

4.15 The October CTB1 2023 return showed 400 properties are currently charged premiums which result in an additional Council Tax liability of £1,181k.

	100% Premium	200% Premium	300% Premium	Total additional liability from premiums
Number of Properties	283	81	36	400
Croydon Council Tax	£433,785	£239,305	£164,655	£837,745
Croydon adult social care precept	£59,295	£32,711	£22,507	£114,513
GLA precept	£118,568	£65,410	£45,006	£228,984
Overall Council Tax premium liability	£611,648	£337,426	£232,168	£1,181,242

### Considerations & Challenges

4.16 Determining the difference between a second home, a vacant furnished property and a vacant unfurnished property has always proved complicated.

4.17 Collection of premiums is more difficult with a lower percentage collection rate. It is important to remember that in all cases this is a person's second home so there is always the option to bring the property back into use or to sell the property.

4.18 Monitoring properties that are “genuinely” for sale & those undergoing building work can pose a problem.

4.19 Although the changes to the unfurnished premium can be implemented from 1 April 2024 the Council would look to provide reasonable notice to owners, so it is important that a decision to implement these changes is made as soon as reasonably practicable and prior to the start of the financial year.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 The report relates to discretionary premiums the only two options are to implement the changes to empty premiums and second home premiums or to leave the current premiums in place.

5.2 If we were to take the option to leave things as they are currently:

- There would be less incentive for the owners of furnished empty properties to bring them into permanent use.
- The incentive for unfurnished properties to be brought into use would not take effect until a year later.
- The opportunity to collect additional income on empty properties would be reduced.

## **6 CONSULTATION**

6.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have confirmed that there is nothing in the LGFA 2012 that suggests Local Authorities should consult on this matter, as such a consultation is not required.

## **7 CONTRIBUTION TO COUNCIL PRIORITIES**

7.1 The proposal contributes to the Mayors business plan outcomes 1, getting our finances right and outcome 2 a place of opportunity as detailed below.

7.2 Encouraging owners to bring properties increases the availability of housing in the borough.

7.3 Empty properties if not maintained can become in a state of disrepair and can become an eyesore on the local area

7.4 If owners decide to leave a property empty the council will be able to collect additional income to support local services and keep Council Tax down for local residents.

## **8. IMPLICATIONS**

### **FINANCIAL IMPLICATIONS**

8.1.1 The table below shows the annual value of the premium if all properties currently empty and unfurnished remain so. It is likely that a proportion will be brought back into use, and others will be up for sale or rent, therefore the actual number of properties that will have the premium applied will be significantly lower. It is anticipated that between 25% and 50% would have the premium applied.

	<b>All Properties</b>	<b>50%</b>	<b>25%</b>
Number of properties	828	414	207
Croydon Council Tax	£1,332,768	£666,384	£333,192
Croydon Adult Social Care Precept	£182,180	£91,090	£45,545
GLA precept	£364,291	£182,146	£91,073
<b>Overall tax 2023-24</b>	<b>£1,879,239</b>	<b>£939,620</b>	<b>£469,810</b>

8.1.2 The liability generated using current figures would be between £470k and £940k.

8.1.3 Below is a table showing the possible premium liability for second homes. Those empty for under and over a year have been separated as those over a year are far more likely to be liable for the premium. It is unlikely that more than 50% of those recorded as second homes for over a year and 30% of those under would end up having the premium applied.

	2 nd homes over 1 year (A)	2 nd homes over 1 year (assume 50%)	2 nd homes under 1 year (B)	2 nd homes under 1 year (assume 30%) (A + B)	Total (over 1 year 50% under 1 year 30%)
Number of properties	268	134	99	30	164
Croydon Council Tax	£404,901	£202,951	£157,066	£47,120	£250,071
GLA precept	£110,947	£55,473	£42,932	£12,879	£68,352
<b>Overall Tax 2023-24</b>	<b>£572,332</b>	<b>£286,166</b>	<b>£221,468</b>	<b>£66,440</b>	<b>£352,696</b>

8.1.4 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. 09/11/23 8.2

## **LEGAL IMPLICATIONS**

8.2.1 Under Section 67 of the Local Government Finance Act 1992, the function of making a determination under Section 11B in relation to long-term empty dwellings as recommended in this report, or under the new Section 11C in relation to dwellings occupied periodically as recommended in this report, must be discharged only by Full Council.

8.2.2 If Full Council makes the recommended determination under Section 11B, notice of it must be published in at least one local newspaper before the end of a 21 day period starting with the date of the determination. Likewise, a similar notice must be published if full Council makes the recommended determination under the new Section 11C. A billing authority's first determination under the new Section 11C must be made at least one year before the beginning of the financial year to which it relates.

8.2.3 The increases proposed in this report are the maximum by which Council Tax can be increased under Section 11B and the new Section 11C. Billing authorities are required to have regard to any guidance issued by the Secretary of State in exercising their functions under Section 11B and Section 11C.

Comments approved by the Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 7/11/2023)

### **8.3 EQUALITIES IMPLICATIONS**

8.3.1 The Council has a statutory duty, when exercising its functions, to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must, in the performance of its functions, therefore have due regard to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.3.2 Given the nature of empty properties, it is hard to capture any diversity data of the owners. Properties could be empty for a range of different reasons, ranging from owner's death to property being own by charities and has been left empty. It is clear from the EQIA that the Council only has information about the owner's name and address and is in no position to collect any further data. For this reason, the EQIA is unable to provide any information about the likely impact on any groups due to lack of data.

8.3.3 Comments by Naseer Ahmad for the Equalities Manager. (13/11/2023)

## **9. APPENDICES**

### **Appendix 1 - Unoccupied Property Exemptions**

## **10. BACKGROUND DOCUMENT**

10.1 N/A

## **11. URGENCY**

11.1 N/A

## **Appendix 1 - Unoccupied Property Exemptions**

Below is a list of empty property exemptions. If these exemptions are relevant to a property the premium is not applied:

- the owner or tenant has died
- the owner or tenant is in prison
- the owner or tenant is a long-term hospital in-patient
- the owner or tenant lives in a nursing home, care home or certain type of hostel
- the owner is a student in the UK who is living elsewhere for their studies
- the owner has been made bankrupt and the property is in the hands of the trustees in bankruptcy
- the owner or tenant has moved out in order to provide personal care for another person or to receive personal care themselves
- it is a self-contained unit that forms part of a larger property and the occupier is a dependent relative of the person living in the other part of the property
- the property is an annex that cannot be let separately from the main property because of planning restrictions
- the property is an empty caravan pitch or houseboat mooring
- occupation of the property is prohibited by law
- the property is in the hands of the executor or administrator of the estate (either probate has yet to be granted or it is less than six months since probate was granted)
- the property has been repossessed by the mortgage lender
- the property is owned by a charity and has been empty for less than six months

**RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2024-25**

**(SUBJECT TO CONFIRMATION OF THE GLA BUDGET PROPOSALS)**

The Cabinet has considered a report in respect of the level of Council Tax for 2024-25 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. In summary the Cabinet recommends for 2024-25 a Band D charge of £1,895.51 for the Croydon element of Council Tax:

	2023-24	2024-25	Increase	Percentage increase
Council Tax	£1,588.31	£1,642.29	£53.98	2.99% of the 2023-24 charge of £1,805.42
Adult Social Care levy	£217.11	£253.22	£36.11	2.0% of the 2023-24 charge of £1,805.42
<b>Total Croydon Element</b>	<b>£1,805.42</b>	<b>£1,895.51</b>	<b>£90.09</b>	<b>4.99%</b>
Greater London Authority Precept	£434.14	£471.40	£37.26	8.58%
<b>Overall Band D Charge</b>	<b>£2,239.56</b>	<b>£2,366.91</b>	<b>£127.35</b>	<b>5.69%</b>

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

- (1) Approve the 2024-25 net budget requirement of £361,267,000.
- (2) Approve the 2024-25 Council Tax Requirement of £259,761,449.

## Appendix I

Calculation of Council Tax Requirement		£'000	£'000	£'000
(A)	Expenditure and other charges (as set out in section 31A(2) (a) to (f) of the Act)		TBC*	
(i)	expenditure on Croydon's services, local precepts and levies			
(ii)	allowance for contingencies		5,000	
(iii)	transfer to General Reserves		0	
(iv)	transfer to Earmarked Reserves		0	
(v)	transfer from the General Fund from the Collection Fund in respect of prior year deficit on the Collection Fund,		0	TBC *
(B)	<i>Less</i> Income and other credit items (in Section 31A(3) (a) to (d) of the Act)		TBC*	
(i)	Income from services			
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,	1,798		
(iii)	Income from Government Capitalisation	38,000		
	Core Grants	43,929		
	Business Rates Top Up Grant	38,146		
	Business Rates Income	40,226		
	Revenue Support Grant	17,818		
(iv)	transfer from Earmarked Reserves	3,518	183,435	TBC
(C)	<i>Equals</i> The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.* This is (A) above less(B) above (as per Section 31A(4) of the Act)			259,761
<b>Calculation of basic amount of council tax</b>				
(C)	Council Tax Requirement			259,761
(D)	<i>Divided by</i> The Council's Tax base			137,040.40
(E)	<i>Equals</i> The Basic amount of Council Tax (i.e., the Council Tax for a Band D property to which no relief or exemption is applicable) for services charged to Croydon's General Fund (This is (C) above divided by the tax base at (D) as per Section 31(B) of the Act)			1,895.51

\* The exact figure is

£259,761,449.

\* TBC – Will be confirmed for Budget Council.



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

<b>Council Tax for Croydon for 2024-25</b>	
Band A	6/9 x £1,895.51 = £1,263.67
Band B	7/9 x £1,895.51 = £1,474.29
Band C	8/9 x £1,895.51 = £1,684.89
<b>Band D</b>	<b>9/9 x £1,895.51 = £1,895.51</b>
Band E	11/9 x £1,895.51 = £2,316.73
Band F	13/9 x £1,895.51 = £2,737.96
Band G	15/9 x £1,895.51 = £3,159.18
Band H	18/9 x £1,895.51 = £3,791.02

(G) to which is added the following precept (issued by the Mayor of London, in exercise of the powers conferred on him by sections 82, 83, 85, 86, 88 to 90, 92 and 93 of the Greater London Authority Act 1999 (“the 1999 Act”) and sections 40, 47 and 48 of the Local Government Finance Act 1992 (“1992 Act”))

<b>GLA Precept For 2024-25</b>	
Band A	314.27
Band B	366.64
Band C	419.02
<b>Band D</b>	<b>471.40</b>
Band E	576.16
Band F	680.91
Band G	785.67
Band H	942.80

(H) That, having calculated the aggregate in each case of the amounts at (F) and (G) above the Council, in accordance with section 30(2) of the local government finance act 1992, hereby set the following amounts as the amounts of council tax for the year 2024-25 for each of the categories of dwellings shown below:-

<b>Total Council Tax For 2024-25</b>	
Band A	1,577.94
Band B	1,840.93
Band C	2,103.91
<b>Band D</b>	<b>2,366.91</b>
Band E	2,892.89
Band F	3,418.87
Band G	3,944.85
Band H	4,733.82

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# Have your say on Croydon's budget proposals 2024-25

Feedback from public survey

5 January 2024

## Executive Summary

This report summarises the responses received to the budget 2024-25 proposals survey. The survey was launched following the approval of the 2024-25 budget update, Medium Term Financial Strategy and savings proposals at Cabinet on 25 October 2023.

939 responses were received to the survey which ran between 6 November and 11 December 2023.

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.

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

1. Increase in council tax (248)
2. Cost of living (50)
3. Service cuts and reductions (38)

When asked where the council should be looking for external funding, safer communities, improving town and district centres and cleaner streets received the strongest support.

When asked if respondents had any further comments on the proposals, the largest group of responses were about council tax.

In addition to the survey, a small engagement session was run with young people aged between 11 and 22 as part of 'Croydon Superstars', the council's Special Educational Needs and Disabilities (SEND) Youth Participation Forum. From the two activities, greatest priority was given to keeping the streets safe and clean, housing services and services for children, young people, families and education. The lowest ranked services were parks and open spaces and libraries and culture. Full details of the feedback from this session are included in the appendix.

## Engagement methodology

Following the cabinet meeting on 25 October 2023 the council launched a six-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 response 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. 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
- Mayor's weekly message and Chief Executive's staff message
- Social media posts (Twitter, Facebook and Instagram)
- Staff webinar ahead of the survey launch
- Intranet article
- 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 390 community and voluntary contacts via the council's VCS team
- Faith leaders
- All councillor emails
- Shared with Croydon Youth Assembly and SEND Youth Participation Forum
- Facebook post shared with local groups
- Contact centre available to take residents views over the phone if required.

Following a mid-point review of the demographics of respondents a further email was sent to community groups including Croydon's BME Forum and Asian Resource Centre of Croydon (ARCC) encouraging them to promote the survey and encourage residents to take part.

As part of the exercise and to give residents more opportunity to hear about the plans and have their say, the Executive Mayor of Croydon ran a webinar on 11 December. Residents were invited to join and ask questions either in advance or live at the session. The webinar was promoted via a press release, Your Croydon weekly and social media.

## Analysis of responses

934 responses were received to the survey which ran between 6 November 2023 and 19 December 2023.

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 response rate for people aged 16 – 19 and 20 - 24 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.

In response to the low response rate from young people, Croydon's SEND Youth Participation Forum carried out two tasks with a small group to engage them on the budget survey. The results from this activity can be found in the appendix.

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 (67.3%). This is higher than the borough profile from the 2021 Census, where 48.4% of the population identified as White.

Global Majority groups were underrepresented in the response rate compared to the Census 2021 profile for Croydon.

12.3% 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 (42.8%) which is very similar to the Census 2021 level. 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, 46.9% of respondents were married. This is an over representation compared to the 2021 Census profile, where 32.8% were married.

There was a slightly lower 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:**

There were 914 responses to this question.

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

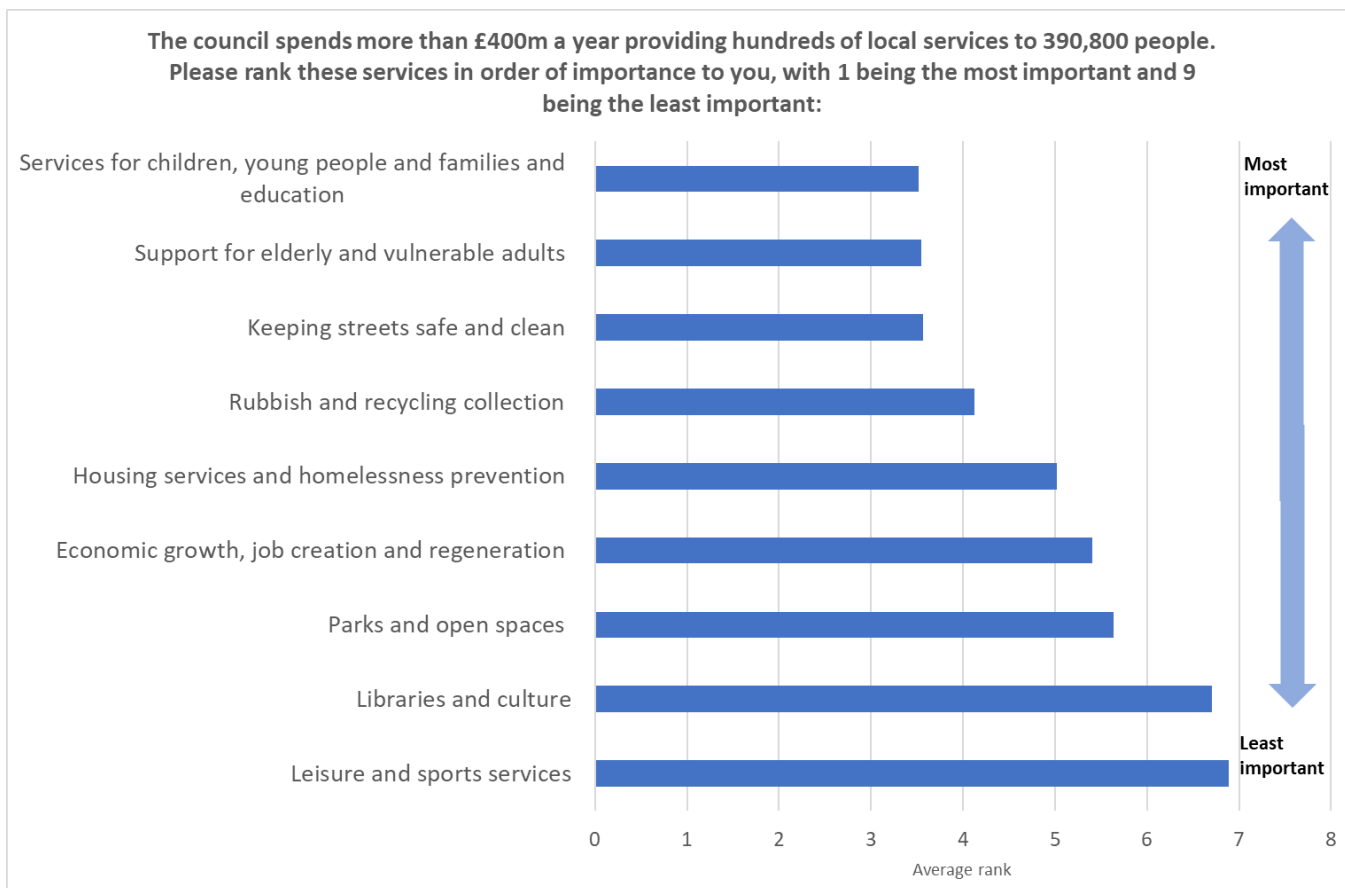
The two largest services, by budget, were ranked first and second in the order of priority: support for elderly and vulnerable adults (adult social care) and services for children, young people, families and education (children, young people and education). These were followed by keeping streets safe and clean which received a very similar average rank.

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 economic growth had an average rank of 5.41, placing it above parks and open spaces in the priority order, the most common rank was actually nine. The most common rank for parks and open spaces, however, was seven.

Order of priority	Service	Average rank	Mode (most common rank)
1 (most important)	Children, young people, families and education	3.52	1
2	Support for elderly and vulnerable adults	3.55	1
3	Keeping streets safe and clean	3.57	1
4	Rubbish and recycling collection	4.12	3
5	Housing services and homelessness prevention	5.02	5
6	Economic growth, job creation and regeneration	5.41	9
7	Parks and open spaces	5.64	7
8	Libraries and culture	6.71	9
9 (least important)	Leisure and sports services	6.89	8





**Question 2: The council is doing all it can to help to balance its budget - you can read more about our proposals here. 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 them and how. In reviewing these responses they have been themed, for example, some respondents suggested that an increase in Council Tax would have a financial impact on them.

649 people responded to this question:

The table below provides a breakdown of the key proposals that were identified by respondents as having an impact. The table shows the top five/six themes mentioned.

Theme (number of responses)	Description
Council Tax (248)	The respondents mentioned last year's increase in council tax and concern about further increases.
Cost of living (50)	Respondents were worried about changes impacting their own finances at a time of an increased cost of living and other financial pressures facing households.
Service cuts and reductions (38)	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.
Safety (32)	The respondents mentioned that street safety was a concern.
Cleanliness and maintenance (27)	The respondents indicated that the budget proposals may impact the cleanliness and maintenance of the streets.
Town centre and regeneration (13)	The town centre and regeneration were mentioned including the decline of the town centre, lack of shops and increase in antisocial behaviour.

Other comments included the council's financial collapse in 2020, housing services and building new homes.

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

Examples of responses:

"...I have also rented in the borough since 2014 and have felt the considerable burden of increasing rent alongside increase of council tax and other essential household bills."

"It will cost me more money when the cost of living is already having a serious negative impact."

“If money is taken from street cleaning and environment as a Street Champion this will mean more work clearing litter.”

### 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. 487 respondents provided comments. To analyse these comments they have been themed. As this was a free text response, there was significant variety in the comments.

The table below provides a breakdown of the top five key themes raised by respondents.

Theme (number of responses)	Description
Council Tax (64)	The respondents mentioned last year’s increase in council tax and concern about further increases.
Clean streets / safety (50)	The respondents indicated that safety in Croydon should be considered when discussing budget proposals. Responses also included concerns about street/town centre/neighbourhood cleanliness
Services for children and young people (27)	Responses mentioned the importance of investing more in services for children and young people.
Council / staff (21)	The respondents indicated themes around pay, staff numbers and use of consultants/agency staff.
Debt (17)	Respondents indicated that the cost of the debt sustained by the council as an important issue to resolve, with some feeling that the borrowing costs were unsustainable and should not be passed onto residents. Comments also included the Council seeking more support from central government.

Other comments included needing more affordable housing, parking and support for the vulnerable.

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

Examples of responses:

“Croydon residents took a huge hit last year with 10% increase on Council Tax, expectations this year would be a reduction on cap to national average.”

“Please do something about rubbish collection, current service is very poor, quite often bins are left anywhere on footway or street after collection, sometimes rubbish are left over on roads as well.”

“Children and young people needs are often put bottom of the list, specially children with SEND. Can this be a little higher priority next year?”

**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?**

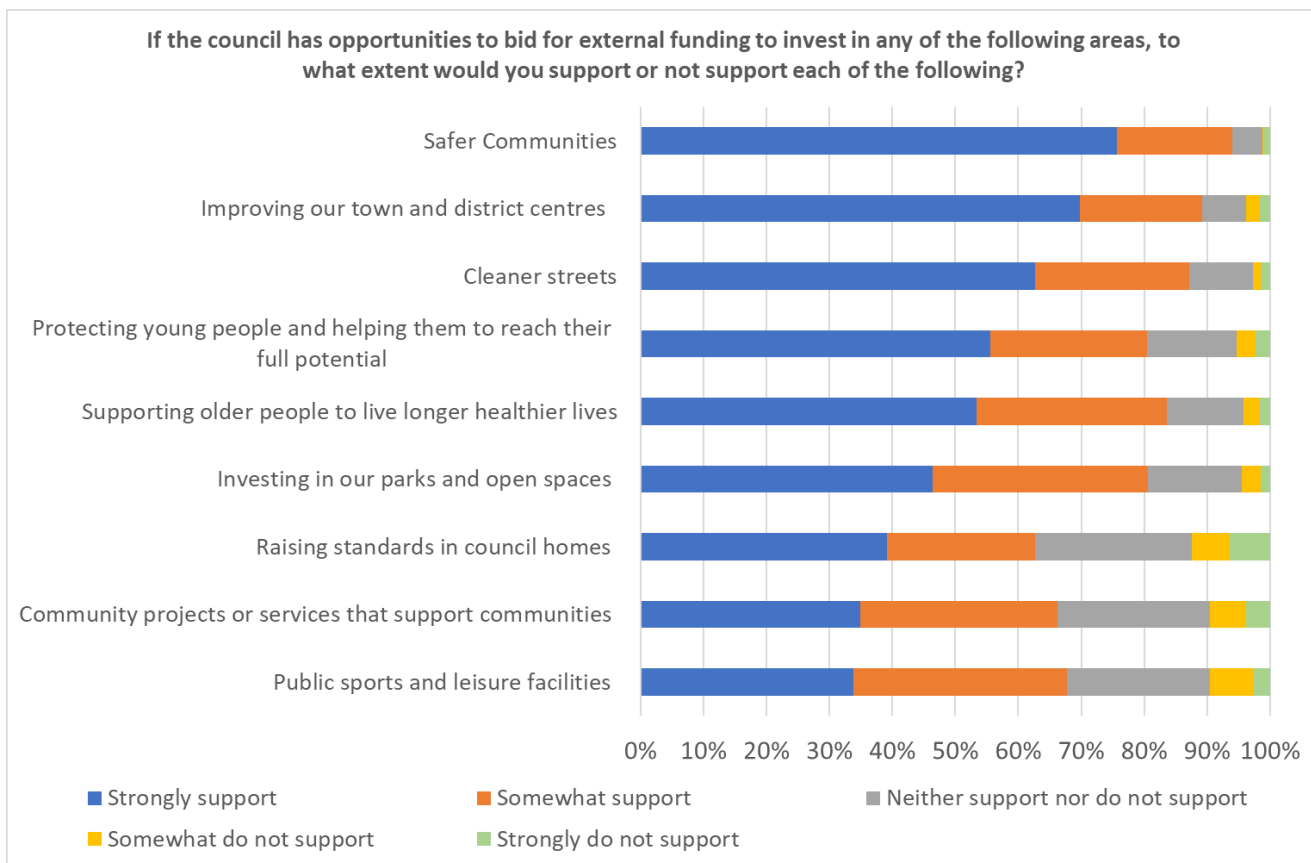
The Mayor's Business Plan has emphasised the importance of working in partnership, and supporting these partnerships to secure external funding and investment into Croydon. The budget engagement survey therefore sought to understand where respondents would prioritise external funding against different service areas. Against each area, respondents were asked to state how much they would support, or not support, investment.

923 responses were provided to this question.

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

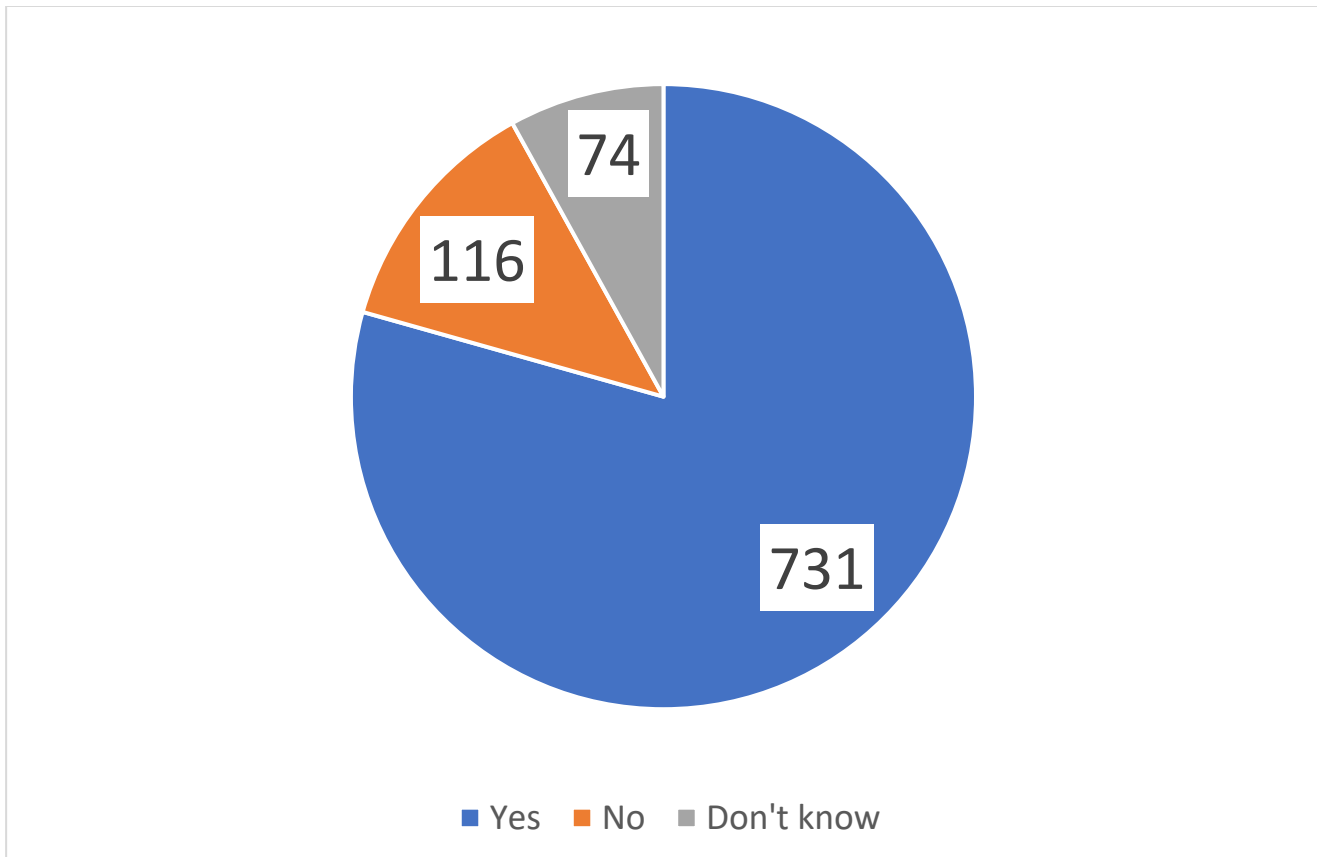
The table below summarises the responses. All areas received support for external funding being invested.

<b>Investment areas</b>	<b>Strongly support and somewhat support</b>	<b>Strongly do not support and somewhat do not support</b>
Safer Communities	<b>94.05</b>	<b>1.21</b>
Improving our town and district centres	<b>89.17</b>	<b>3.87</b>
Cleaner streets	<b>87.10</b>	<b>2.73</b>
Supporting older people to live longer healthier lives	<b>83.59</b>	<b>4.27</b>
Investing in our parks and open spaces	<b>80.66</b>	<b>4.51</b>
Protecting young people and helping them to reach their full potential	<b>80.44</b>	<b>5.36</b>
Public sports and leisure facilities	<b>67.77</b>	<b>9.57</b>
Community projects or services that support communities	<b>66.19</b>	<b>9.58</b>
Raising standards in council homes	<b>62.62</b>	<b>12.46</b>



**Question 5: Last year the Executive Mayor of Croydon pledged that the council would not increase council tax above the cap set by the government in future years. Do you agree with this approach?**

921 responses were received to this question with 731 out of 921 (79.3%) of respondents agreeing with the Executive Mayor of Croydon's approach of not increasing council tax above the cap set by the Government in future years.



**Question 6: 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 consider future expenditure on. The response format was a free text answer.

There were 594 comments responses and a wide range of reactions to the spending decisions of the council.

Similar to other free text answers, these responses were reviewed and themed according to the response. The top five themes are listed below.

Theme (number of responses)	Description
Council / staff / councillors / governance (112)	The respondents indicated themes around pay for staff, members and councillors, staff numbers and the use of consultants/agency staff and governance.
Council tax (108)	The respondents mentioned last year's increase in council tax and concern about further increases.
Clean streets / safety (98)	The respondents indicated that safety in Croydon should be considered when considering budget proposals. Respondents highlighted concerns about safety and cleanliness in streets / town centre / neighbourhoods.
Town centre and regeneration(44)	The respondents indicated the importance of investment in town centre and regeneration were mentioned including the decline of the town centre, lack of shops and increase in antisocial behaviour.
Housing and new homes (50)	Respondents indicated that there should be more investment in housing services and building new homes.

Other responses included Borough of Culture, parking and parks.

Examples of responses:

“Stop spending money on temporary staff and retain the staff with knowledge...”

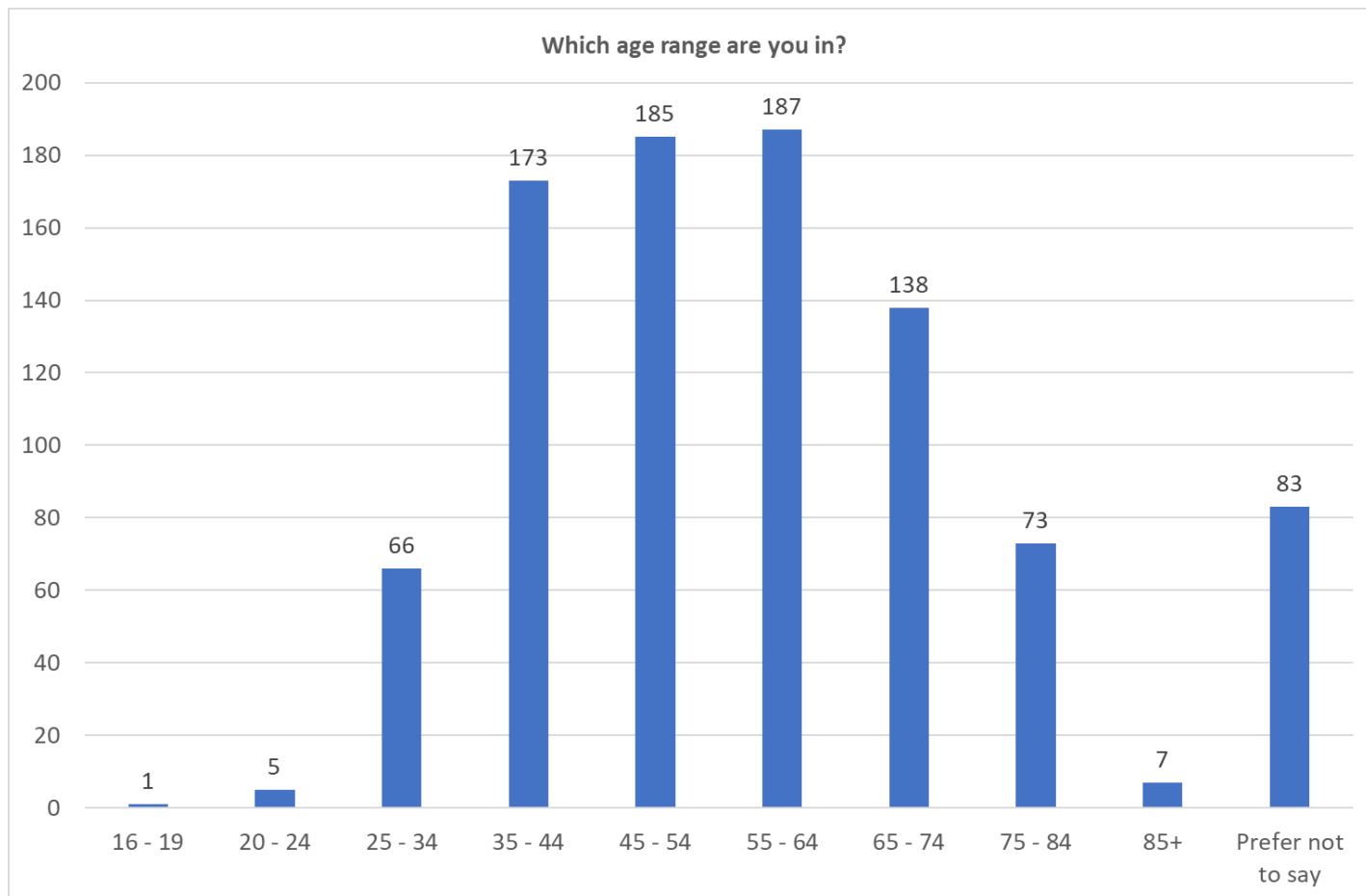
“We should spend more money making the borough safer and more attractive to visitors, investors and working residents who will pay council tax. I think that Council tax could be increased by a small percentage. I think people would be willing to pay this if the money was spent on things they could see such as well maintained parks and open spaces, a greater police presence, improved sports and leisure facilities and cleaner and safer streets.”

“Make the streets and town centres look nice and investors/business will follow.”

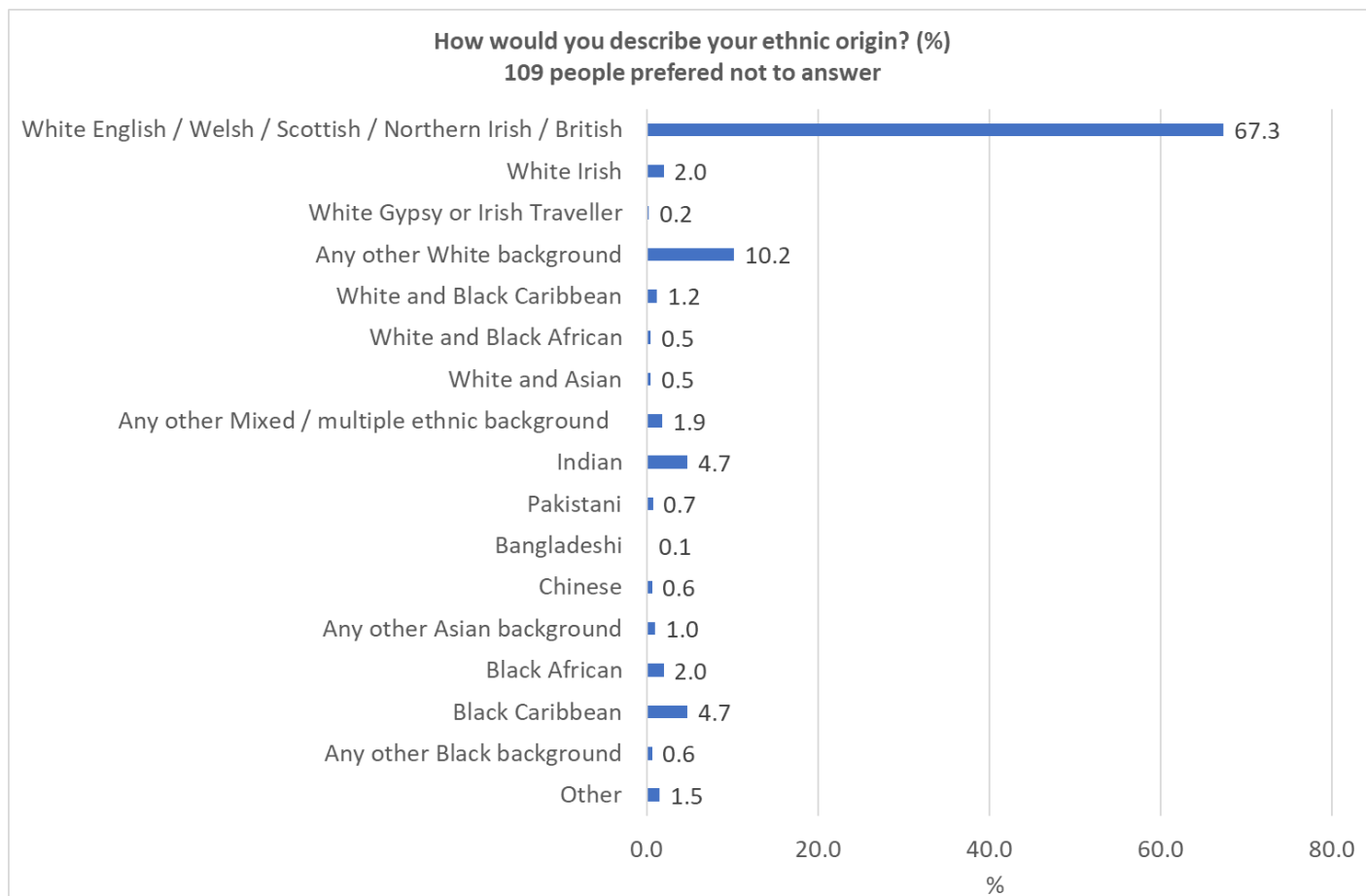
“Rather than steeply raising Council Tax during a cost of living crises, the emphasis should be on restoring adequate central government funding and support. “

### Appendix - Demographic analysis

#### Which age range are you in?

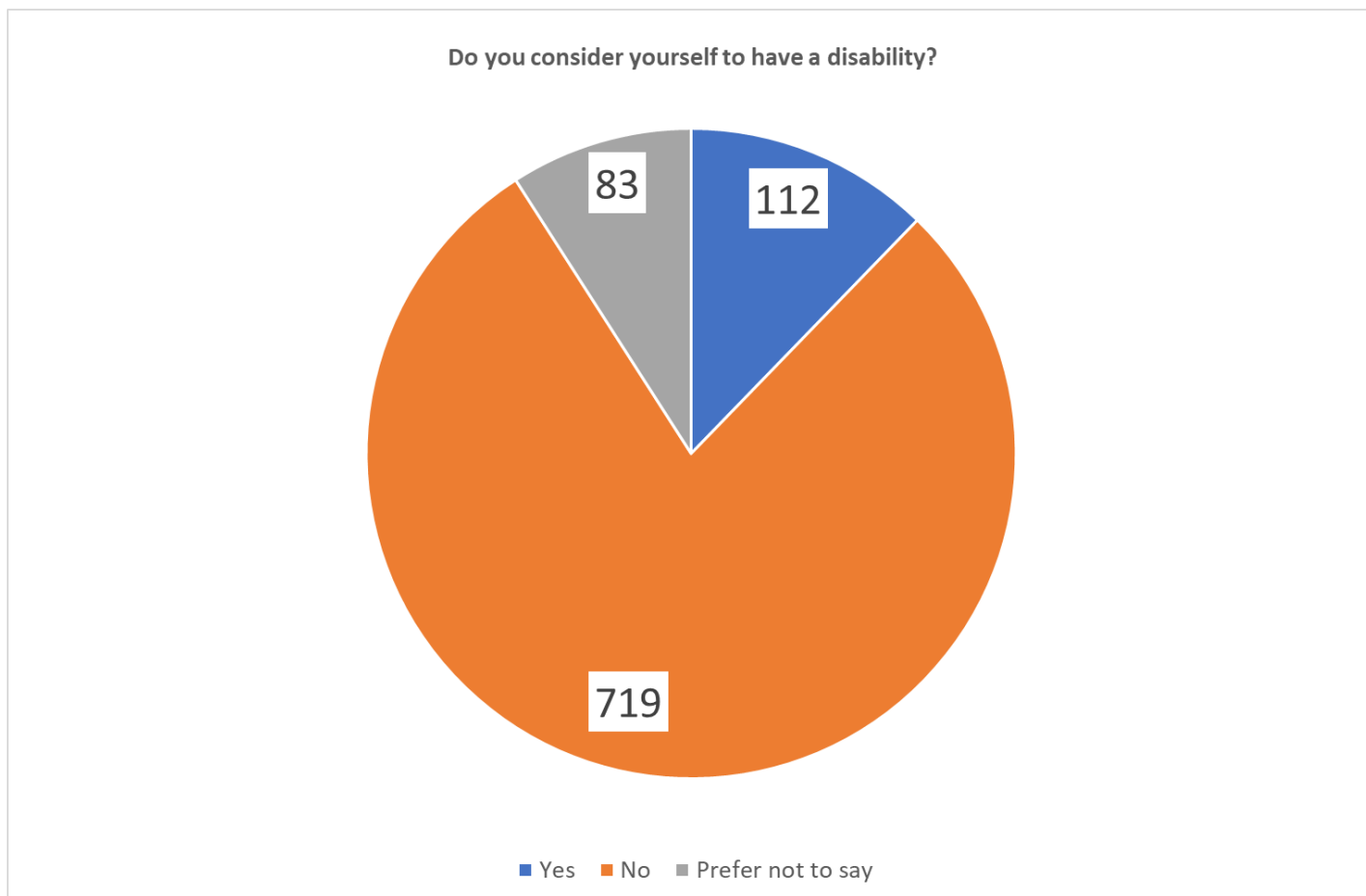


### How would you describe your ethnic group?

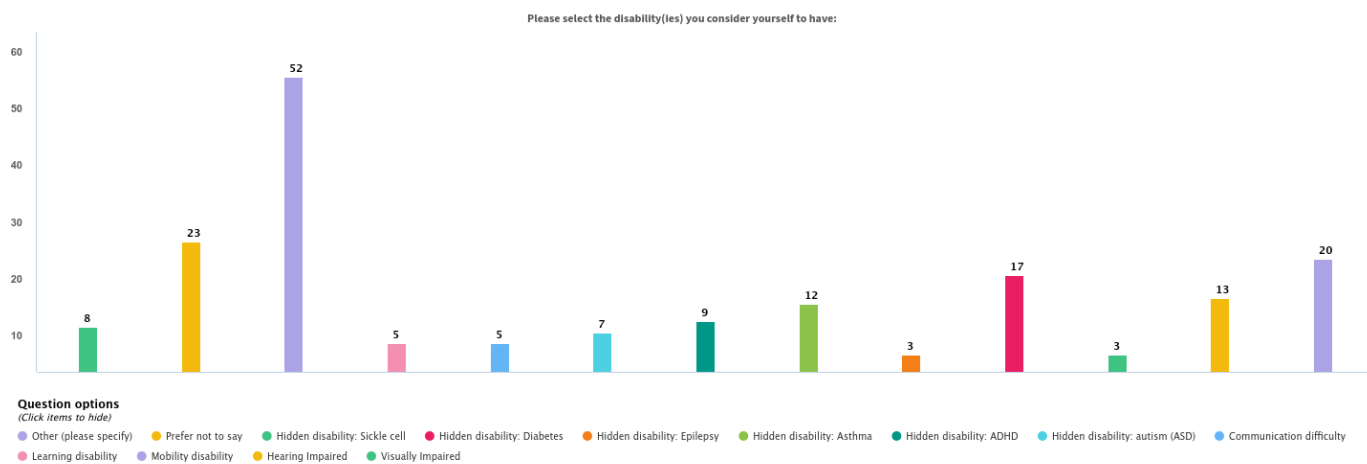




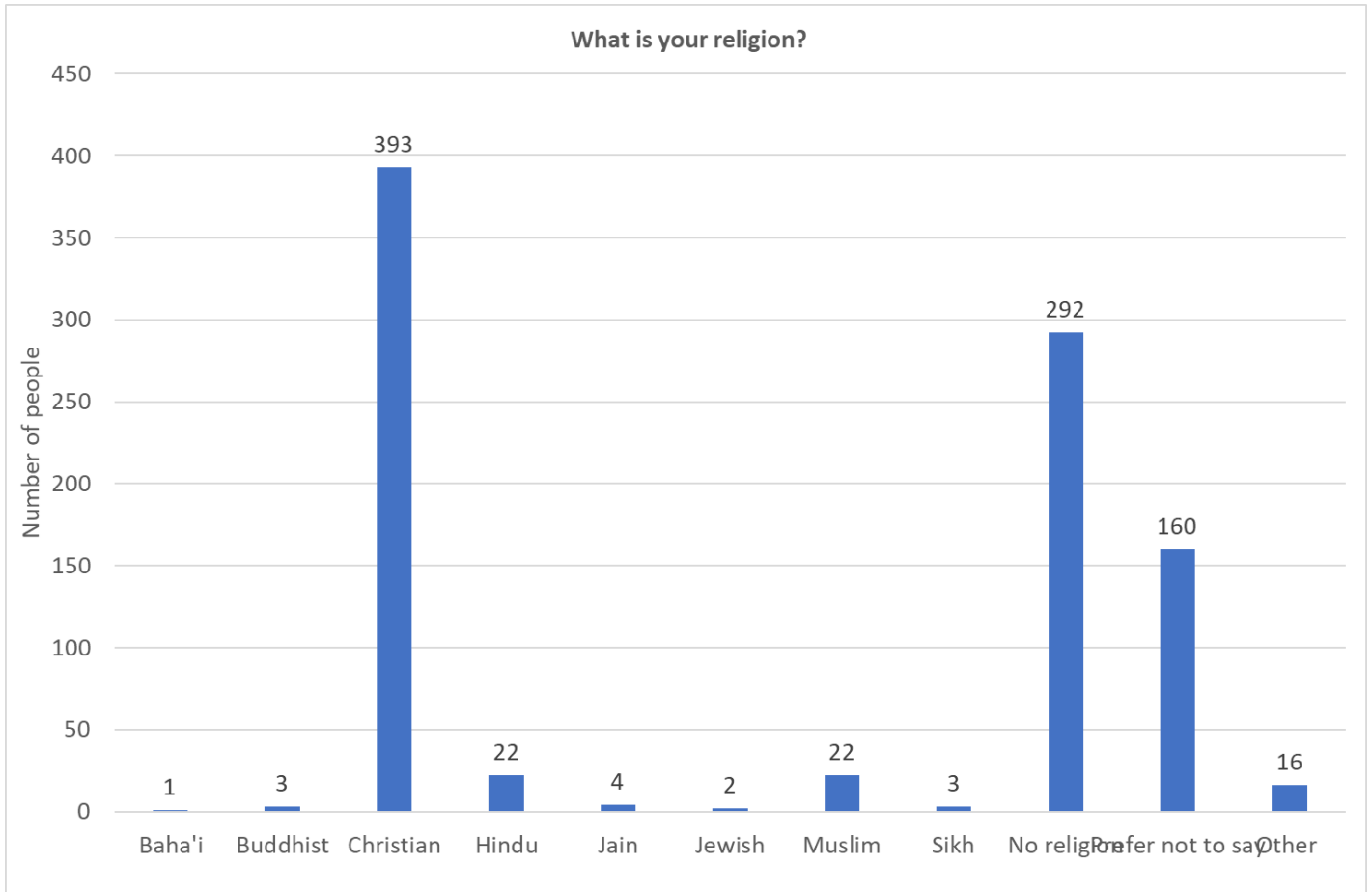
### Do you consider yourself to have a disability?



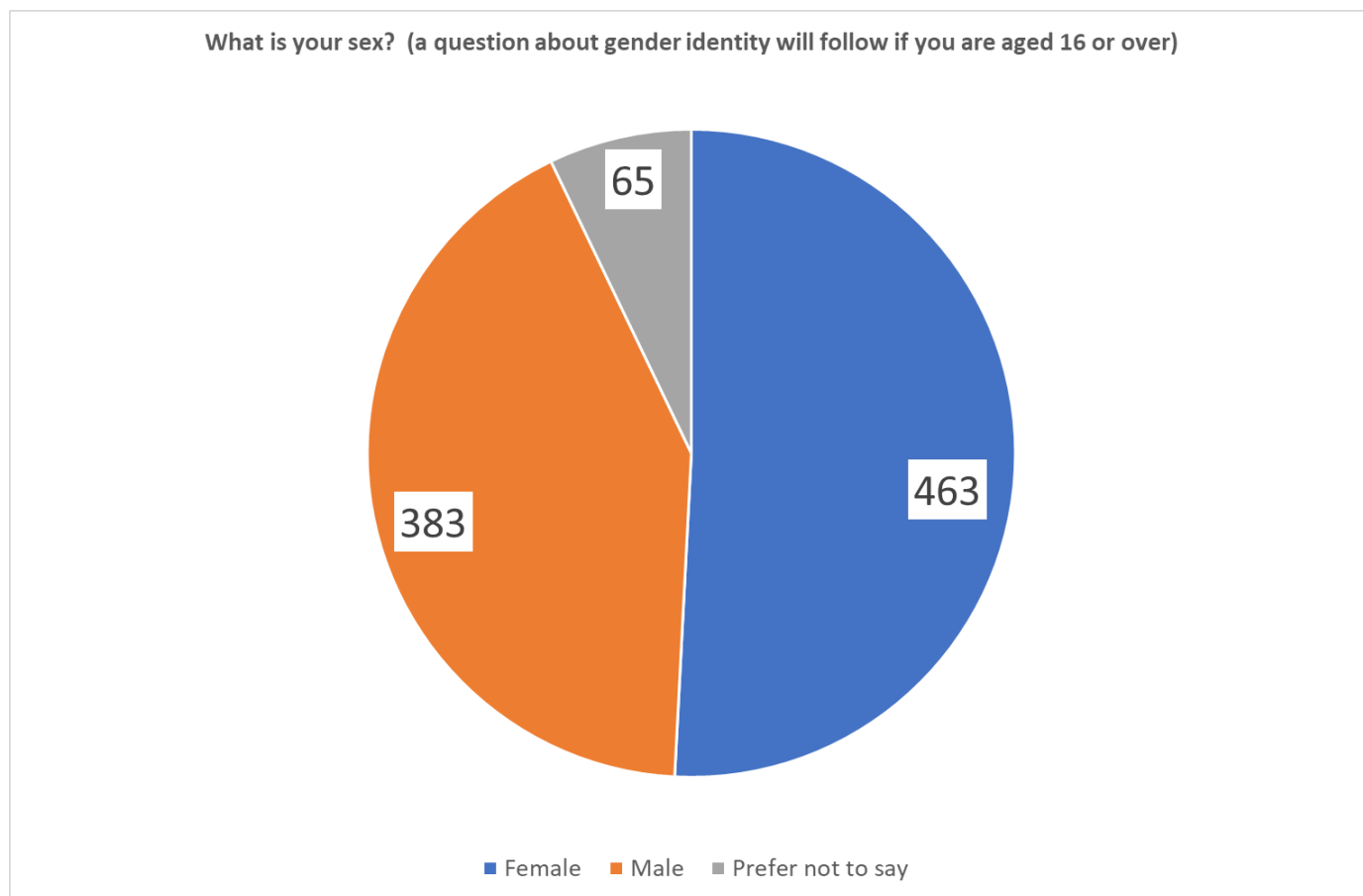
### Please select the disability(ies) you consider yourself to have:



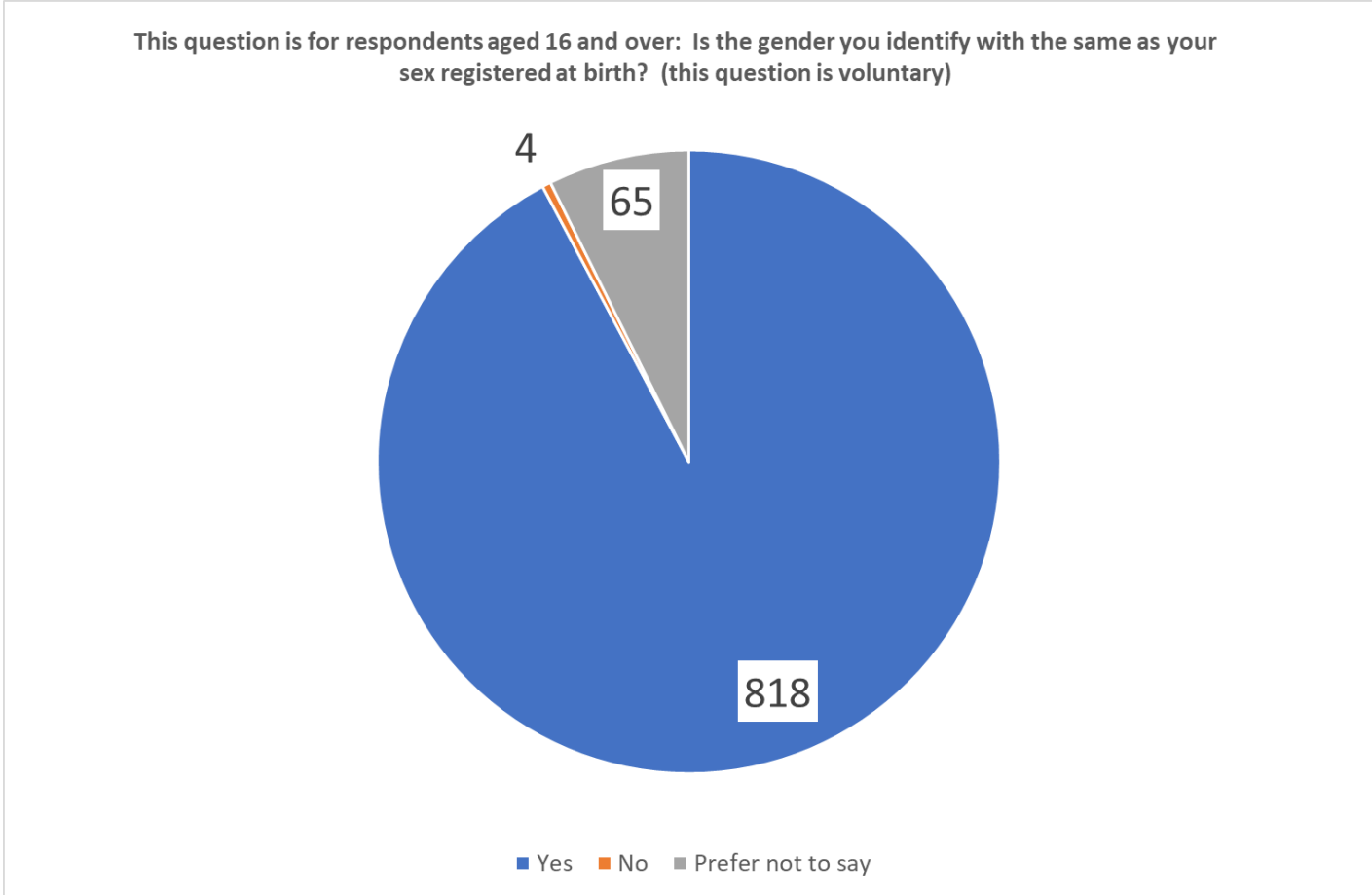
### What is your religion?



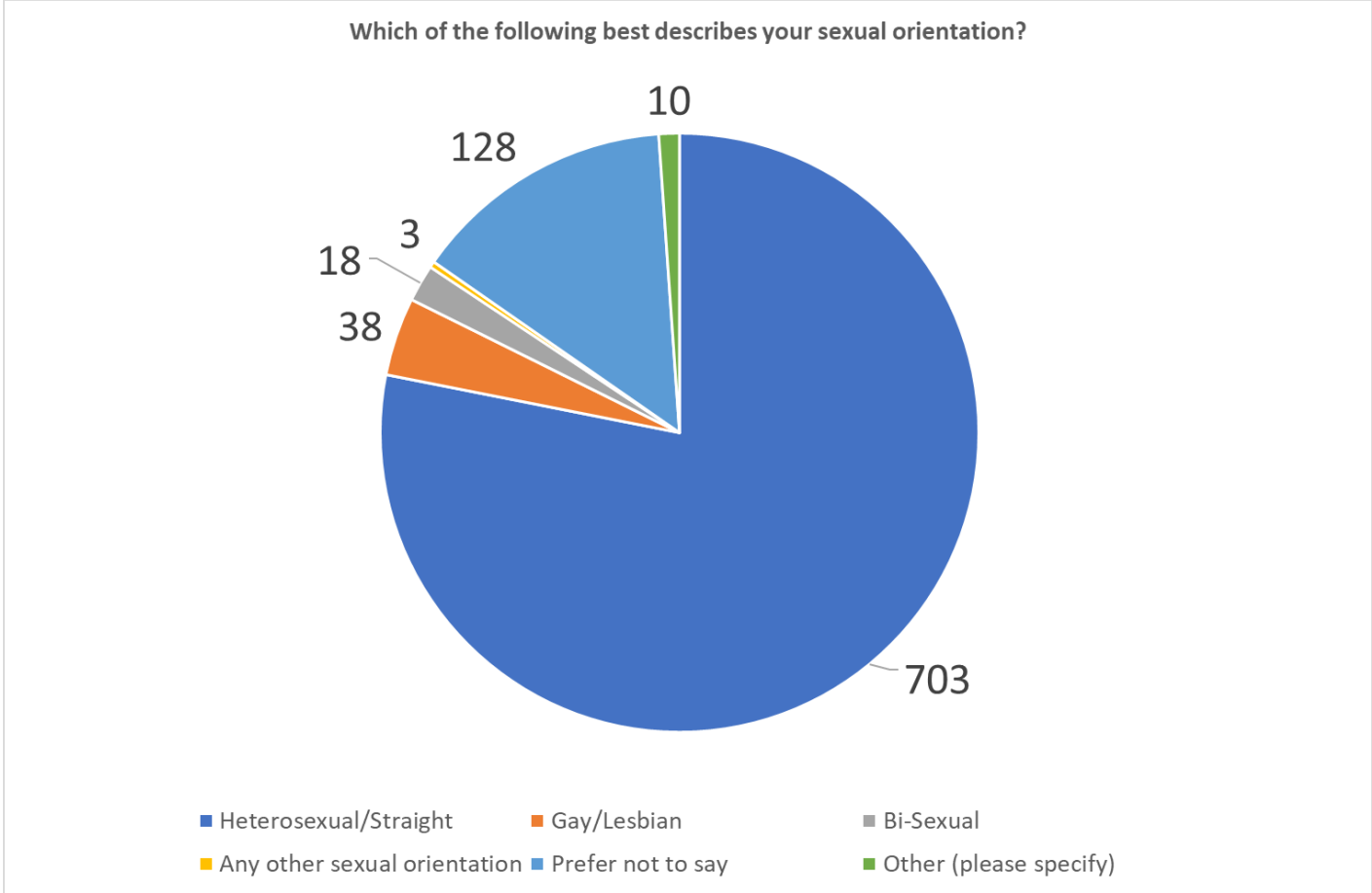
### What is your sex?



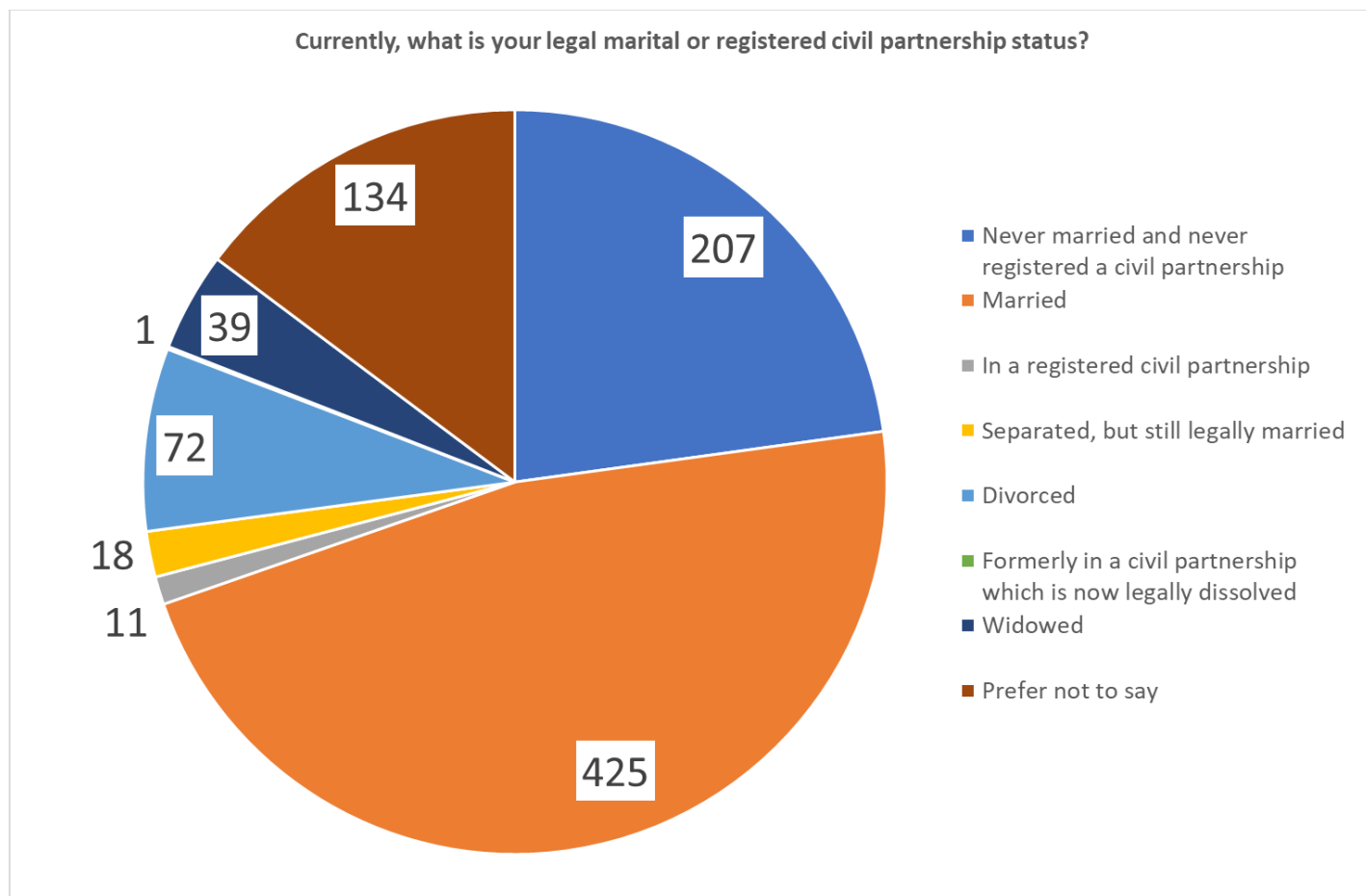
**Is the gender you identify with the same as your sex registered at birth?**



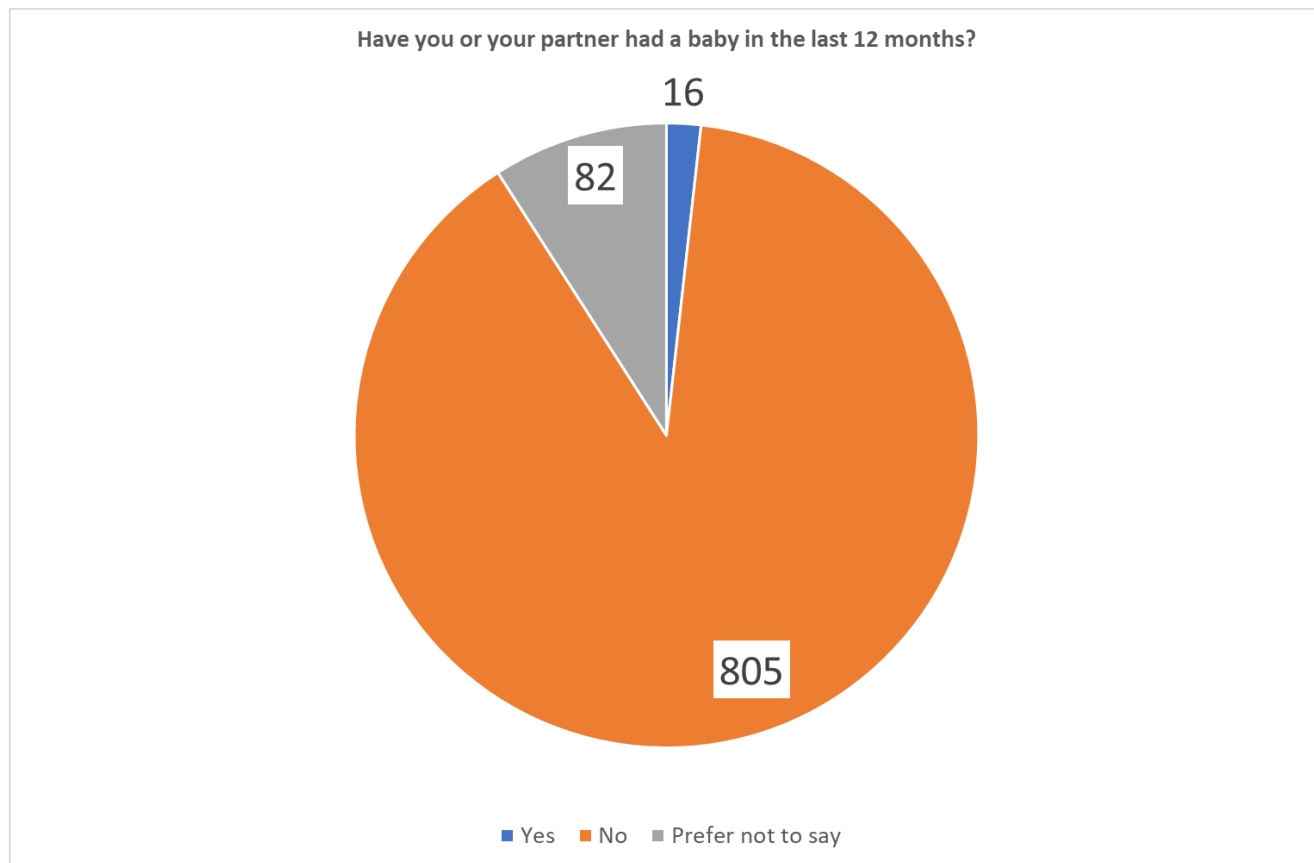
**Which of the following best describes your sexual orientation?**



### What is your legal marital or registered partnership status?



### Have you or your partner had a baby in the last 12 months?



**Appendix – Feedback from the Special Educational Needs and Disabilities Youth Participation Forum**

**‘Croydon Superstars’ (SEND Youth Participation Forum)**

**Response to the Annual Community Budget Survey 2024-25 (Nov. 23)**

**Overview**

SEND Students aged between 11 and 22, from Priory School, Red Gates School, St Giles School, Coulsdon College, Bensham Manor School and Croydon College were consulted on their priorities for the 2024-25 budget. Students completed one of two tasks. Task A involved choosing from a selection of community activities linked to the 9 budget proposals, represented by widgets (simple images). The students were then asked which activities they would like to see more of in their local community to meet their needs and those of their families. Task B involved ranking the 9 budget proposals from highest to lowest priority and had a further opportunity for individual suggestions, based on case studies (see qualitative data at this end of the report).

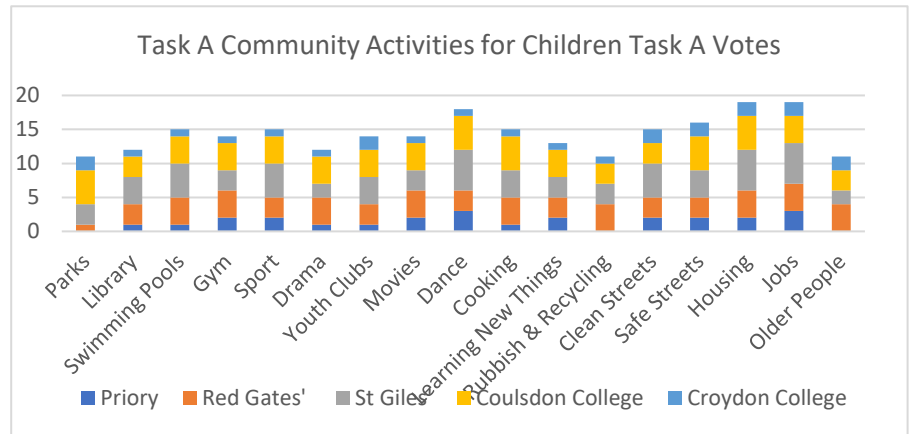
**Task A**

19 students out of the 21 who completed Task A agreed they would like to see more housing and jobs created next year 24\_25. Their next priorities were dance activities, with 18 votes, and safe streets, with 16 votes. Their ranking of the budget proposals, based on these votes, is:

1. Housing services
1. Creating new jobs
3. Leisure & sports services
4. Keeping streets safe & clean
5. Services for children, young people & families & education
6. Libraries & culture.
7. Parks & open spaces
7. Rubbish & recycling collection
7. Services for elderly & vulnerable adults

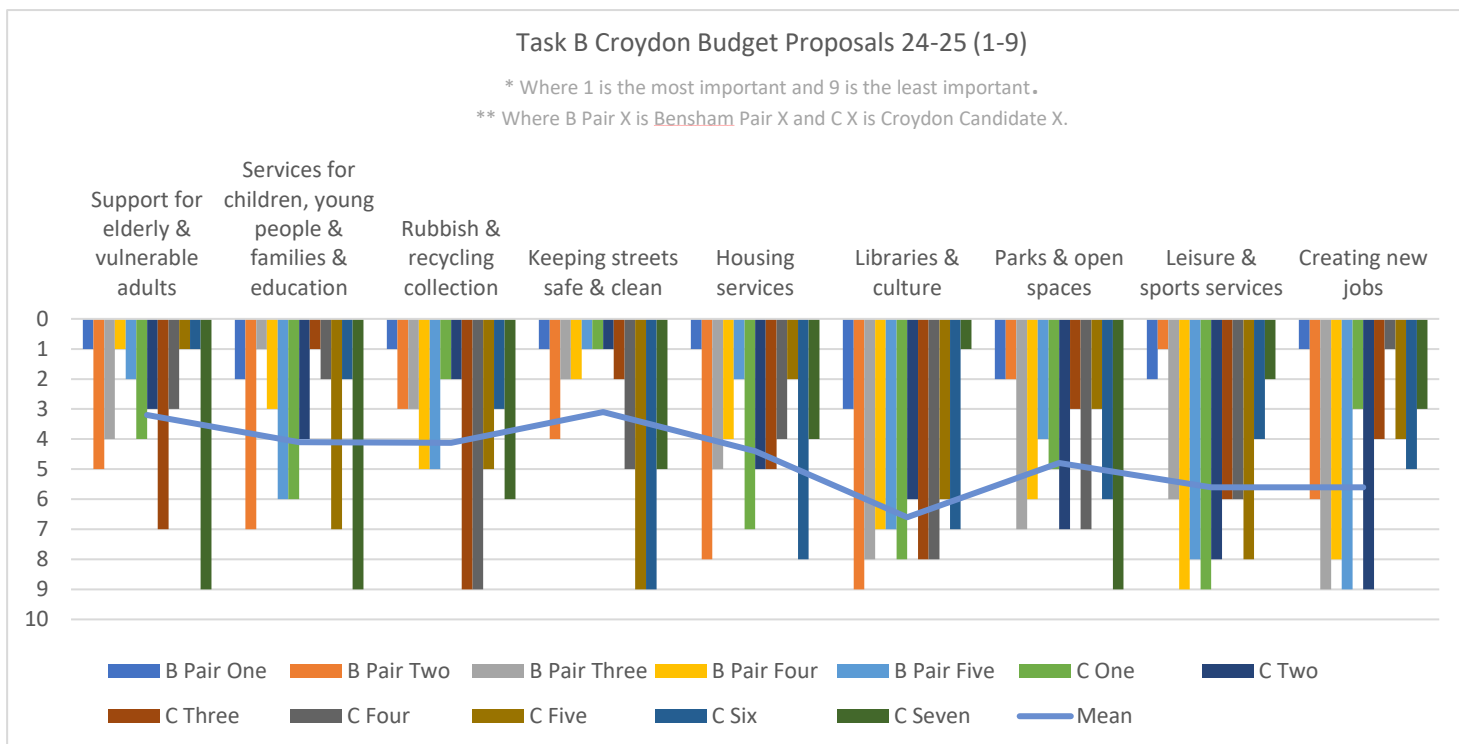
**Task B**

At Bensham Manor this activity was completed in pairs, whereas at Croydon College it was completed individually. Overall, keeping streets safe & clean, support for elderly & vulnerable adults and services for children, young people & families & education were highlighted as priorities, with significantly lower means. Proposals ranked 3-5 were less differentiated, suggesting they collectively hold similar importance across the students, as were leisure & sports services and creating new jobs, though they were ranked lower. Libraries & culture received the markedly lowest mean.



1. Keeping streets safe & clean	3.1
2. Support for elderly & vulnerable adults	3.2
3. Services for children, young people & families & education	4.1
4. Rubbish & recycling collection	4.2
5. Housing services	4.4
6. Parks & open spaces	4.8
7. Leisure & sports services	5.6
7. Creating new jobs	5.6
9. Libraries & culture	6.6



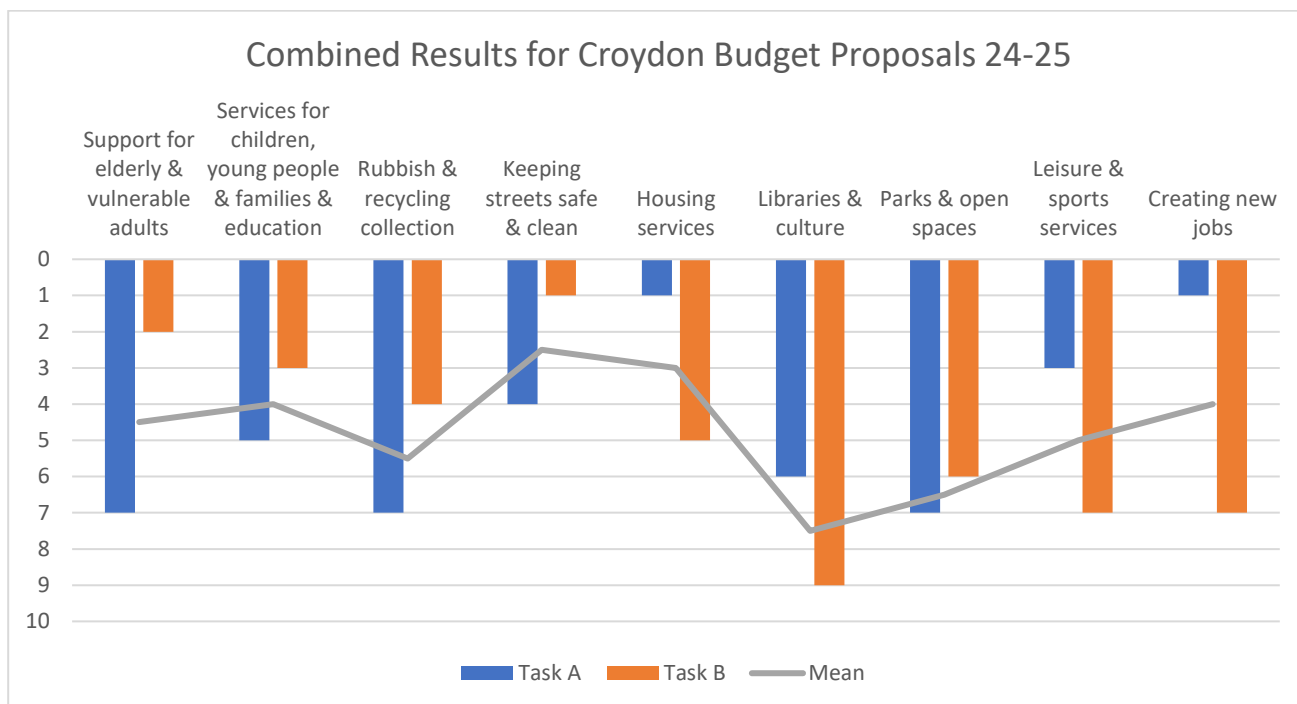


**Combined Results**

By combining the tasks’ results, the adjacent overall ranking was produced, where keeping streets safe and clean, housing services, services for children, young people & families & education and creating new jobs were ranked 1-3.

The tasks were given equal weighting as 21 students participated in Task A, whilst 19 participated in Task B. Whilst the means are more differentiated, the variation between tasks is generally large, with the groups agreeing most on their lower ranking of parks & open spaces. It should be noted that comparing the two tasks is limited, as Task A was ranked based on frequency whilst Task B expressed preference, as it was ranked by priority.

Croydon Budget Proposals	One	Two	Three	Mean
<b>1. Keeping streets safe &amp; clean</b>	4	1	3	2.5
<b>2. Housing services</b>	1	5	4	3
<b>3. Services for children, young people &amp; families &amp; education</b>	5	3	2	4
<b>3. Creating new jobs</b>	1	7	6	4
<b>5. Support for elderly &amp; vulnerable adults</b>	7	2	5	4.5
<b>6. Leisure &amp; sports services</b>	3	7	4	5
<b>7. Rubbish &amp; recycling collection</b>	7	4	3	5.5
<b>8. Parks &amp; open spaces</b>	7	6	1	6.5
<b>9. Libraries &amp; culture</b>	6	9	3	7.5



**Qualitative responses**

Students had the most suggestions for keeping streets safe & clean, support for elderly & vulnerable people, services for children, young people & families & education and leisure & sports services, and the most frequently made suggestions involved increasing accessibility to community activities for SEND people such as themselves. Other priorities include improving homelessness provisions and more sports activities.

Croydon Budget Proposals 23-24	Qualitative Suggestions
<b>Keeping streets safe &amp; clean</b>	Address Knife crime.
	Address dangerous litter (e.g. needles).
	Generally clean streets.
<b>Support for elderly &amp; vulnerable adults</b>	More systems to support people with disabilities.
	More accessibility for visually impaired and disabled people.
	Disability-friendly public transport.
	More ramps.
<b>Services for children, young people &amp; families &amp; education</b>	More specialist medical care for SEND children.
	More special provision schools.
	Create SEND provisions in mainstream schools
	Support for children to access public transport safely.
	More minibuses.

	More therapy centres.
<b>Rubbish &amp; recycling collection</b>	
<b>Housing services</b>	Homelessness provision Jobs, houses and food for the homeless
<b>Parks &amp; open spaces</b>	More parks in open spaces.
<b>Leisure &amp; sports services</b>	More sports: swimming, football, tennis, basketball, boxing, etc. Specialist clubs for SEND children. Increase lunch funding (has been reduced to £3.50) Family activities Art clubs Drama clubs Common rooms More activities (e.g. games like Monopoly) Indian cinemas
<b>Creating new jobs</b>	
<b>Libraries &amp; culture</b>	
<b>Other</b>	Address cost of living. Lower prices and bills Increase lunch funding (has been reduced to £3.50)



**View of the Section 151 Chief Finance Officer on the Robustness of the Budget Estimates and Adequacy of Balances and Reserves**

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 2024-25 estimates.
  - the adequacy of the balances and reserves the budget provides for considering the medium-term risks facing the authority.
2. CIPFA have for the first time issued a public statement on how S151 Officers should approach the Section 25 statement. In setting the background, the statement says:- “It is a demanding time for local authorities as they grapple with immense resourcing challenges ranging from inflationary pressures to rising demand and recruitment constraints. The financial resilience of all local authorities is under strain: “Since 2010-11, local authority spending has fallen from 7.4 to 5.0 per cent of Gross Domestic Product (GDP), and it falls further in our forecast to 4.6 per cent of GDP in 2028-29. Given local authorities’ statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue.” Economic and Fiscal Outlook – November 2023 (Office for Budget Responsibility, 2023).
3. In particular, for Croydon Council, its pre-2020 history of poor financial mismanagement means that it is acutely aware of the dangers associated with finding itself in a Section 114 situation (with S114 reports issued in November 2020, December 2020 and November 2023). The Council is still far from financially sustainable with an ongoing annual revenue budget gap of £38m which is currently capitalised each year through Capitalisation Directions granted by the Secretary of State for Levelling Up, Housing and Communities. This is despite working closely with the Department for Levelling Up, Housing and Communities (DLUHC) and the Improvement and Assurance Panel (IAP) to seek a solution. The process of using Capitalisation Directions increases the financial pressures on the Council’s revenue budget by increasing its annual debt charges into the future.
4. This Section 25 Statement reflects this national and local context.

**The Robustness of the Budget Estimates**

5. 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.

6. For the reasons set out below the Corporate Director of Resources is satisfied with the accuracy and robustness of the estimates included in the 2024-25 Budget 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.
  - All proposals for new growth and savings have required the preparation of business cases and been subject to challenge at Star Chamber meetings.
  - The 'Opening the Books' review identified substantial accounting corrections that had one-off and on-going implications for the Council's 2023-24 budget. These are recognized in the proposed 2024-25 Budget and Medium-Term Financial Strategy to 2027-28.
  - Constructive dialogue has been undertaken with central government and it is expected that the Secretary of State for Levelling Up, Housing and Communities is minded to provide a Capitalisation Direction of up to £38m for 2024-25. Allowance is made for the debt financing costs that will arise from the potential use of the additional Capitalisation Direction.
  - A provision of £18.2m is set aside for inflation and takes reasonable account of potential future pay awards and the government forecast<sup>1</sup> for continued inflationary pressures.
  - A £5m provision is set aside for 2025-26 onwards 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 2023-24 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 with no use of the £5m financial risk

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<sup>1</sup> Autumn Statement 2023 – Inflation forecast to be 2% in the first half of 2025.

contingency.

- 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 programme are reflected in the budget.
- Fees and charges are incorporated within the budget and charges for 2024-25 were approved by Cabinet on 6 December 2023.
- Corporate and Directorate Management Teams have been involved in the detailed development of the proposed savings and have confirmed their deliverability.
- 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 Hardship Fund of £0.5m 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 reasonable.

#### Balances, Reserves and Risks

7. 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. Croydon 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 the 2024-25 budget proposals only include prudent and appropriate use of reserves to meet one off costs and that they are adequate considering the medium term risks facing the council.
8. 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 L
  - The outcome of discussions with central government on the Council's request for additional Capitalisation Directions / assistance of £38m per annum from 2025-26 onwards.
  - 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 £18.1m.
  - Addressing pent-up demand/pressures as part of the Covid-19 recovery. This has particularly impacted on temporary accommodation budgets.
  - 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.
  - There is a risk that the number of children on ECHPs (Education Health & Care Plans) who require transport to school increases beyond what can be accommodated within existing budgets.
  - The Council generates significant levels of income, particularly within the Sustainable Communities Regeneration and Economic Recovery directorate, across Planning, Building Control and Parking services. The socio-economic conditions, alongside inflationary pressures and the cost of living crisis have created a more uncertain environment on which these income levels are predicated with fewer major planning applications, declining town centres and high streets, reduction in commuting, and uncertainty in the construction sector following the introduction of the Building Safety Act and new Building Safety Regulator. There is a risk that this could lead to some budget pressures across income generating budgets during 2024-25.
  - The risk of recession and impact on demand for Council services and income streams, such as business rates and council tax.
  - Additional financial issues coming to light as part of the Opening the Books project and the continued external audit of the past 4 years of the Council's annual accounts.
  - 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 (including the government grant regime and business rates).
  - A significant movement 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 Directions.
  - 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 2025-26. However, there is an annual £38m shortfall driven by the cost of debt in the Council's ongoing annual budget which is currently assumed to be funded from annual Capitalisation Directions, which in turn will generate more cost pressures from their associated debt charges. This is not a sustainable financial position and needs to be resolved.
9. Over the past 4 years Croydon has taken robust action to restore reserves from a negative base. The current estimate of reserves that will carry forward to 2023-24 are summarised in Table 1. The current estimate is still subject to review through the closedown of the accounts process for 2019-20 to 2022-23. The estimated general fund balance was £27.5m at the start of 2023-24 and is not anticipated to change prior to the start of 2024-25.



**Table 1 – Reserves Carried Forward to 2023-24**

	<b>Balance 1<sup>st</sup> April 2023 £'m</b>
Earmarked Reserves	60.4
Restricted Reserves	64.7
Sums set aside regarding business rate rebates	12.1
Balances held by Schools	6.7
General Fund Balances	27.5
<b>Total</b>	<b>171.4</b>

10. 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 2023-24 and is not anticipated to change prior to the start of 2024-25. 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 2023-24 was estimated to be £64.7m but this figure is still subject to final external audit.
  - 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 £28.5m 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.
11. As part of the actions taken by Croydon to ensure effective strategic oversight of the level and use of reserves Cabinet are requested to approve a reserves policy for 2024-25 as set out in Appendix M.

12. It is the view of the Section 151 Chief Financial Officer that the Council's Housing Revenue Account (HRA) reserves are currently in surplus and that the proposed drawdown from its reserves budgeted in the HRA Business Plan are affordable.
13. Finally, the Council currently holds a negative High Needs Dedicated Schools Grant Reserve, as permitted by a statutory override in place until at least April 2026. The negative reserve is being addressed through a Department for Education Safety Value agreement and is expected to be positive by the end of the financial year 2026-27. It is the view of the Section 151 Chief Financial Officer that these arrangements are robust and are being monitored regularly.

## Financial Risks

Figures are incremental

## Adult Social Care &amp; Health

Service Area	Short description of risk	Risk				Potential Mitigation
		2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	
All care	<b>Inflation</b> Inflation has been budgeted for corporately, however providers are currently approaching commissioners for increases of between 9.5% and 45%. These requests are outside the Fair Cost of Care exercise. In some instances the department may need to pay inflationary increases to ensure provider stability. Croydon has signed up to the Ethical Care Charter, which stipulates that providers must pay employees London Living Wage. For 2024-25 LLW has increased by 10.04%	5,000	5,500	6,000	6,500	Continue to work with providers to keep increases in check. This involves the use of tools such as CareCubed and benchmarking with other authorities. Use of Market Sustainability Fund but this relies on its continuance.
All care	<b>Demand</b> Work continues to manage demand for social care, however this is challenging in the current economic climate especially with regard to increasing demand for mental health services	500	1,000	1,500	2,000	Provide information and guidance, and early intervention to mitigate demand for formal care.
All care	<b>Market Sustainability Fund and Hospital Discharge Fund</b> Funding has not been confirmed beyond 2024-25. Market sustainability funds support recurrent provider fee increases. Hospital discharge funds care for people leaving hospital and staffing. The loss of either grant will result in new pressures.	-	8,400	8,400	8,400	Confirmation of the continuation of these grants
All staffing	<b>Workforce</b> Recruiting staff is increasingly more difficult, with recognised shortages of social workers and occupational therapists. Despite the work that has been undertaken to reduce reliance, in order to meet statutory services and deliver transformation, there is a likelihood that the need for more costly agency staff will increase.	500				Use of agency staff to meet statutory duties. Convert agency staff to permanent to reduce costs. Participation in the new social care apprentices scheme to build future resilience.

## Childrens and Young People

Service Area	Short description of risk	Risk				Potential Mitigation
		2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	
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	1,768	1,768	1,768	1,768	Early intervention to mitigate the number of children becoming children looked after

**Housing**

Service Area	Short description of risk	Risk				Potential Mitigation
		2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	
Homelessness	Availability of private rental properties is low (landlords leaving the market) leading to high inflation and increased use of nightly paid accommodation	5,000	5,000			Budget for inflationary pressures Implement savings measures as planned including use of HRA stock; occupancy review etc. Strengthen relationships with Housing Associations to increase nomination rights Use financial data to target most cost effective property as homelessness accommodation
Homelessness	Potential fire safety works at leased blocks, e.g. Sycamore House, may lead to extended decant periods into more expensive nightly paid accommodation	3,000				Claim costs from freeholder Consider additional fire safety measures, such as a waking watch, to minimise void periods
Homelessness	Service disruption due to ongoing impact from remodelling service processes	500				Considered use of agency staff to cover gaps
Homelessness	Specialist accommodation providers leaving the market leading to difficulty in providing statutory services	500				Look at feasibility of providing in-house supported accommodation services

**Sustainable Communities Regeneration & Economic Recovery**

Service Area	Short description of risk	Risk				Potential Mitigation
		2024-25 £000s	2025-26 £000s	2026-27 £000s	2027-28 £000s	
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				In 2023-24 a Highways and Transport board has been created to monitor the capital projects under its remit. As part of this boards objectives a greater emphasis has been committed to in regards to a closer and improved working relationship with TFL so that projects can meet shared goals. This improved relationship will assist in mitigating potential risks.
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.	1,000				Although unable to directly mitigate against economic factors outside the councils control, the service continually looks at areas where enforcement will improve traffic flow reduce congestion and promote healthy corridors. Additionally as part of the service transformation the new parking policy once fully implemented (and taking into account stakeholder views) will assist in mitigating this risk
Highways and Parking	Highway Infrastructure Assets - Under-investment in infrastructure including bridges, roads, flood defences, etc. Risk of serious damage and litigation as well as substantial increase in repair costs.	TBA				The Department for Transport have pledged additional minimum funding from 2023-24 to 2033-34 of £11.9m which will assist in mitigating some of the risks around infrastructure. Additionally the services will work closely with partners such as TFL and Network Rail to maximise external funding where appropriate.

Highways and Parking	New box junction and bus lane Automatic Number Plate Recognition (ANPR) cameras not achieving income targets due to increased expected compliance	857				To mitigate the risk in relation to Box Junctions the service continually looks for new locations where ANPR can be utilised taking into account areas where enforcement will improve traffic flow and reduce congestion. Feasibility studies will be undertaken to help identify these locations.
Highways and Parking	Delays to transformation of parking policy- emission discounts for parking, parking permit price increase, cashless P&D, controlled parking expansion - reducing anticipated income.	TBA				The service will continue to liaise with all relevant stakeholders providing supporting evidence as required to ensure the proposed policy is implemented as appropriate and in a timely manner.
SEND Transport	Unprecedented increase in demand and inflation for Home to School SEND Travel	2,500				This area has received Transformation Funding and has implemented a working group involving all stakeholders from relevant directorates to explore all potential mitigations and reduce the pressure on the service. This includes exploring muster points, travel training and the design of the transport routes.
Development Management	The reduction in planning major applications is being experienced across the country and the GLA is reporting the reduction across London. It is these applications which bring in the most significant fees, therefore income may be reduced.	600				Although the reduction of major planning applications are beyond the control of the council the service and other services within the directorate continue to promote the economic benefits and opportunities of investing in residential and commercial infrastructure in Croydon

**CORPORATE**

Service Area	Short description of risk	2024-25	2025-26	2026-27	2027-28	Potential Mitigation
		£000s	£000s	£000s	£000s	
Council Wide	Upturn in inflation - pay award and contract inflation 1% higher than currently modelled	6,000	6,000	6,000	6,000	Review and management of contracts. Offset against future years economic demand and pressures contingency
Council Wide	1% increase in borrowing costs (due to interest rate rises)	500	500	500	500	Review in-year Treasury Management Strategy
Council Wide	Cash flow risk (unwinding of internal borrowing - £75m reduction modelled)	1,118				Review in-year Treasury Management Strategy
Business Rates	Reduction in income due to business closure/lower economic activity	-	8,600		0	The impact will be in future years. The risk shown would reduce business rates income to the minimum level (safety net threshold) guaranteed by the government.

<b>Total Risks Quantified (mid-point taken when a range identified)</b>	<b>29,343</b>	<b>36,768</b>	<b>24,168</b>	<b>25,168</b>
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## Reserves Policy

1. Croydon's finances are under strain from inflationary pressures and increasing demand for essential social care, housing and welfare services. The Council's financial challenge is compounded by a well-documented history of local legacy issues that included an imprudent use of reserves to balance its budget.
2. Under Section 25 of the Local Government Act 2003, the Director of Resources (section 151 Officer – S151 Officer) is required to include, in budget reports, her view on the adequacy of balances and reserves.
3. The Code of Practice on Local Authority Accounting sets out the accounting treatment for reserves. CIPFA has issued Local Authority Accounting Panel (LAAP) Bulletin No.55, Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 (Local Authority Reserves and Provisions). Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial (S151) Officer in local government.
4. This policy accords with the statutory regime and relevant non-statutory guidance regarding reserves. It acknowledges the financial challenge facing Croydon and how reserves play a crucial role in good public financial management:
  - They provide resilience against unexpected events and emergent needs.
  - Can enable investment in service transformation and priorities.As one-off resources they can only be spent once.

### Overview

5. Croydon's overall approach to reserves is defined by the system of internal control set out in the Council's Annual Governance Statement. Key elements of the internal control environment are objective setting and monitoring, policy and decision making, compliance with statute and procedure rules, risk management, achieving value for money, financial management and performance management.
6. Croydon maintains reserves for the following purposes:
  - As a contingency to cushion the impact of unexpected events or emergencies – this forms part of general balances.
  - To build up funds for known or predicted requirements; these specific reserves are known as earmarked reserves.
  - Separate balances and reserves are maintained for the General Fund, Schools and Housing Revenue Account (HRA).
  - The Council is also required to maintain unusable reserves to comply with accounting requirements. As the term suggests these reserves are not available to fund expenditure.
7. For 2023-24 Croydon carried forward estimated General Fund reserves and balances of £171.4m. The final confirmation of earmarked reserves is still being established through the closedown of the accounts for 2019-20 to 2022-23.

**Table 1 – General Balance and Earmarked Reserves**

<b>Balance carried forward to 2023-24</b>	
<i>General Fund</i>	£'m
General Balance	27.5
Earmarked Reserves	60.4
Restricted Reserves	76.8
Schools	6.7
	<b>171.4</b>
HRA General Balance	30.0

8. The level of the general balance is a matter for the Council to determine having had regard to the advice of the S151 Officer. It is a matter of judgement which will take account of the extent to which specific risks are supported through earmarked reserves. The latest comparative data produced by DLUHC<sup>1</sup> indicates that Croydon's general and earmarked reserves are still below the median level for a London Borough (46% of service expenditure compared to the median for London of 59%).

### **Strategic Approach**

9. To ensure effective strategic oversight of the level and use of reserves Croydon's approach is based on the following key principles:
- General Balances and risk assumptions need to be reviewed annually as part of the Council Tax and Budget report.
  - Those reserves no longer required for their intended purpose are identified and made available for other defined priorities.
  - A long-term view will be used when assessing the use of reserves to ensure that existing commitments and agreed priorities can be delivered.
  - Whilst use of the general balance can be a part of a plan to ease future budget reductions, and to allow longer term savings to come to fruition, it is not a prudent use to draw down from the general balance with no clear plan on how any future budget gap will be bridged.
  - The use of reserves will be minimised through consideration of appropriate contributions from partners, alternative revenue contributions and regular balance sheet review.
  - When the Council is in receipt of one-off and non-recurrent resources it should aim to use them to replenish and top-up reserves.

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<sup>1</sup> Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22- DLUHC paper published 18 May 2023



## Use of Reserves

### General Balance

10. General Balances cover unforeseen financial risks and provide cover for unexpected or unavoidable additional costs. Following the legacy budget adjustments made regarding the 'Opening the Books' exercise the Council's restated general fund balance was £27.5m at the start of 2023-24. This is not anticipated to reduce further before 2024-25 albeit the Council's Accounts for the years 2019-20 to 2022-23 are subject to finalisation. 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.

### Earmarked Reserves

11. Earmarked reserves are held for several purposes:
  - Sums set aside for council priorities and initiatives.
  - Insurance reserves
  - Service transformation and improvement.
  - To meet one-off pressures.
  - As mitigation against future risks such as government funding reform.
  - To smooth expenditure profiles between years, such as local elections.
  - To smooth income profiles such as business rates and council tax
  - The carry forward of unspent revenue grants or funding, such as the Croydon Growth Zone, held for a specific purpose.
12. Some earmarked reserves have restrictions placed on their use. For example, reserves relating to unspent revenue grants may have conditions attached. The need for each reserve is reviewed annually to ensure they are still required for their intended purpose and a summary on the movement in reserves is published annually, to accompany the annual Statement of Accounts.
13. The use of some reserves is also limited by Regulation e.g. the Collection Fund balance must be set against Council Tax levels, reserves established through the HRA can only be applied within that. Schools' reserves are also ring-fenced for their use, although there are certain regulatory exceptions.

### Management

14. All reserves are reviewed as part of the budget preparation, financial management and closing processes. The Council will consider a report from the S151 Officer on the adequacy of the reserves in the annual budget-setting process. The report will contain estimates of reserves where necessary. The Audit and Governance Committee will consider actual reserves when approving the statement of accounts each year.

15. For each reserve established, the purpose, usage, procedures for the management and control of reserves, and basis of transactions should be clearly identified. The creation, addition or reduction of, and authorisation of expenditure from, reserves is subject to agreement by the Corporate Director of Resources (S151) Officer.
16. The following matters apply to individual reserves:
  - The General Fund working balance will not fall below the level recommended at Budget Council without the approval of Cabinet.
  - The Capital Financing Reserve is applied to meet future investment plans and is available to fund investment directly or to support other financing costs. The reserve can also be used for preliminary costs of capital schemes e.g. feasibility.
  - The Schools Reserve, HRA Reserve and the Insurance Reserve are clearly defined and require no further authority for the financing of relevant expenditure.
17. The Council will review the Reserves Policy on an annual basis.

# Equality Analysis: Revenue Budget and Council Tax Levels 2024-25

## 1. Introduction

### 1.1 Purpose of Equality Analysis

The Council has an important role in creating a fair society through the services we provide, the people we employ and the money we spend. Equality is integral to everything the Council does. We are committed to making Croydon a stronger, fairer borough where no community or individual is held back.

Undertaking an Equality Analysis helps to determine whether a proposed change will have a positive, negative, or no impact on groups that share a protected characteristic. Conclusions drawn from Equality Analyses help us to better understand the needs of all our communities, enable us to target services and budgets more effectively and also help us to comply with the Equality Act 2010.

An equality analysis must be completed as early as possible during the planning stages of any proposed change to ensure information gained from the process is incorporated in any decisions made.

In practice, the term '**proposed change**' broadly covers the following:

- Policies, strategies and plans;
- Projects and programmes;
- Commissioning (including re-commissioning and de-commissioning);
- Service review;
- Budget allocation/analysis;
- Staff restructures (including outsourcing);
- Business transformation programmes;
- Organisational change programmes;
- Processes (for example thresholds, eligibility, entitlements, and access criteria).

## 2. Proposed change

<b>Directorate</b>	<b>All</b>
<b>Title of proposed change</b>	<b>Revenue Budget and Council Tax Levels 2024-25</b>
<b>Name of Officers carrying out Equality Analysis</b>	Allister Bannin, Director of Finance (Deputy s151 Officer)

### 2.1 Purpose of proposed change

The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.

This equalities impact assessment relates to the 2024-25 revenue budget proposals regarding:

A council tax increase of 2.99% and a 2% increase in the adult social care precept levy. These are to the Council's element of council tax (the Greater London Authority sets the increase level to the GLA element).

Demand pressures, inflation and proposed savings.

Legacy financial issues and budget corrections.

#### **Context for Change**

##### ***Changing Demographics***

Data from the 2021 census shows that Croydon's population has grown by 7.5% since the 2011 census to 390,800. This is slightly lower than the increase for London (7.7%). Other comparative data from 2021 Census:

- Croydon ranked 16th for total population out of 309 local authority areas in England.
- Croydon has the highest population in London.
- The number of households has increased to close to 160,000 compared to 145,000 recorded in Census 2011.
- Croydon is the 10th least densely populated of London's 33 local authority areas.

In Croydon,

- 52% of the population are female.
- 19.3% of the population are under 15 years and 13.6% over 65 years.

Based on the age bandings for delivering services in Croydon:

- 23.1% of residents in Croydon are aged 0-17 years.

***A council tax increase of 2.99% and a 2% increase in the adult social care precept levy.***

In December 2023 the provisional Local Government Finance Settlement was published by the Department for Levelling Up, Housing and Communities (DLUHC). As part of that settlement announcement, DLUHC indicated the level of increase in council tax, or, the council tax cap that councils can consider charging. For most councils in the country the cap is a 4.99% increase to council tax bills (for the council element).

The scale of our financial problems means that we must look at every option possible to protect vital services. In addition, it is important that all residents are supported to pay the council tax due for their households. The council has a Council Tax Support Scheme in place to support those on low incomes and has proposed as part of this budget a continuation of the additional Hardship Fund set up in 2023-24 which has been available for households struggling to pay the extra council tax increase in 2023-24. The council takes an ethical approach to council tax collection focussing on collecting debts swiftly from households that can pay and supporting households that are struggling to make ends meet.

***Demand pressures, inflation and proposed savings.***

Adult social care accounts for more expenditure at Croydon than any other service (30% of net budget). The demographic pressures in this area are felt across the country with an increasing number of service users and increasing complexity of needs. The proposed budget includes adult social care demographic growth of £4.5m for 2024-25. This 4% growth in budget reflects recognised best practice for local councils to plan for demand led pressures in adult social care.

However, we know that our adult social care cost base is too high and we can learn from other Councils, so the proposed budget also includes transformation savings of £5.0m in 2024-25. These will be delivered through a mixture of ensuring packages of care are reviewed, meeting an individual's current needs and through managing demand, leading to better outcomes for better value. The medium term financial strategy (MTFS) also includes indicative savings of £4.0m for 2025-26 and 2026-27, which will be reviewed following completion of a diagnostic review of the Adult Social Care and Health directorate with an external delivery partner.

The service offer remains the same, as outlined in the principles below:

Adult social care services reflect the relevant legislation underpinning social care and health through the Care Act (2014).

- All packages are assessed or reviewed, proportionately, through a strengths-based approach, considering safeguarding, to meet the needs of the individual and carers.
- Residents can access appropriate services provided in-house or commissioned by the Council, or delivered independently by the voluntary and community sector.
- Where people have the financial means to pay a contribution, or to pay for their care in full, this will be in line with the self-funding legislations outlined in the Care Act and wider national policy.

Within Council services supporting Children, Young People, Families and Education there are proposals to improve the effectiveness of services as part of the Corporate Parenting Transformation Programme. This includes reducing the cost of Children Looked After placements through increasing foster care provision and these are not expected to have a negative impact on residents/clients.

Directorates have drafted equality impact assessments (EQIAs) for proposed savings and these will be reviewed prior to implementation of changes. Where there are savings relating to restructures, the separate EQIAs will be shared with trade unions and affected staff as part of consultation processes. The appendix to this EQIA includes an overview of the officer make up of various protected groups (from data presented to the Council's Equality Diversity and Inclusion Board in January 2023).

Changes to fees & charges were presented to Cabinet on 6 December 2023 with a separate EQIA accompanying the report.

The proposed budget includes growth to take account of inflationary pressures across both pay inflation (staffing) and non-pay inflation (contracts for external services). There is specific growth proposed to strengthen staffing in strategic finance, resilience and emergency planning, and contract management for large contracts. There is also growth to meet demand and cost pressures impacting Special Education Needs transport, the Council's contribution to the Transport for London freedom pass scheme and insurance premiums.

### ***Legacy financial issues and budget corrections***

The legacy financial issues that Croydon Council are facing are well documented. Within the Revenue Budget there are proposals to ensure that services are funded at the appropriate level and from the appropriate budget(s). These include growth to realign the public health grant contribution budgets for libraries and physical activities, realign the staffing recharge budgets for the highways service, and Housing Benefit subsidies. Whilst these have an impact on the budget overall, they do not directly impact on service changes and therefore do not impact on protected characteristics.

### 3. Impact of the proposed change

**Important Note:** It is necessary to determine how each of the protected groups could be impacted by the proposed change. Who benefits and how (and who, therefore doesn't and why?) Summarise any positive impacts or benefits, any negative impacts and any neutral impacts and the evidence you have taken into account to reach this conclusion. Be aware that there may be positive, negative and neutral impacts within each characteristic.

Where an impact is unknown, state so. If there is insufficient information or evidence to reach a decision you will need to gather appropriate quantitative and qualitative information from a range of sources e.g. Croydon Observatory a useful source of information such as Borough Strategies and Plans, Borough and Ward Profiles, Joint Strategic Health Needs Assessments <http://www.croydonobservatory.org/> Other sources include performance monitoring reports, complaints, survey data, audit reports, inspection reports, national research and feedback gained through engagement with service users, voluntary and community organisations and contractors.

#### 3.1 Deciding whether the potential impact is positive or negative

**Table 1 – Positive/Negative impact**

	<p>For each protected characteristic group show whether the impact of the proposed change on service users and/or staff is positive or negative by briefly outlining the nature of the impact in the appropriate column. If it is decided that analysis is not relevant to some groups, this should be recorded and explained. In all circumstances you should list the source of the evidence used to make this judgement where possible.</p> <p>PLEASE NOTE: As this report covers a wide range of Council services, the equalities impact caused by changes will differ in line with the service in question, and the demographics of those individuals &amp;/or communities who use or benefit from the service.</p>		
Protected characteristic group(s)	Negative impact	Positive impact	Source of evidence
Age	<p>The Revenue Budget and Council Tax Levels 2024-25 may have impacts that vary across this protected characteristic group. In some cases the impact may be significantly greater than for other residents. The mitigations for any potential negative impacts are laid out in section five of this report.</p> <p>Savings are proposed from placement costs for adults and looked after children. This is primarily achieved through gatekeeping controls on costs at the point of identifying suitable placements and ensuring effective</p>	<p>The budget seeks to reduce spend on placements for adults and looked after children. More adults will be able to live independently in the community and less children will be exposed to the negative impacts of being 'in care'.</p>	<p>Croydon's population continues to age with those over 65 increasing by 19.7% since the 2011 Census. The median age also increased by two years, from 35 to 37 years of age.</p> <p>The borough data regarding age is as follows:</p> <ul style="list-style-type: none"> <li>• 97,900 0-19 year olds. This is the highest in London. (2021 Census)</li> <li>• 239,700 20-64 year olds. This is the highest in London. (2021 Census)</li> <li>• 53,100 65+ year olds. This is the 3rd highest in London. (2021 Census)</li> </ul>

support is provided to enable adults to continue to live independently in the community and children to remain living at home or within their wider family network. The Council will continue to meet statutory needs in line with social care legislation.

Proposed changes to the council tax Care Leavers Relief Scheme include Croydon Council not providing council tax reduction for young people leaving care who are placed by other Local Authorities (LAs) to live in Croydon. A separate EQIA has been completed in relation to proposed changes to the Scheme.

The Council will continue to support Croydon's young people leaving care by providing a 100% reduction in their Council Tax liability (bill) from the age of 18 to 24 inclusive. Nationally each LA has a corporate parenting responsibility for their own care leavers, so Croydon expects that where another LA has corporate parenting responsibility for a care leaver, they provide the support to the care leaver. This is normal practice for London councils and Croydon is currently an outlier in this regard.

Currently Croydon residents who have a care leaver living with them also receive a 100% reduction in their Council Tax liability. Proposed changes to the Care Leavers Relief Scheme include only care leavers where they are named as a liable party. Awarding a reduction to residents who have care leavers living with them and the care leaver is not responsible (liable) to pay the Council Tax is not direct support to the care leaver and other Councils do not do this.



A 'Staying Put' arrangement is when a young person who was previously in Croydon's care remains with their former foster carer/s after their eighteenth birthday, normally up until 21. Supporting young people into early adulthood through Staying Put is one of the priorities in the Croydon Care Experienced Young People Strategy 2023-25 agreed at Cabinet in October 2023.

Feedback from the consultation is clear that removing council tax support could dissuade foster carers from entering new Staying Put arrangements and disadvantage those who currently provide this continuity and support for young people into early adulthood.

The council is reviewing foster carer allowance arrangements and will ensure that payments for carers with Staying Put arrangements include support for Council Tax, so that foster carers already in the scheme are not disadvantaged and to support the Council's ambition to increase the take up of these arrangements.

A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023). The change in fees is unlikely to have any impact on this protected characteristic group that is greater than any other resident. Adult Social Care users are subject to a means tested financial assessment which will assess affordability to contribute, or not, to service provision required (as defined by the Care Act 2014).

<p>Disability</p>	<p>The Revenue Budget and Council Tax Levels 2024-25 may have an impact on this protected characteristic group that is significantly greater than any other resident. The mitigations for any potential negative impacts listed below are laid out in section five of this report.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023). The change in fees is unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>External factors mean some disabled residents face higher costs in areas such as energy use, which may in turn impact their ability to meet any increased costs proposed by Croydon Council.</p> <p>Residents that are in receipt of 100% Council Tax reduction will not be impacted by the increase in Council Tax. The increase in Council Tax will impact those in receipt of partial reduction for their Council Tax. Therefore, it is reasonable to expect those in receipt of partial Council Tax Support to be impacted by a rise in Council Tax, and the mitigating factors shown later in the EQIA will therefore be essential to supporting this group of residents.</p>		<table border="1" data-bbox="1509 113 2085 619"> <thead> <tr> <th>Disability</th> <th>Croydon</th> </tr> </thead> <tbody> <tr> <td>Total: All usual residents</td> <td>390,719</td> </tr> <tr> <td>Disabled under the Equality Act</td> <td>54,852</td> </tr> <tr> <td>Disabled under the Equality Act: Day-to-day activities limited a lot</td> <td>23,716</td> </tr> <tr> <td>Disabled under the Equality Act: Day-to-day activities limited a little</td> <td>31,136</td> </tr> <tr> <td>Not disabled under the Equality Act</td> <td>335,867</td> </tr> <tr> <td>Not disabled under the Equality Act: Has long term physical or mental health condition but day-to-day activities</td> <td>21,978</td> </tr> <tr> <td>Not disabled under the Equality Act: No long term physical or mental</td> <td>313,889</td> </tr> </tbody> </table> <p>Employment rates for disabled people, across all ages, are significantly lower than those of non-disabled people.</p> <p><a href="https://www.gov.uk">The employment of disabled people 2021 - GOV.UK (www.gov.uk)</a></p> <p>In 28% of Council Tax Support claims either the claimant or partner are disabled and neither are in work, and 3% of claims are classified as disabled working claims meaning either the claimant or partner are disabled and either are in work.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>	Disability	Croydon	Total: All usual residents	390,719	Disabled under the Equality Act	54,852	Disabled under the Equality Act: Day-to-day activities limited a lot	23,716	Disabled under the Equality Act: Day-to-day activities limited a little	31,136	Not disabled under the Equality Act	335,867	Not disabled under the Equality Act: Has long term physical or mental health condition but day-to-day activities	21,978	Not disabled under the Equality Act: No long term physical or mental	313,889
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Not disabled under the Equality Act: No long term physical or mental	313,889																		

Sex	<p>The Revenue Budget and Council Tax Levels 2024-25 are unlikely to have any impact on this protected characteristic group that is greater than any other resident unless a service is utilised by one sex more than another.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023). The change in fees is unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p>		<p>203,000 (51.9%) residents in Croydon are female and 187,600 are male (48.1%).</p> <p>(Source 2021 Census)</p> <p>Of 16,260 Council Tax Support single claims by females, 11,795 are from working age claimants and of the 6,263 male claims 4,187 are working age.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>
Gender reassignment/identity	<p>The Revenue Budget and Council Tax Levels 2024-25 are unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023). The change in fees is unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p>		<p>According to the ONS Census 2021, of all the Croydon residents aged 16 years and over who responded, 91.6% stated that their gender identity was the same as their sex registered at birth.</p> <p>7.5% of those who responded did not answer the gender identity question.</p> <p>Only 0.9% stated that they had a different gender identity.</p>

<p>Marriage or Civil Partnership</p>	<p>The Revenue Budget and Council Tax Levels 2024-25 are unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023).</p> <p>The changes in registrars' fees may negatively impact residents based on their intention of entering into marriage or civil partnership. However, the cost of an average wedding is approximately £17,000, therefore the impact of a change in registrars fees is considered to be minimal in comparison to these other potential costs associated with getting married/having a Civil Partnership.</p> <p>The Council offers different burial plots which could be purchased more by people in this protected characteristic group (e.g. double plot may be more popular with those residents that are married or in a civil partnership). However, the fee increase is consistent and therefore there is no impact considered for this protected characteristic.</p>		<p>The borough data on marital status is as follows:</p> <ul style="list-style-type: none"> <li>• 32.8% Married</li> <li>• 34.1% Single</li> <li>• 8.5% Divorced or Separated</li> <li>• 3.7% Widowed</li> <li>• 20.6% No response to question</li> </ul> <p>493 people were registered in a same sex civil partnership. 279 people were registered in an opposite sex civil partnership.</p> <p>(Source: Census 2021)</p> <p>4107 (15%) claims of Croydon's Council Tax Support Scheme current case load are those made by couples, the remaining 22,559 (85%) are from single claimants.</p> <p>Whether or not the couples are married or in a civil partnership, or are unmarried partners does not affect the way the claims are calculated. We do not hold specific details regarding if a couple are married or not as we do not ask that specific question in our application form, rather if they have a partner.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>
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<p>Religion or belief</p>	<p>The Revenue Budget and Council Tax Levels 2024-25 are unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023).</p> <p>The changes in bereavement fees may impact residents based on their religion or belief. However, the fee increases are in line with CPI inflation (with rounding for practical purposes) or below CPI inflation and the percentage change between burial and cremation is consistent. Therefore, no impact is anticipated for this protected characteristic group.</p> <p>In relation to registrars' fees, marriage rates may vary by religious groups and therefore it could be suggested that the change in fee would impact this group more. However, and as set out above, the registrars fee is a small proportion of the cost of the average wedding and therefore the change is considered to have minimal impact.</p>		<p>The predominant religion of Croydon is Christianity. According to the <a href="#">2021 census</a>, the borough has over 190,880 Christians (48.9%), 40,717 Muslims (10.4%) and 23,145 Hindu (5.9%) residents.</p> <p>101,119 (25.9%) Croydon residents stated that they are <a href="#">atheist</a> or <a href="#">non-religious</a> in the 2021 Census.</p> <p>6.9% did not answer the question on religion.</p>
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<p>Race</p>	<p>The Revenue Budget and Council Tax Levels 2024-25 may have an impact on this protected characteristic group that is significantly greater than any other resident.</p> <p>Residents who identify as Black are the largest group in receipt of Council Tax support (although nearly half of recipients have not declared).</p> <p>Residents that are in receipt of 100% council tax reduction will not be impacted by the increase in council tax. The increase in council tax will impact those in receipt of partial reduction for their council tax.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023). The change in fees is unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p>		<p>Broad Ethnic Group Changes in Croydon from Census 2011 to Census 2021</p> <table border="1" data-bbox="1464 185 2130 360"> <thead> <tr> <th></th> <th>White</th> <th>Black</th> <th>Asian</th> <th>Mixed</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>55.1 %</td> <td>20.2 %</td> <td>16.4 %</td> <td>6.6%</td> <td>1.8%</td> </tr> <tr> <td>2021</td> <td>48.4 %</td> <td>22.6 %</td> <td>17.5 %</td> <td>7.65</td> <td>3.9%</td> </tr> </tbody> </table> <p>In 2021, 22.6% of Croydon residents identified their ethnic group within the "Black, Black British, Black Welsh, Caribbean or African" category, up from 20.2% in 2011. The 2.5 percentage-point change was the largest increase among high-level ethnic groups in this area.</p> <p>Across London, the percentage of people from the "Black, Black British, Black Welsh, Caribbean or African" ethnic group increased from 13.3% to 13.5%, while across England the percentage increased from 3.5% to 4.2%.</p> <p>In 2021, 48.4% of people in Croydon identified their ethnic group within the "White" category (compared with 55.1% in 2011), while 17.5% identified their ethnic group within the "Asian, Asian British or Asian Welsh" category (compared with 16.4% the previous decade).</p> <p>The percentage of people who identified their ethnic group within the "Mixed or Multiple" category increased from 6.6% in 2011 to 7.6% in 2021.</p>		White	Black	Asian	Mixed	Other	2011	55.1 %	20.2 %	16.4 %	6.6%	1.8%	2021	48.4 %	22.6 %	17.5 %	7.65	3.9%
	White	Black	Asian	Mixed	Other																
2011	55.1 %	20.2 %	16.4 %	6.6%	1.8%																
2021	48.4 %	22.6 %	17.5 %	7.65	3.9%																

## Languages in Croydon

According to the Census 2021,

- 84.0% of the residents who can speak in Croydon speak English as their first language.
- 7.8% speak a European language.
- 6.3% speak an Asian language.

Where a Council Tax Support Scheme claimant has provided their race this has been recorded and the current caseload is broken down as follows:

	Number	% of caseload
Asian or Asian British: Bangladeshi	162	1%
Asian or Asian British: Indian	387	1%
Asian or Asian British: Pakistani	546	2%
Asian or British : Any other Backgrnd	571	2%
Black-Black British:African	2098	7%
Black-Black British:Caribbean	2426	8%
Black-Black British:Other	2433	8%
Chinese	55	0%
Mixed :Any other mixed background	252	1%
Mixed: White and Asian	235	1%
Mixed: White and Black Caribbean	460	2%
White: British	4755	17%
White: Any other White background	1203	4%
Not Known	13077	46%
<b>Total</b>	<b>28660</b>	

(Source: Croydon Council Tax Support Scheme EQIA, 2023)

Sexual Orientation	<p>Our data does not identify that any of the proposed changes are anticipated to impact this protected characteristic group more than other residents with regard to the majority of services. However we are improving our data collection and usage in this area to ensure that our services pay due regard to sexual orientation.</p> <p>A separate EQIA has been completed in relation to fees and charges (which were presented to Cabinet on 6 December 2023). The change in fees is unlikely to have any impact on this protected characteristic group that is greater than any other resident.</p>		<p>According to the ONS Census 2021, of the residents aged 16 years and over who responded to the survey:</p> <ul style="list-style-type: none"> <li>• 87.8% self-classified as Straight or Heterosexual.</li> <li>• 1.5% stated they were Gay.</li> <li>• 1.2% stated they were Bi-Sexual</li> <li>• 0.4% stated All other sexual orientations</li> <li>• 9.1% did not respond to the question</li> </ul> <p>Within the current Council Tax Support Scheme caseload there are 4,107 claims made by couples, of those 29 are from couples where each partner is of the same sex.</p> <p>We do not ask for details of claimants' sexual orientation as part of the application process, so are unable to identify the breakdown for those who have made a single application form.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>
Pregnancy or Maternity	<p>The Revenue Budget and Council Tax Levels 2024-25, including changes to fees &amp; charges, may impact residents that are pregnant or on maternity if they are not working.</p> <p>However, additional benefits are provided for residents in this situation and therefore the proposed changes are expected to have minimal impact.</p> <p>Due regard will be taken to ensure that any proposed organisational restructures consider the impact on pregnancy/maternity through a separate equality impact assessment.</p>	The development of Family Hubs, bringing services closer to families, may provide benefit to those on maternity.	<p>There were 5,252 births in Croydon in 2020. An estimated 30,000 women lose their jobs as a result of pregnancy every year, according to the Equality and Human Rights Commission (EHRC).</p> <p>We currently have 38 active Council Tax Support Scheme claims where the claimant or partner are in receipt of maternity pay which is recorded on our system.</p> <p>We do not record if someone is pregnant at the time of application.</p> <p>(Source: Croydon Council Tax Support Scheme EQIA, 2023)</p>



Note: Data disaggregating level of service use by protected characteristic group is unavailable or available in sufficient granularity to draw conclusions in many cases. This will be explored and refined iteratively to inform mitigating strategies wherever practical to do so.

**Important note:** You must act to eliminate any potential negative impact which, if it occurred would breach the Equality Act 2010. In some situations, this could mean abandoning your proposed change as you may not be able to take action to mitigate all negative impacts.

See mitigations in Section 5.

When you act to reduce any negative impact or maximise any positive impact, you must ensure that this does not create a negative impact on service users and/or staff belonging to groups that share protected characteristics. **Please use table 4 to record actions that will be taken to remove or minimise any potential negative impact.**

### 3.2 Additional information needed to determine impact of proposed change

**Table 2 – Additional information needed to determine impact of proposed change**

If you need to undertake further research and data gathering to help determine the likely impact of the proposed change, outline the information needed in this table. Please use the table below to describe any consultation with stakeholders and summarise how it has influenced the proposed change. Please attach evidence or provide link to appropriate data or reports:

Additional information needed and or Consultation Findings	Information source	Date for completion
<p>The Council’s current data collection of protected characteristics is weak in some areas and rich in others. We are currently carrying out a project to tackle this imbalance with the support of the Head of Profession for Business Intelligence and the Equalities Manager as well as analysts and services across the organisation.</p> <p>The Corporate Management Team and the Equality, Diversity and Inclusion Board are the driving force behind this work stream.</p> <p>Currently an ‘as is’ exercise is taking place to identify areas of weakness in collection that needs to be addressed. This will be followed by a ‘to be’ looking at the information across the Council that we will want to collect and how we go about doing this. Due to having to implement the new process for collection this project will take place in phases.</p>	<p>Index of Deprivation by Lower Layer Super Output Areas (gov.uk). Other data sources to be identified and investigated.</p>	<p>Iterative</p>

For guidance and support with consultation and engagement visit <https://intranet.croydon.gov.uk/working-croydon/communications/consultation-andhttps://intranet.croydon.gov.uk/working-croydon/communications/consultation-and-engagement/starting-engagement-or-consultationengagement/starting-engagement-or-consultation>

### 3.3 Impact scores

#### Example

If we are going to reduce parking provision in a particular location, officers will need to assess the equality impact as follows;

1. Determine the Likelihood of impact. You can do this by using the key in table 5 as a guide, for the purpose of this example, the likelihood of impact score is 2 (likely to impact)
2. Determine the Severity of impact. You can do this by using the key in table 5 as a guide, for the purpose of this example, the Severity of impact score is also 2 (likely to impact )
3. Calculate the equality impact score using table 4 below and the formula **Likelihood x Severity** and record it in table 5, for the purpose of this example - **Likelihood (2) x Severity (2) = 4**

Table 4 – Equality Impact Score

<b>Severity of Impact</b>	3	3	6	9
	2	2	4	6
	1	1	2	3

		1	2	3
	<b>Likelihood of Impact</b>			

Key

Risk Index	Risk Magnitude
- 9	High
- 5	Medium
- 3	Low

# Equality Analysis

**Table 3 – Impact scores**

Note: The data to populate this table is not available to inform the Equality Impact Score. Evidence for the above is drawn from the Index of Deprivation Score for the 5% most deprived areas in the country and should not be used to draw conclusions. Further research is planned to develop a more reliable indicator. And as stated previously, fee changes were presented to Cabinet on 6 December 2023 with their own EQIA assessment, the table below represents a generic view:

The scores below have been taken on the basis of the Council Tax decision impacting on all residents, and therefore impacting on residents with protected characteristics. These scores are not intended to suggest that protected characteristic groups will be impacted more than others.

Column 1 PROTECTED GROUP	Column 2 LIKELIHOOD OF IMPACT SCORE	Column 3 SEVERITY OF IMPACT SCORE	Column 4 EQUALITY IMPACT SCORE
	Use the key below to <b>score</b> the <b>likelihood</b> of the proposed change impacting each of the protected groups, by inserting either 1, 2, or 3 against each protected group.  <b>1 = Unlikely to impact</b> <b>2 = Likely to impact</b> <b>3 = Certain to impact</b>	Use the key below to <b>score</b> the <b>severity</b> of impact of the proposed change on each of the protected groups, by inserting either 1, 2, or 3 against each protected group.  <b>1 = Unlikely to impact</b> <b>2 = Likely to impact</b> <b>3 = Certain to impact</b>	Calculate the <b>equality impact score</b> for each protected group by multiplying scores in column 2 by scores in column 3. Enter the results below against each protected group.  <b>Equality impact score = likelihood of impact score x severity of impact score.</b>
Age	3	2	6
Disability	3	2	6
Sex	3	2	6
Gender reassignment	3	2	6
Marriage / Civil Partnership	3	2	6
Race	3	2	6
Religion or belief	3	2	6
Sexual Orientation	3	2	6
Pregnancy or Maternity	3	2	6

# Equality Analysis

## 4. Statutory duties

### 4.1 Public Sector Duties

Tick the relevant box(es) to indicate whether the proposed change will adversely impact the Council's ability to meet any of the Public Sector Duties in the Equality Act 2010 set out below.

Advancing equality of opportunity between people who belong to protected groups

Eliminating unlawful discrimination, harassment and victimisation

Fostering good relations between people who belong to protected characteristic groups

**Important note:** If the proposed change adversely impacts the Council's ability to meet any of the Public Sector Duties set out above, mitigating actions must be outlined in the Action Plan in section 5 below.

## 5. Action Plan to mitigate negative impacts of proposed change

**Important note:** Describe what alternatives have been considered and/or what actions will be taken to remove or minimise any potential negative impact identified in Table 1. Attach evidence or provide link to appropriate data, reports, etc:

### Mitigations

An increase in Council Tax will impact all residents who pay. It appears that there is no significant disproportionate impact on groups or individuals that share one or more protected characteristic. With regard to the increase in Council Tax there are four specific key mitigations:

- The Council's Council Tax Support Scheme for those with a low income.
- The Revenue Budget proposals include plans to continue the hardship fund set up in 2023-24 to support residents who are not eligible for Council Tax Support but who are finding it hard to pay their full increase in Council Tax.
- The dedicated information hub to [help with the rising cost of living](#) available on the Council's website.
- The Council's ethical approach to council tax collection.

## Equality Analysis

With regard to the wider impact from increases in Council Tax and fees & charges, and cost of living pressures, the Council has in place various schemes to support residents who experience financial difficulty, some of whom will fall within the protected characteristic groups and may be affected by the proposed increases, to help mitigate impact. Listed below are some examples of what support is currently available, taken from a wide range of support schemes across the Council.

- The Council has a statutory duty to protect those on low, or no income, and supports with claims for Council Tax support, Housing Benefit and Universal Credit.
- Council tax discount for care leavers, single person occupier, residents with disabilities and full-time students.
- Benefits calculator, to ensure residents receive the support to which they are entitled.
- Discretionary support for residents in financial hardship, including the Household Support Fund.
- Housing Revenue Account (HRA) discretionary fund targeted for tenants that are not in receipt of housing benefit.
- Healthy Homes is Croydon Council's free energy advice service aimed at Croydon residents on low incomes, and those more vulnerable to the effects of living in a cold home (especially families with young children, older residents, and residents with pre-existing medical conditions).
- Croydon Council Money Advice Service for advice on paying your bills and debt worries. All advice is independent and confidential.
- Croydon Works to help residents into employment or to receive training to support them into work and funding of the voluntary sector to provide advice and guidance.
- Free holiday activity clubs with healthy meals for children.
- The Council in partnership with Nimbus Disability offer a discount card to all children and young people on our disability register. The card is free and is part of a national access card scheme, giving benefits and discounts to facilities and activities across the country, such as leisure, sports and fitness, cinema, etc.
- There are discounted rates for all leisure centre activities for Croydon residents with disabilities. If a disabled person needs a carer with them in order to access leisure centre services, the carer is entitled to free entry.
- Croydon Council Leisure Centres offer discounted rates for residents Seniors 60+ years and Juniors 4-15 years.

## Equality Analysis

The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:

- NHS Healthy Start vouchers for families.
- Free school meals.
- Support from voluntary, community and faith sector organisations.
- Support for businesses through the London Business Hub and the British Business Bank.
- CroydonPlus credit union which offers affordable ways to manage money, including savings accounts and loans.

The continuing review of Discretionary Housing Placements may impact residents, however a lack of data regarding protected characteristics means it is not currently possible to identify any impact to groups sharing protected characteristics. Further work will be undertaken by the service to improve data collection. In terms of mitigation, every household will be given the appropriate financial support or advice to help them move into alternative private rented sector accommodation.

**In respect of specific proposals, it is likely that some proposals may result in new policy or service changes. In this instance each proposal will be accompanied by an equality analysis and/or consultation which will inform the final proposal and its implementation, on a case by case basis.**

## Equality Analysis

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions to mitigate them.

Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
Age	<ol style="list-style-type: none"> <li>1. Savings are proposed from placement costs for adults and looked after children.</li> <li>2. Croydon Council not providing council tax reduction for young people leaving care who are placed by other Local Authorities (LAs) to live in Croydon.</li> <li>3. Croydon Council not providing council tax reduction for carers with Staying Put arrangements (a young person who was previously in Croydon's care remains with their former foster carer/s after their eighteenth birthday, normally up until 21).</li> </ol>	<ol style="list-style-type: none"> <li>1. The Council will continue to meet needs and statutory duties, and the gatekeeping of such services will be governed by policy and procedures that ensure fair treatment of protected groups. A separate EQIA/s will be completed before implementation of any service changes which are proposed following review of service commissioning/contracts.</li> <li>2. Targeted consultation has been carried out with young people leaving care. The impacted young people leaving care will be contacted and recommended to apply to their placing LAs for support. London LAs will be contacted to inform them of the change and recommending for them to contact their impacted young people leaving care to provide support.</li> <li>3. The council is reviewing foster carer allowance arrangements and will ensure that payments for carers with Staying Put arrangements include support for Council Tax, so that foster carers already in the scheme are not disadvantaged and to support the Council's ambition to increase the take up of these arrangements.</li> </ol>	<ol style="list-style-type: none"> <li>1. Corporate Director (ASCH) and Corporate Director (CYPE)</li> <li>2. Head of Payments, Revenues, Benefits &amp; Debt</li> <li>3. Corporate Director (CYPE)</li> </ol>	<ol style="list-style-type: none"> <li>1. Proposal specific EQIAs as required from 06/03/24</li> <li>2. 22/03/24</li> <li>3. 22/03/24</li> </ol>

## Equality Analysis

Complete this table to show any negative impacts identified for service users and/or staff from protected groups, and planned actions mitigate them.

Protected characteristic	Negative impact	Mitigating action(s)	Action owner	Date for completion
Disability	1. External factors mean some disabled residents face higher costs in areas such as energy use, which may in turn impact their ability to meet any increased Council Tax costs.	1. The Council will continue to promote access to available support (as detailed in the mitigations in section 5 above), including on the back of Council Tax bills. Potential sources of support include the Council Tax Support Scheme, Household Support Fund and the Hardship Fund.	1. Head of Payments, Revenues, Benefits & Debt	1. Ongoing.
Sex	N/A	N/A	N/A	N/A
Gender reassignment / identity	N/A	N/A	N/A	N/A
Marriage / Civil Partnership	N/A	N/A	N/A	N/A
Sexual orientation	N/A	N/A	N/A	N/A
Religion or belief	N/A	N/A	N/A	N/A
Race	1. Impact of Council Tax increase. Residents who identify as Black are the largest group in receipt of Council Tax support (although nearly half of recipients have not declared).	1. The Council will continue to promote access to available support (as detailed in the mitigations in section 5 above), including on the back of Council Tax bills. Potential sources of support include the Council Tax Support Scheme, Household Support Fund and the Hardship Fund.	1. Head of Payments, Revenues, Benefits & Debt	1. Ongoing.
Pregnancy or maternity	N/A	N/A	N/A	N/A



## Equality Analysis

Table 6. Decision on proposed change

Based on the information outlined in this Equality Analysis enter <b>X</b> in column 3 ( <b>Conclusion</b> ) alongside the relevant statement to show your conclusion.		
Decision	Definition	Conclusion - Mark 'X' below
No major change	Our analysis demonstrates that the policy is robust. The evidence shows no potential for discrimination and we have taken all opportunities to advance equality and foster good relations, subject to continuing monitoring and review. <b>If you reach this conclusion, state your reasons and briefly outline the evidence used to support your decision.</b>	
Adjust the proposed change	<p>We will take steps to lessen the impact of the proposed change should it adversely impact the Council's ability to meet any of the Public Sector Duties set out under section 4 above, remove barriers or better promote equality. We are going to take action to ensure these opportunities are realised. <b>If you reach this conclusion, you must outline the actions you will take in Action Plan in section 5 of the Equality Analysis form</b></p> <p>Whilst changes in fees and charges may impact in some cases, this impact is considered to be minimal as set out in the information above.</p> <p>Mitigations and adjustments are already in place to support residents that may help them manage debt or financial vulnerability detailed. This includes signposting and discretionary support.</p> <p>Service departments will need to collate data on their service users to monitor impact. Some departments will have existing service level data regarding some protected characteristics and not others. Where data does not currently exist, each service must create an action around collecting data across all protected characteristics. As data is received the EQIA should be updated, demonstrating data and evidence where change has been made.</p> <p>Residents should be provided with details of support organisations in both digital and non-digital formats</p>	X

## Equality Analysis

Continue the proposed change	We will adopt or continue with the change, despite potential for adverse impact or opportunities to lessen the impact of discrimination, harassment or victimisation and better advance equality and foster good relations between groups through the change. However, we are not planning to implement them as we are satisfied that our project will not lead to unlawful discrimination and there are justifiable reasons to continue as planned. <b>If you reach this conclusion, you should clearly set out the justifications for doing this and it must be in line with the duty to have due regard and how you reached this decision.</b>	
Stop or amend the proposed change	Our change would have adverse effects on one or more protected groups that are not justified and cannot be mitigated. Our proposed change must be stopped or amended.	
Will this decision be considered at a scheduled meeting? MAB / Cabinet		Meeting title: Cabinet and Council Date: Cabinet: 14 February 2024; Council: 28 February 2024

### 7. Sign-Off

<b>Officers that must approve this decision</b>	
<b>Equalities Lead</b>	<b>Name: Helen Reeves</b> <b>Date: 05/02/2024</b> <b>Position: Interim Head of Strategy and Policy</b>
<b>Corporate Director</b>	<b>Name: Jane West</b> <b>Date: 05/02/2024</b> <b>Position: Corporate Director of Resources and s151 Officer</b>

# Equality Analysis

## Appendix: Deprivation data

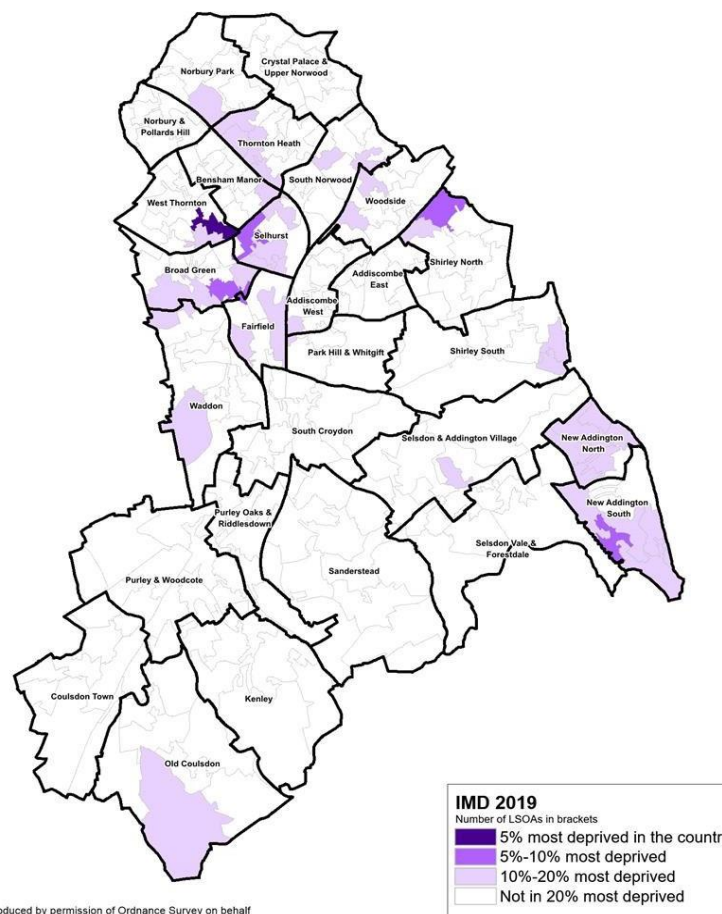
### INFOGRAPHIC 1

In Croydon, 1567 people live amongst the 5% most deprived in the country (Dark Blue)

In this area,

50% are male	(Croydon 49%)
27% are 0-15	(Croydon 22%)
30% are White ethnic group	(Croydon 55%)
35% are Black / African / Caribbean / Black British ethnic group	(Croydon 20%)
24% are Asian / Asian British ethnic group	(Croydon 16%)
7% are Mixed / multiple ethnic group	(Croydon 7%)
4% are Other ethnic group	(Croydon 2%)

Indices of Deprivation 2019  
Croydon Lower Super Output Areas (LSOAs)



## Equality Analysis

### Appendix: Croydon Council staff data

Ethnicity							
Directorate	Any other	Asian Group	Black Group	Mixed Group	Undisclosed	White Group	Grand Total
Adult Social	0.36%	1.37%	4.95%	0.74%	2.67%	2.23%	12.31%
Assistant	0.33%	1.88%	3.35%	0.58%	2.82%	3.10%	12.06%
Children	0.61%	3.48%	8.71%	1.85%	5.94%	7.62%	28.21%
Housing	0.10%	1.37%	3.55%	0.69%	2.97%	2.13%	10.81%
Resources	0.13%	1.22%	1.80%	0.46%	1.40%	1.27%	6.27%
Sustainable	0.84%	5.92%	5.76%	1.68%	6.80%	9.34%	30.34%
<b>Grand Total</b>	<b>2.36%</b>	<b>15.23%</b>	<b>28.13%</b>	<b>5.99%</b>	<b>22.59%</b>	<b>25.69%</b>	<b>100.00%</b>

Sex					
Directorate	Female	Male	Undisclosed	Prefer to self-describe	Grand Total
Adult Social	7.39%	2.59%	2.34%	0.00%	12.31%
Assistant	6.25%	3.58%	2.23%	0.00%	12.06%
Children	17.39%	5.74%	5.03%	0.05%	28.21%
Housing	4.72%	3.63%	2.44%	0.03%	10.81%
Resources	2.77%	2.28%	1.19%	0.03%	6.27%
Sustainable	14.24%	9.93%	5.94%	0.23%	30.34%
<b>Grand Total</b>	<b>52.75%</b>	<b>27.75%</b>	<b>19.17%</b>	<b>0.33%</b>	<b>100.00%</b>

Disability				
Directorate	No	Yes	Undisclosed	Grand Total
Adult Social	10.26%	1.09%	0.96%	12.31%
Assistant	9.98%	0.84%	1.24%	12.06%
Children	23.48%	1.90%	2.82%	28.21%
Housing	9.06%	0.58%	1.17%	10.81%
Resources	5.23%	0.46%	0.58%	6.27%
Sustainable	24.75%	2.36%	3.22%	30.34%
<b>Grand Total</b>	<b>82.76%</b>	<b>7.24%</b>	<b>10.00%</b>	<b>100.00%</b>

## Equality Analysis

Sexual Orientation							
Directorate	Bi-sexual	Gay man	Hetrosexual /straight	Lesbian/gay woman	Other	Undisclosed	Grand Total
Adult Social	0.20%	0.15%	8.89%	0.00%	0.08%	3.00%	12.31%
Assistant	0.20%	0.10%	8.66%	0.15%	0.05%	2.89%	12.06%
Children	0.71%	0.38%	20.31%	0.33%	0.18%	6.30%	28.21%
Housing	0.20%	0.20%	7.51%	0.03%	0.03%	2.84%	10.81%
Resources	0.10%	0.05%	4.52%	0.03%	0.08%	1.50%	6.27%
Sustainable	0.84%	0.74%	19.98%	0.33%	0.38%	8.07%	30.34%
<b>Grand Total</b>	<b>2.26%</b>	<b>1.62%</b>	<b>69.87%</b>	<b>0.86%</b>	<b>0.79%</b>	<b>24.60%</b>	<b>100.00%</b>

Age Range												
Directorate	20 or	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61 or older	Undisclosed	Grand Total
Adult Social	0.18%	1.35%	1.35%	1.17%	1.17%	1.27%	1.07%	1.12%	0.69%	0.28%	2.69%	12.31%
Assistant	0.36%	1.85%	1.83%	1.29%	0.84%	1.04%	0.81%	0.74%	0.53%	0.18%	2.59%	12.06%
Children	0.33%	3.94%	4.95%	3.76%	2.77%	2.16%	1.90%	1.52%	0.58%	0.48%	5.81%	28.21%
Housing	0.18%	1.55%	1.83%	1.62%	1.27%	0.71%	0.30%	0.43%	0.20%	0.05%	2.67%	10.81%
Resources	0.08%	1.09%	1.02%	0.53%	0.74%	0.48%	0.33%	0.30%	0.23%	0.13%	1.35%	6.27%
Sustainable	1.14%	4.57%	4.01%	3.35%	2.59%	2.21%	2.13%	1.88%	1.37%	0.58%	6.50%	30.34%
<b>Grand Total</b>	<b>2.26%</b>	<b>14.34%</b>	<b>14.98%</b>	<b>11.73%</b>	<b>9.37%</b>	<b>7.87%</b>	<b>6.55%</b>	<b>5.99%</b>	<b>3.60%</b>	<b>1.70%</b>	<b>21.60%</b>	<b>100.00%</b>

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# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Cabinet</b>	
<b>DATE OF DECISION</b>	<b>14 February 2024</b>	
<b>REPORT TITLE:</b>	<b>Capital Programme and Capital Strategy 2023-29</b>	
<b>CORPORATE DIRECTOR</b>	<b>Jane West Corporate Director of Resources (Section 151 Officer)</b>	
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151)</b>	
<b>LEAD MEMBER:</b>	<b>Cllr Jason Cummings, Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>Executive Mayor in Cabinet</b>	
<b>KEY DECISION?</b>	<b>Yes</b>	<p style="text-align: right;"><b>REASON:</b></p> <p style="text-align: center;">Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates</p> <p style="text-align: right;">and</p> <p style="text-align: center;">Key Decision – Decision significantly impacts on communities living or working in an area comprising two or more Wards</p>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public Grounds for the exemption: N/A</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1 SUMMARY OF REPORT

- 1.1** This report sets out the updated Capital Programme for 2023-29 for the Council’s General Fund and the Housing Revenue Account (HRA) with a forecast of resources available over that period. A specific update of the 2023-24 programme including the forecast as at Period 8 is also provided.
- 1.2** The Capital Programme sets out the strategic direction for Croydon’s capital management and investment plans, as detailed in Appendix A, and is an integral part of the medium to long term financial and service planning and budget setting process. Capital investment impacts the prudential indicators which are required under the 2020 Prudential Code and they are included in the Treasury Management Strategy report to Cabinet, also presented at this meeting today.

- 1.3** The Council's historic legacy of service failings, poor financial management, weak decision making and poor governance of major investments resulted in a debt burden that cannot be sustained without government support. The most recently available financial sustainability indicators for 2021-22 Outturn, provided by the Office for Local Government (OFLOG), demonstrate that Croydon's debt servicing cost (16% of core spending power), is far higher than the median figure for both England (8%) and the Council's nearest statistical neighbours (9%).
- 1.4** Given the Council's financial challenges, every effort has been made to minimise the requirement for additional General Fund borrowing. The General Fund capital programme does not require any financing through borrowing for 2023-24 or 2024-25. The need for borrowing in 2025-26 onwards is driven by the assumed requirement for annual capitalisation directions to achieve a balanced General Fund revenue position. This is unsustainable in the longer term and the Council is working with the Improvement and Assurance Panel and the Department for Levelling Up, Housing and Communities (DLUHC) to resolve this position.

## **2 RECOMMENDATIONS**

For the reasons set out in the report and its appendices, the Executive Mayor in Cabinet is recommended to approve and to recommend the following to Full Council:

- 2.1** Approve the Council's 2023-29 General Fund Capital Programme which includes planned expenditure of £479.68m (including capitalisation directions) across the six years.
- 2.2** Approve the Council incurring nil General Fund borrowing for financial years 2023-24 and 2024-25 and borrowing of £164.67m over 2025-29. The cost of this future borrowing is factored into the Council's Medium Term Financial Strategy.
- 2.3** Approve the 2024-25 Housing Revenue Account (HRA) Capital Programme with investment planned of £57.24m with borrowing of nil.
- 2.4** Approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, owing to increased major repairs and improvements, with this £3.914m increase funded by HRA reserves.
- 2.5** Approve the Council's Capital Strategy, as detailed within Appendix A of this report.



- 2.6** Note the Council's historic legacy borrowing and debt burden continues to be critical to the sustainability of the Council's revenue budget. Dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) continues, and the Council is seeking further financial support from Government in regard to its level of indebtedness to ensure it can deliver sustainable local government services.

### **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The Executive Mayor in Cabinet and Full Council are required to approve the Council's Capital Programme under the Council's Constitution and all expenditure of £1m and above requires Cabinet approval for capital spend under the Council's Scheme of Delegation.

### **4 BACKGROUND AND DETAILS**

- 4.1** The General Fund Capital Programme has spent £164.24m in the two years 2021-23 (including £100.6m for Capitalisation Direction) of which over £20.67m has required borrowing to finance the spend.

- 4.2** The Council's key objectives are set out in the Mayor's Business Plan 2022-26 which can be found on the Council's website under the following link:

<https://democracy.croydon.gov.uk/documents/s41649/6a%20Appendix%20-%20Executive%20Mayors%20Business%20Plan%20FINAL.pdf>

These key objectives comprise:

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. Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.
  4. Croydon is a cleaner, safer, and healthier place, a borough we're proud to call home.
  5. People can lead healthier and independent lives for longer.
- 4.3** Capital investment should evidence how it will support the priorities and principles set out in the Mayor's Business Plan along with individual directorate service plans. New bids to the Capital Programme have been assessed against the Council's objectives and the other Capital Strategy drivers outlined within Appendix A as part of the Capital budget setting process.

## Capital Governance Arrangements

- 4.4** The Council has an established governance arrangement embedded within its current Constitution in Part 4C - Budget and Policy Framework Procedure Rules. The Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework.
- 4.5** Just in the same manner as for the Revenue Budget, the Capital Budgets under Part 4C require Full Council approval. Part 4H – Financial Regulations provide the governance framework for managing the Council’s financial affairs. They apply to all Members, Officers of the Council and anyone acting on its behalf. It is likely to be considered a disciplinary offence to breach these Financial Regulations and procedures.
- 4.6** The Regulations apply to capital budgets and the Chief Financial Officer is responsible for ensuring that a capital programme is set annually along with financial management process to enable capital budgets to be monitored effectively. The Council has reported the 2023-24 capital programme as part of the monthly Financial Performance reports to Cabinet.
- 4.7** To strengthen the scrutiny and review of Capital delivery and progress against budget, the Council established a Capital Internal Control Board (CICB) which meets monthly and consists of key Officers from across the expert areas and services. The CICB acts as an internal control system and is a key part of the improvements that have been made to capital management within the Council.
- 4.8** The CICB provides the added review and scrutiny role on delivery of the capital programme along with submission of new bids. The Board acts as a key gateway to support the Corporate Management Team and the Executive Mayor in making informed decisions whilst ensuring risks are identified and managed.

## Capital Spend Key Principles

- 4.9** Consideration should be given to the following key principles before submitting a capital bid:
- Spend included in business cases must conform to the definition of capital expenditure i.e., “the purchase or enhancement of assets where the benefits last longer than the year of expenditure”. Croydon applies a de-minimis level of £10k meaning that anything below this value individually is classed and treated as revenue.

- Given the Council's structural indebtedness and challenging financial position, projects coming forward that require Croydon to borrow funding should be kept to a bare minimum.
- Feasibility/planning costs must be met from a revenue budget until approval to spend has been agreed through the relevant route, these should therefore be built into the revenue budget and be considered as part of the budget build process.
- Ongoing revenue implications must be included within business cases and identified as pressures in the revenue budget.
- Realistic profiling of budgets must be provided from the outset. Without this, the limited funding available could be assigned to a project which is delayed, preventing an alternative but more viable project from proceeding. In many cases grants and external funding are time limited and delays in the project could lead to losing precious external funds.
- Where the Council is required to provide match funding in order to receive external funding, consideration must be given to the Council's objectives. Is the project sufficiently aligned to meeting the Council's strategic outcomes to warrant the match funding? Has the Council identified sufficient resources to match fund these projects? Consideration must also be given to grant or external funding conditions and officer time and cost it will take to comply.
- It is important to maximise use of existing assets where it is cost effective to do so. Look for full occupancy of the asset in terms of space and length of time the asset is in use. This could mean looking for synergies with other organisations (for example, the One Public Estate programme with key partners).
- Longevity/flexibility of asset – consider how the asset will conform with longer term service delivery plans. Has flexibility of the use of the asset been considered?
- Officers and Members must not commit funds until projects have been through the correct governance procedure.
- Robust financial, legal, HR, equalities and other related impact assessments are needed for the Council's investment decisions.
- All schemes must pass through the Capital Board for necessary scrutiny

and approval to the next stage. This ensures each project receives a review to assess wider Council implications and to test all relevant matters are discussed and best practice is shared.

### Capital Expenditure

- 4.10** The Council will ensure that appropriate capital budget is allocated on a risk assessed approach, to meet statutory requirements, such as basic need, health and safety, disability discrimination act (DDA) and other legal requirements as directed by Government. Nonetheless, just because there is a statutory requirement, capital bids will still need to explore alternative options to satisfy the affordability requirement. This will need to include proactively seeking external funding, such as grants or alternative contributions to finance capital spend.
- 4.11** Slippage from 2022-23 into 2023-24 has been reviewed and approved by the Executive Mayor in Cabinet through monthly financial performance reports to Cabinet. The review ensured that the Council only carries out schemes that are value for money and meet the Council's priorities in line with the Mayor's Business Plan.
- 4.12** The Council is projecting to spend £106.33m in 2023-24 and is expecting to spend £355.73m in 2024-29. The table below provides a summary level breakdown of spend per directorate with scheme detail provided in Appendix B of this report. Services have reviewed the profiling of their capital projects across 2023-24 and future years and this is reflected in the table below and Appendix B.

**Table showing General Fund capital programme estimates**

Directorate	2023-24 Budget	Forecast	Variance		2024-25	2025-26	2026-27	2027-28	2028-29
	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£000's
ASSISTANT CHIEF EXECUTIVE	6,051	5,331	(720)		5,311	33			
CHILDREN, YOUNG PEOPLE AND EDUCATION	469	329	(140)		95				
HOUSING	3,400	3,200	(200)		3,335	3,335	3,335	3,335	3,335
RESOURCES	11,667	10,610	(1,057)		12,719	10,037	5,564	3,000	3,000
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	39,366	23,855	(15,511)		30,865	20,759	20,160	18,716	18,791
CORPORATE	63,000	63,000	0		38,000	38,000	38,000	38,000	38,000
<b>Total General Fund Capital Programme</b>	<b>123,953</b>	<b>106,325</b>	<b>(17,628)</b>		<b>90,325</b>	<b>72,164</b>	<b>67,059</b>	<b>63,051</b>	<b>63,126</b>

*Please note that the Education capital delivery team has moved into the Commercial Investment and Capital Division in the Resources Directorate, so the Education capital schemes are now shown in Resources rather than the Children, Young People and Education Directorate.*

- 4.13** Capitalisation directions contribute significantly to the Capital Programme. These have been included as assumptions in the Medium Term Financial Strategy in case dialogue with DLUHC does not result in a sustainable financial solution to the historic legacy debt issues of the Council. However, it needs to be noted that capitalisation of revenue spend increases the cost of borrowing in following years and is not a solution that would support the Council in becoming financially sustainable. The table above includes previously approved projects along with new bids requested by directorates for current and future years.
- 4.14** The Capital Programme focuses on spend that ensures the Council's assets are maintained to decent standards in order that they continue to perform in the delivery of Council services to residents.

- 4.15** A Parks condition survey will be commissioned in 2024-25. Growth above the current capital budget of £1m per annum for Park Asset Management may be required to meet health and safety requirements. Financing for any growth would be sought first from s106 or CIL before consideration of borrowing.
- 4.16** Croydon Council has been successful in securing £18.5m government funding to transform the town centre and restore pride following a successful bid to the Levelling Up Fund, under round three. The council applied to the Department for Levelling Up, Housing and Communities (DLUHC) for the Reconnecting Croydon scheme, which will see six infrastructure and public realm projects funded to reconnect and revitalise Croydon's streetscape.
- 4.17** The vision for the project is to 'Reconnect, Refresh, Revitalise and Regenerate' the town centre, as part of the Council's priority for the wider regeneration of Croydon town centre. The projects will provide improved connections throughout the town centre, so residents and visitors will be able to travel more easily through safer, greener and more pleasant routes. The projects will cover the South End restaurant quarter, East Croydon station, West Croydon station and Old Town and Croydon Minster. Central to the bid is the delivery of a new civic square for the Fairfield cultural complex, connecting Queen's Gardens and Surrey Street Market.
- 4.18** Once clarification of the split of revenue and capital grant allocations within the new funding, and profiling between years of expected spend, is available then this multi-year project will be added into the capital programme during 2024-25. Please note that this project will be fully funded by the grant monies and therefore will have no impact on the borrowing for the capital programme.
- 4.19** The Council has been successful in gaining £305k funding from the Lottery Fund for capital improvements at Ashburton Park. Therefore the Ashburton Park Heritage Fund project has been added into the capital programme in 2023-24.
- 4.20** The Council has also received £235k funding over 2023-25 from the Department for Education (DfE) for Woodlands Family Hub and this has been added into the capital programme.
- 4.21** Within the Capital Programme the Council is also committing significant monies towards investing in various information technology and property assets so that it leads to an improved service provision whilst ensuring a more cost-effective delivery of services. The Council is carrying out a review of the Oracle MyResources IT system utilising transformation funding and it should be noted that this is not currently in the programme but a proposal for

inclusion in the capital programme will come forward once the due diligence is completed identifying what is required.

- 4.22** The Council may need to contribute towards improvements for mortuary services in the borough. This could include contributing towards a new building. Croydon public mortuary is used for the reception and storage of bodies of those who have died in the borough. The service is run under the jurisdiction of HM Coroner and deals with bodies that have been referred to the coroner or where a death certificate cannot be issued. The service is currently provided by Croydon University Hospital under a shared service but improvements are required.
- 4.23** The Council's ambition to protect educational infrastructure and improve pupil attainment to support the local economy form a large proportion of the capital programme. A total of £23.84m over 5 years is provided for upgrading and expanding schools' infrastructure. This includes the vital investment in Special Education Need schools to ensure children and their parents have Council support, a key pledge within the Mayor's Business Plan.
- 4.24** A total of £77.50m over 5 years is earmarked to be spent on the Borough's infrastructure ranging from highway maintenance to tree works and working with TfL to deliver the Local Implementation Plan. This investment is important to support the ambition of Croydon becoming a cleaner, safer and healthier place.
- 4.25** In January, the Council was notified that the Department for Transport (DfT) will provide circa £382k funding for highways. This will be added into the capital programme during 2024-25.
- 4.26** The Lawn Tennis Association (LTA) is granting funding of circa £500k to supplement the current £75k in the capital programme to support tennis court improvements. This will be added into the capital programme following the confirmation of profiling across 2023-24 and future years.
- 4.27** The General Fund capital programme includes the addition of £163k in 2023-24 and £380k in 2024-25 for the Public Switched Telephone Network Digital Migration Phase 1 project responding to the national analogue to digital telephone network switchover. By 2025, Openreach will have phased out all copper analogue telephone lines in favour of optical fibre networks and therefore, phone lines in buildings need to be updated. This phase 1 work will identify the full level of works involved and further General Fund capital budget is likely to be required.
- 4.28** Similarly the phase 1 work will identify the requirement for the HRA capital programme, with a high level of works expected for digital migration of elevator alarms. As part of the Remote Alarm on Passenger and Goods

Passenger Lifts Standards EN 81-28 (2003), all lifts in the UK are required to have an emergency alarm that was traditionally connected to a rescue service via telephone. With the analogue to digital switchover, lift owners must now manage the transition of their emergency alarms from analogue phone lines to other digital alternatives.

#### Capitalisation Direction

- 4.29** The Council's Medium Term Financial Strategy includes the provision of capitalisation direction in future years from government to support the budget gap within the General Fund Revenue Account. This is included as an assumption while the Council continues dialogue with DLUHC to find a sustainable solution to resolve the prohibitive cost of borrowing relating to historic legacy debt.
- 4.30** Capitalisation direction allows local authorities to charge its revenue expenditure to the capital programme and hence pay for revenue costs using capital funds. Capital funds that can be applied include capital receipts and borrowing and it will be up to the Council to identify the best financing source at year end.
- 4.31** The capitalisation direction is a relaxation of the accounting convention that usually requires revenue costs to be met from revenue resources only. Councils should not usually "borrow" or use capital funds to fund revenue expenditure. This does mean that if the Council chooses to borrow to fund its direction, relevant interest costs will be charged to the Council's revenue account along with additional minimum revenue provision charges which will need to be set aside from revenue to pay back the principal repayments for the borrowing. Therefore, capitalisation direction is not a financially sustainable solution for the Council's revenue budget as the cost of borrowing increases for future years.
- 4.32** Capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and therefore the Council is not able to reduce its existing historic debt (a situation of "treading water"). Therefore, debt write-off treatment is the Council's preferred option and a request was made to DLUHC in January 2023 for government funding to write-off £540m of the Council's General Fund debt. DLUHC has subsequently asked the Council to propose a wider range of options and provide detailed feedback and analysis. These discussions are ongoing.
- 4.33** There is a risk that if the Council has to continue with capitalisation directions that further reductions in the capital programme would need to be considered. The capital programme has already been significantly reduced over the last two years through detailed value for money review of projects and further reductions to investment in necessary infrastructure could prevent the Council from meeting its Best Value duty. Borrowing for long term infrastructure (such as highways) is normal practice for local authorities



and reductions could create cost pressures in revenue budgets (e.g. reactive short-term repairs and maintenance, and legal claims) and result in the Council not meeting statutory requirements.

**4.34** The Council has recently been required by an Adjudication Panel to make a payment to a former contractor in relation to a historic claim which dates back to a contract they held during the period 2011-2018. The Council must therefore request a new Capitalisation Direction of £9.439m for 2019-20 in order to finalise the 2019-20 accounts. This is in addition to last year's request for a Capitalisation Direction of £126m in relation to 2019-20.

**4.35** Croydon has been supported by capitalisation directions to date as shown in the table below:

<b>Financial Year</b>	<b>Status</b>	<b>Previously agreed Directions £000's</b>	<b>In-Principle Directions – secured Feb 2023 £000's</b>	<b>Potential need for further Capitalisation Directions £000's</b>	<b>Total Capitalisation Directions £000's</b>
2019-20	Draft		126,000	9,439	135,439
2020-21	Draft	70,000	10,000		80,000
2021-22	Draft	50,000	14,400		64,400
2022-23	Draft	25,000	11,200		36,200
2023-24	Planned	5,000	58,000		63,000
2024-25	Potential			38,000	38,000
2025-26	Potential			38,000	38,000
2026-27	Potential			38,000	38,000
2027-28	Potential			38,000	38,000
2028-29	Potential			38,000	38,000
<b>Total February 2024</b>		<b>150,000</b>	<b>219,600</b>	<b>199,439</b>	<b>569,039</b>

Key:

- Draft indicates the agreed and in-principle Capitalisation Directions have been applied in full to the Council's draft accounts, but that the audit of the accounts has not yet concluded.
- Planned indicates the intention to use the in-principle Capitalisation Direction in year.
- Potential indicates the need for potential further borrowing in line with the comments in paragraph 4.13.

**4.36** These directions have come with specific request from government which includes:

- Any further borrowing from the date of the capitalisation up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB (Public Works Loan Board) and must be subject to an additional 1 percentage point

premium on the interest rate above the rate the loan would otherwise be subject to and;

- The Council shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years.

### Capital Financing

**4.37** The table below provides a summary of the key funding sources the Council expects to use to pay for the proposed General Fund capital programme.

**Table showing capital financing of the General Fund capital programme**

Funding Source	2023-24 Budget	2023-24 Forecast	2023-24 Variance		2024-25	2025-26	2026-27	2027-28	2028-29
	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£000's
CIL	(7,152)	(7,734)	(582)		(8,290)	(7100)	(6,600)	(6,600)	(6,600)
s106	(1,431)	(371)	1,060		(1,084)	(312)	(326)		
HRA Contribution	(1,772)	(1,459)	313						
Reserves - Growth Zone	(15,341)	(3,000)	12,341		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Grant	(14,647)	(13,361)	1,286		(19,557)	(11,549)	(6,969)	(4,335)	(4,335)
Capital Receipts	(83,610)	(80,400)	3,210		(57,394)	(30,000)			
Borrowing	-	-	-		-	(19,203)	(49,164)	(48,116)	(48,191)
<b>Total GF Capital Funding</b>	<b>(123,953)</b>	<b>(106,325)</b>	<b>17,628</b>		<b>(90,325)</b>	<b>(72,164)</b>	<b>(67,059)</b>	<b>(63,051)</b>	<b>(63,126)</b>

**4.38** The capital programme is required to have its own funding sources and revenue resources can be used to fund capital spend, even though capital funds cannot usually be used to fund revenue spend (except under capitalisation directions).

**4.39** It is always cost effective for the Council to utilise non-debt financing to fund the capital spend as this does not result in increased revenue costs which include Minimum Revenue Provision and interest charges. However, such alternative sources of funding are not always available to finance projects that are driven by the Council's own priorities. If sufficient capital receipts or revenue are also not available, borrowing becomes a necessity.

**4.40** In order to minimise future borrowing requirements, the Council is exploring options to generate further capital receipts and an update on the Asset

Management and Disposal Plan was presented to Cabinet in November 2023 which detailed the delivery plan along with a range of assets the Council is proposing to dispose.

#### Debt Financing

- 4.41** Croydon currently has a borrowing requirement (CFR) of £1.372bn in the General Fund. This means that the Council is already considerably highly leveraged and the MTFS indicates that circa £60m is set aside to pay for Minimum Revenue Provision and interest costs. Any further borrowing for the Capital Programme will only add to the level of debt and further increase costs to the revenue account. The projected General Fund borrowing requirement between 2025 to 2029 of £164.67m represents approximately 11% of additional debt on top of the existing General Fund debt balance. This is a risk to the revenue account because of the cost of servicing the debt.
- 4.42** In order to assess and manage this risk, the Council is required to have due regard for the Prudential Code and ensure that the Council's debt levels and borrowing levels do not exceed its own prudential limits. The Code requires councils to formulate plans that are affordable, prudent and sustainable. The MTFS report has made it clear that current debt levels are not sustainable, and the Council has sought extraordinary financial support from Government to ensure the Council's finances are put on a sustainable footing for the future.

#### Housing Revenue Account Capital Programme

- 4.43** The Housing Revenue Account (HRA) continues to make improvements to housing stock management and the Council appointed Savills to carry out a detailed review of the capital programme to continue the necessary investment within the Housing Stock. Stock condition surveys have informed the HRA business plan and the HRA capital programme contained in this report has been updated accordingly.
- 4.44** The stock conditions surveys inform the current housing service's asset management strategy, transformation and improvement plans, and the long-term plan for the management of the investment of Council housing assets. The 2023-24 capital programme is overspending against the original capital plan owing to increased damp/mould and fire safety works, and dealing with the current backlog of repairs and maintenance work. It is requested through this report to approve an increase to the 2023-24 HRA capital budget from £33.248m to £37.162m, with this £3.914m increase funded by HRA reserves.

**4.45** The table below shows the 2023-24 forecast and the updated allocations for future years which have been reviewed to ensure that sufficient financial resources are set aside to support the development of the asset management strategy aim to turn around and to provide a housing service the Council can be proud of, in line with the Mayor's Business Plan.

**Table showing HRA capital programme estimates**

HRA Capital Expenditure	Revised Budget 2023-24	Forecast 2023-24	Variance 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Repairs and Improvements Programme	21,355	37,180	15,825	24,030	35,177	28,899	31,165	31,165
NEC Housing System	1,772	1,772	-					
Regina Road	1,500	-	(1,500)	14,105	14,105	14,105	14,105	14,105
Building Safety Works	3,735	-	(3,735)	10,500	40,300	20,000	8,515	
Repairs Referrals	8,800	-	(8,800)	8,600	7,500	7,500	7,500	7,500
<b>Total HRA Capital Expenditure</b>	<b>37,162</b>	<b>38,952</b>	<b>1,790</b>	<b>57,235</b>	<b>97,082</b>	<b>70,504</b>	<b>61,285</b>	<b>52,770</b>

**4.46** The plan indicates a total investment of £338.9m between 2024-25 and 2028-29. The programme will deliver extensive repairs and improvement works to the existing housing stock which will improve the living conditions of all tenants. Extensive refurbishment works are planned on older buildings along with a whole new re-build of Regina Road Estate planned to commence as key engagement has already taken place with the residents.

**4.47** The HRA has capacity within its account to take on more debt and through work done with Savills a sustainable financing solution is being developed by the housing service to meet the capital expenditure plans. The table below details the key funding sources the HRA has earmarked to apply to the delivery programme which includes a projection of £143.6m of new borrowing for 2025-29 which will be financed through HRA reserves and/or the revenue account.

**Table showing capital financing of the HRA capital programme**

HRA Capital Funding Source	Revised Budget 2023-24	Forecast 2023-24	Variance 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27	Budget 2027-28	Budget 2028-29
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Major Repairs Reserve	(15,457)	(15,457)	-	(14,729)	(15,094)	(15,394)	(15,699)	(16,011)
Revenue	(13,900)	(13,900)	-	(12,196)	(11,300)	(16,653)	(15,256)	
RTB Receipts	(2,118)	(2,118)	-	(2,140)	(2,166)	(2,187)	(2,136)	(2,101)
Reserves	(5,687)	(7,477)	(1,790)	(28,170)	(24,035)			
Borrowing					(44,487)	(36,270)	(28,194)	(34,658)
<b>Total HRA Capital Financing</b>	<b>(37,162)</b>	<b>(38,952)</b>	<b>(1,790)</b>	<b>(57,235)</b>	<b>(97,082)</b>	<b>(70,504)</b>	<b>(61,285)</b>	<b>(52,770)</b>

Next Steps and Ongoing Improvements

- 4.48** Over the course of 2022-23 significant issues with regards to capital were addressed. Oversight of the Capital Programme was brought into the corporate finance team where a holistic and council wide approach was provided and which enabled an improved approach to the way capital monitoring and budget setting was consolidated. This has allowed the Council to better profile its budgets over the life of the projects and to present a 5 years capital programme rather than a single year position.
- 4.49** The implementation of a Capital Internal Control Board in 2022 and the introduction of the post of Director of Commercial Investment and Capital has provided much needed structure and focus to managing delivery of the capital programme.
- 4.50** However, there is much more to be done and whilst key foundations have been set within the Council to manage the Capital Programme, there are a number of improvements still to implement. As indicated within the Capital Strategy (Appendix A) the Council has a number of key areas of improvement that continue to be addressed. The focus of the capital programme operational arrangements will be to ensure that whilst meeting the requirements as detailed within this report, the further recommendations advised by PwC are also delivered.
- 4.51** The Capital Internal Control Board is overseeing work to further improve capital governance arrangements and the preparation of business case templates in line with the Five Case Model. The Five Case Model is an approach for developing business cases recommended by HM Treasury and the UK Office of Government Commerce, and is widely used across central government departments and public sector organisations.

## Contribution to Improvement and Assurance Panel (IAP) Exit Strategy

**4.52** The IAP published its Exit Strategy in October 2023. Delivery of the Exit Strategy will provide confidence that the Council is able to drive its own continuous improvement and demonstrate Best Value without a need for external intervention by the Department for Levelling Up, Housing and Communities (DLUHC).

**4.53** The Capital Programme and Strategy demonstrates the delivery of Best Value and supports the following objectives of the Exit Strategy:

- Operation of Governance Structures – the setting of the 2024-25 budget following timely and well-engaged process for deliberation.
- Council's finances on a sustainable footing – a balanced budget achieved for 2024-25 (with exceptional financial government support).
- Robust finance governance procedures are in place – progress against the Annual Governance Statement Action Plan.
- Maximise asset sales to reduce debt – delivery of asset disposal plan.
- To deliver best value in respect to community assets including Libraries/Community Hubs.
- Parking Policy Review – Roll out and installation of new ANPR cameras.
- Croydon's housing stock is rendered safe and compliant, meeting consumer and home standards.
- The Council understands its stock, condition and the residents who live there. It has robust data assembled and uses this to inform service delivery and maximise income.
- The Council develops and implements a Housing Regeneration and Supply Strategy.
- Put in place robust systems and sound procedures including the Oracle MyResources Improvement Project.
- Contract management arrangements to be improved.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

**5.1** None.

## **6 CONSULTATION**

**6.1** The development of the Capital Programme forms part of the Medium Term Financial Strategy (MTFS) for the Council. The 2024-25 budget engagement was carried out from 6 November to 19 December 2023.

## **7. CONTRIBUTION TO COUNCIL PRIORITIES**

- 7.1** The capital programme and capital strategy 2023-29 supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

- 8.1.1** Financial implications have been provided throughout this report. The Capital Programme is provided for within the Council's Medium Term Financial Strategy.
- 8.1.2** The Council has high costs of General Fund borrowing and therefore careful and prudent management of the capital budget is required to avoid unnecessary costs to the revenue account.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

### **8.2 LEGAL IMPLICATIONS**

- 8.2.1** Under Section 1 of the Local Government Act 2003 ("LGA") ("Power to borrow"), a local authority may borrow for any purpose relevant to its functions or for "the prudent management of its financial affairs".
- 8.2.2** Under Section 3(1) and (8) of the LGA ("Duty to determine affordable borrowing limit") the Council must determine and keep under review how much money it can afford to borrow, and the function of determining and keeping these levels under review must be discharged by full Council, rather than by the executive.
- 8.2.3** Sections 15 and 21 (1A) of the LGA requires the Council to have regard to any guidance issued by the Secretary of State and guidance about accounting practices to be followed in particular with respect to the charging of expenditure to a revenue account. Consequently, the Council is required to have regard to the "Statutory guidance on Local Government Investments (3rd Edition)" and the "Capital finance: guidance on minimum revenue provision (fourth edition)" issued under these provisions.
- 8.2.4** The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) make provisions for the capital finance and accounts under the LGA 2003. Regulation 2 requires the Council to have regard to the "Prudential Code for Capital Finance in Local Authorities" issued by CIPFA when determining, under section 3 of the LGA, how much money they can afford to borrow. Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, the Council must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" issued by CIPFA.

- 8.2.5** Regulations 25 and 26 provide for expenditure which is, and which is not, to be treated as capital expenditure for the purposes of the LGA 2003. Regulation 27 provides that local authorities must charge to a revenue account a minimum amount (“minimum revenue provision”) and may charge to a revenue account an additional amount, in respect of the financing of capital expenditure. The minimum revenue provision is calculated in accordance with regulations 28 to 29.
- 8.2.6** Under the Council’s Budget and Policy Framework Procedure Rules, the Executive is responsible for the preparation of proposed plans, strategies or budgets that form part of the Budget and Policy Framework, including plans or strategies for the control of the Council’s borrowing or capital requirement. The proposals in this report will therefore form part of proposals for submission to full Council.
- 8.2.7** Under the Council’s Financial Regulations, the Chief Financial Officer is responsible for ensuring that a balanced revenue budget and capital programme and budget, are prepared on an annual basis.
- 8.2.8** Under Directions dated 20 July 2023, issued by the Secretary of State under Section 15(5) of the Local Government Act 1999, the Council must, amongst other things “secure as soon as practicable that all the Authority’s functions are exercised in conformity with the best value duty, thereby delivering improvements in services and outcomes for the people of Croydon”.

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 10/01/2024.

### **8.3 HUMAN RESOURCES IMPLICATIONS**

- 8.3.1** There are no immediate Human Resources implications arising from this report.

Comment approved by: Dean Shoesmith, Chief People Officer, 5/1/2024.

### **8.4 EQUALITIES IMPLICATIONS**

- 8.4.1** As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.
- 8.4.2** The Council must, therefore, ensure that we have considered any equality implications in respect of the capital programme and Strategy. The Council has an established Equality Impact Assessment process, with clear



guidance, templates and training for managers to use whenever new policies or service changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under the Equality Act 2010.

**8.4.3** The objectives of the Mayor's Business Plan are focused on delivering good sustainable services and creating opportunities for all residents of Croydon including children and young people. The proposals in the capital programme are likely to impact on residents, the extent of which and the characteristics most affected can only be identified following further analysis once the proposals have been developed.

**8.4.4** During the MTFs process, proposals which impact on people are subjected to equality analysis using a data driven approach and offer mitigation to people most affected.

**8.4.5** We commit to ensuring that we meet our legal requirements under the Equality Act 2010 to our residents including disabled residents and the parents of disabled residents in respect of children and young people.

**8.4.6** We have identified areas of improvement in relation to the collection of data across directorates and are committed to improving this to enable our decisions to be more evidence based and robust.

Comments approved by Naseer Ahmed for Equalities Programme Manager, 15/01/2024.

## **9. APPENDICES**

Appendix A - Capital Strategy 2024-25

Appendix B - 2023-24 to 2028-29 Capital Programme

## **10. BACKGROUND DOCUMENTS**

**10.1** None.

**Appendix B – 23-24 to 28-29**  
**CAPITAL PROGRAMME**

<b>REVISED CAPITAL PROGRAMME</b>
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CAP BID No.	PROJECT NAME	SPEND and Funding TYPE	2023-24 (£,000's)	2024-25 (£,000's)	2025-26 (£,000's)	2026-27 (£,000's)	2027-28 (£,000's)	2028-29 (£,000's)
GF CAP 03	Bereavement Services	Spend	127					
GF CAP 85	My Resources Interface Enhancement	Spend	169	83				
GF CAP 86	Network Refresh	Spend	152	789	33			
GF CAP 87	Tech Refresh	Spend	292	0				
GF CAP 88	Geographical Information Systems	Spend	312					
GF CAP 90	Laptop Refresh	Spend	1,030	3,603				
GF CAP 91	Cloud and DR	Spend	167	268				
GF CAP 89	Synergy Education System	Spend	858	187				
GF CAP 93	NEC Housing System	Spend	2,725					
GF CAP 93	NEC Housing System	HRA Contribution	(1,772)					
GF CAP 66	Uniform ICT Upgrade	Spend	56					
NEW BID	Public Switched Telephone Network Digital Migration Phase	Spend	163	380				

1									
<b>ASSISTANT CHIEF EXECUTIVE</b>			<b>4,279</b>	<b>5,311</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GF CAP 79	Children Home DFE	Spend	329						
GF CAP 79	Children Home DFE	Grant	(329)						
NEW BID	Woodlands Family Hub	Spend	140	95					
NEW BID	Woodlands Family Hub	Grant	(140)	(95)					
<b>CHILDREN, YOUNG PEOPLE AND EDUCATION</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GF CAP 04	Disabled Facilities Grant	Spend	3,000	3,335	3,335	3,335	3,335	3,335	3,335
GF CAP 04	Disabled Facilities Grant	Grant	(3,000)	(3,335)	(3,335)	(3,335)	(3,335)	(3,335)	(3,335)
GF CAP 05	Empty Homes Grants	Spend	400						
<b>HOUSING</b>			<b>400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
GF CAP 56	Asset Strategy - Stubbs Mead	Spend	500	150					
GF CAP 57	Asset Strategy Programme	Spend	100	113					
GF CAP 59	Clocktower Chillers	Spend	15	367					
GF CAP 60	Corporate Property Maintenance Programme	Spend	2,780	2,000	2,000	2,000	2,000	2,000	2,000
GF CAP 18	Fairfield Halls - Council	Spend	625	500					
GF CAP 78	Former New Addington Leisure Centre	Spend	300						
GF CAP 24	Fieldway Cluster (Timebridge Community Centre)	Spend	248						
GF CAP 100	Contingency	Spend	1,000	1,000	1,000	1,000	1,000	1,000	1,000
GF CAP 08	Education - Fire Safety	Spend	450						



GF CAP 31	Highways - Tree works	Spend	50					
GF CAP 31	Highways - Tree works	Grant	(50)					
GF CAP 81	Local Authority Tree Fund	Spend	83	67	67			
GF CAP 81	Local Authority Tree Fund	Grant	(83)	(67)	(67)			
GF CAP 82	Trees Sponsorship	Spend	42					
GF CAP 82	Trees Sponsorship	Grant	(42)					
GF CAP 84	Leisure centres equipment Contractual Agr	Spend		174	204	198	150	225
GF CAP 83	Tennis Court Upgrade	Spend	75					
GF CAP 33	Leisure Equipment Upgrade	Spend	148					
GF CAP 34	Libraries Investment - General	Spend	224	1,390				
GF CAP 34	Libraries Investment - General	LMP CIL	(224)	(1,390)				
GF CAP 80	Central Library Digital Discovery Zone	Spend		175				
GF CAP 80	Central Library Digital Discovery Zone	Grant		(150)				
GF CAP 77	New Investment to South Norwood Library	Spend		520				
GF CAP 39	Parking	Spend	1,843	1,662				
GF CAP 39	Parking	Grant	(166)					
GF CAP 95	Cashless Pay & Display	Spend	1,463					
GF CAP 41	Play Equipment	Spend	300					
GF CAP 41	Play Equipment	LMP CIL	(28)					
GF CAP 41	Play Equipment	s106	(125)					
GF CAP 41	Play Equipment	Grant	(50)					
GF CAP 43	Safety - digital upgrade of CCTV	Spend	1,540					
GF CAP 46	HIGHWAY Road Markings/Signs	Spend	137					

	(Refresh)							
GF CAP 47	South Norwood Good Growth	Spend	773					
GF CAP 47	South Norwood Good Growth	s106	(45)					
GF CAP 47	South Norwood Good Growth	Grant	(692)					
GF CAP 47	South Norwood Good Growth	Grant	(36)					
GF CAP 48	Kenley Good Growth	Spend	304	90				
GF CAP 48	Kenley Good Growth	s106	(254)					
GF CAP 48	Kenley Good Growth	Grant	(50)	(90)				
GF CAP 49	Sustainability Programme	Spend	300	300	500			
GF CAP 49	Sustainability Programme	LMP CIL	(300)	(300)	(500)			
GF CAP 50	LIP	Spend	3,522	7,387				
GF CAP 50	LIP	s106	(1,007)	(762)				
GF CAP 50	LIP	TFL	(2,015)	(6,125)				
GF CAP 96	Cycle Parking	Spend	106	36	40			
GF CAP 96	Cycle Parking	Grant	(106)	(36)	(40)			
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Spend	3	392	382	396		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	s106	0	(322)	(312)	(326)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Grant	0	(70)	(70)	(70)		
GF CAP 97	Electric Vehicle Charging Point (EVCP)	Grant	(3)					
NEW BID	Ashburton Park Heritage Fund	Spend	305					
NEW BID	Ashburton Park Heritage Fund	Grant	(305)					
GF CAP 99	Park Asset Management	Spend	700	1,000	1,000	1,000		

GF CAP 53	Waste and Recycling Investment	Spend	602	1,956				
<b>SUSTAINABLE COMMUNITIES, REGEN &amp; ECONOMIC DVLPT</b>			<b>16,963</b>	<b>16,553</b>	<b>14,770</b>	<b>14,764</b>	<b>13,716</b>	<b>13,791</b>
GF CAP 101	Capitalisation Direction	Spend	63,000	38,000	38,000	38,000	38,000	38,000
GF CAP 101	Capital Receipts	Capital Receipts	(83,610)	(57,394)	(30,000)	-	-	-
GF CAP 70	Further CIL (to be allocated)	CIL	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)
<b>CORPORATE</b>			<b>(27,210)</b>	<b>(25,994)</b>	<b>1,400</b>	<b>31,400</b>	<b>31,400</b>	<b>31,400</b>

<b>TOTAL NET GENERAL FUND CAPITAL - Borrowing</b>			<b>-</b>	<b>-</b>	<b>19,203</b>	<b>49,164</b>	<b>48,116</b>	<b>48,191</b>
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# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Cabinet</b>	
<b>DATE OF DECISION</b>	<b>14 February 2024</b>	
<b>REPORT TITLE:</b>	<b>Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West – Corporate Director of Resources and Section 151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Matthew Hallett Acting Head of Treasury and Pensions</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>KEY DECISION?</b>	<b>YES</b>	<b>REASON:</b>  Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>NO</b>	Public
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1 SUMMARY OF REPORT

- 1.1 This report seeks the agreement of the Executive Mayor in Cabinet to the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25.
- 1.2 The report sets out the Council’s Treasury Management objectives, which are to manage the Council’s cash flows, borrowing and investments whilst minimising the level of risk exposure. It looks to maximise investment yield returns within agreed risk parameters and ensure that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the borrowing and investment activities that will be undertaken by the Council in the financial year 2024/25 and the two subsequent years.
- 1.3 The report invites agreement to recommendations essential to the achievement of the Treasury Management objectives.

## **2 RECOMMENDATIONS**

For the reasons set out in the report and its appendices, the Executive Mayor in Cabinet, is asked to recommend to Full Council that it approves:

- 2.1** The Treasury Management Strategy Statement 2024/25 as set out in this report;
- 2.2** The Prudential Indicators as set out in Appendix A of this report;
- 2.3** The Annual Minimum Revenue Provision Policy Statement (required by the Local Authorities (Capital Financing and Accounting) (England) (Amendment) Regulations 2008SI 2008/414) as set out in Appendix B;
- 2.4** The Borrowing Strategy and Investment Strategy; and
- 2.5** Note the requirement for Members to undertake training in order to have the appropriate knowledge and skills to enable them to understand and scrutinise the Council's treasury management.

## **3 REASONS FOR RECOMMENDATIONS**

- 3.1** Under the Constitution of the London Borough of Croydon the Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes [2021 Edition] (Treasury Management Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities [2021 Edition] (Prudential Code).

## **4 BACKGROUND AND DETAILS**

- 4.1** Under Regulations made pursuant to the Local Government Act 2003 the Council is required to have regard to the Prudential Code to ensure that its capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report incorporates these Indicators and details the expected treasury activities for the year 2024/25 in the context of the long-term planning forecasts for the Council. The implications of these key Indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.
- 4.2** Under the same Regulations the Council is required to have regard to the Treasury Management Code in setting up and approving its treasury management arrangements.

- 4.3** On 20 December 2021 CIPFA produced revised codes and stated that local authorities were required to implement the required reporting changes within their Treasury Management Strategy Statement reports from 2023/24.
- 4.4** The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over recent years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that:
- it defines its risk appetite and its governance processes for managing risk;
  - it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects;
  - it adopts a new liability benchmark treasury indicator to support the financing risk management of the Capital Financing Requirement (CFR); this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
  - it does not borrow to finance capital expenditure to invest primarily for commercial return;
  - increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the authority; where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose;
  - an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
  - its capital plans and investment plans are affordable and proportionate;
  - all borrowing/other long-term liabilities are within prudent and sustainable levels;
  - risks associated with commercial investments are proportionate to overall financial capacity to sustain losses;
  - treasury management decisions are in accordance with good professional practice;
  - reporting to members is done quarterly, including updates of Prudential Indicators;
  - it should assess the risks and rewards of significant investments over the long term, as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the authority. (CIPFA has not defined what longer-term means, but it is likely to infer 20-30 years in line with the financing time horizon and the expected life of the assets, while medium-term financial planning, at a higher level of detail, is probably aimed at around a 10-year timeframe and focuses on affordability in particular); and
  - it has access to the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.
- 4.5** The Prudential Code confirms a requirement for local authorities to produce an annual Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing; and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

The aim of the strategy is to ensure that all the Authority's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The Council has produced a separate Capital Strategy report which has been considered when producing this report.

## 5 KEY CONSIDERATIONS

### Background

- 5.1** With Government support provided in the form of Capitalisation Directions, the Council operates a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operation ensures that this cash flow is adequately planned, with surplus monies being invested with low risk counterparties, providing adequate liquidity before considering optimizing investment return.
- 5.2** The second main function of the treasury management service is the funding of the Council's capital plans. These plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 5.3** The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensures liquidity and the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will, in effect, result in a loss to the General Fund Balance.
- 5.4** In line with CIPFA the Council defines its treasury management activities as:

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

- 5.5** Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

### **Reporting Requirements**

- 5.6** The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of strategies and policies, and estimated and actual figures.

**1. Prudential capital and treasury management indicators and treasury strategy (this report)** - The first, and most significant report covers:

- the capital plans (including Prudential Indicators);
- a Minimum Revenue Provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Annual Investment Strategy (the parameters on how investments are to be managed).

**2. A mid-year treasury management report** – This is primarily a progress report and updates members on the capital position, amending Prudential Indicators as necessary, and advises whether any policies require revision; and

**3. An annual treasury report** – This is a backward-looking review and provides details of a selection of actual prudential capital and treasury management indicators and of actual treasury operations compared to the estimates.

- 5.7** In addition to the three major reports detailed above quarterly reporting, as at the ends of June and September, is also required. These reports will be included in the financial monitoring provided to Cabinet.

### **Treasury Management Strategy for 2024/25**

- 5.8** The Strategy for 2024/25 covers two main areas, capital and treasury management:

#### **Capital**

- Capital expenditure plans and associated Prudential Indicators (paragraphs 6.5 to 6.15); and
- MRP Policy Statement (paragraphs 6.16 and 6.18).

#### **Treasury management**

- Current portfolio position (paragraphs 7.2 to 7.4);
- Treasury indicators which limit the treasury borrowing (paragraphs 7.7 to 7.10);
- Prospects for interest rates (paragraph 7.11 to 7.12);
- Borrowing strategy (paragraphs 7.13 to 7.15);
- Policy on borrowing in advance of need (paragraphs 7.16 and 7.18);
- Debt rescheduling (paragraphs 7.19 and 7.20);
- Investment Strategy (paragraph 8);

**5.9** These elements cover the requirements of the Local Government Act 2003, Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the Prudential Code, and the Treasury Management Code.

### **Training**

**5.10** The Treasury Management Code requires a Council officer (the “responsible officer”) to ensure that members with responsibility for treasury management receive adequate training in that function. This especially applies to members responsible for scrutiny. Furthermore, the Code states that all organisations are expected to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

**5.11** The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Councils should consider how to assess whether treasury management staff and members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

**5.12** As a minimum, organisations should carry out the following to monitor and review knowledge and skills:

- Record attendance at training sessions and ensure action is taken where poor attendance is identified;
- Prepare tailored learning plans for treasury management officers and Council members;
- Require treasury management officers and Council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the Council); and
- Have regular communication with officers and Council members, encouraging them to highlight training needs on an ongoing basis.

- 5.13** In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management.'
- 5.14** Appropriate training will be made available to all Members involved in the monitoring of treasury management performance.

### **Treasury management consultants**

- 5.15** The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. It has, therefore, appointed Link Group, Link Treasury Services Limited (Link) as its external treasury management consultant.
- 5.16** Notwithstanding this appointment, the Council recognises that responsibility for treasury management decisions remains with itself at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regards to available information, including, but not solely, that provided by Link.

## **6 THE CAPITAL PRUDENTIAL INDICATORS 2024/25 -2026/27**

### **Introduction**

- 6.1** The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the Prudential Indicators for 2024/25 to 2026/27, as attached in Appendix A, which are designed to assist members' overview and to confirm capital expenditure plans. It should be noted that the figures used as the baseline for 2024/25 would usually be taken from the audited accounts for 2022/23. The accounts for 2022/23 and those dating back to 2019/20 are yet to be finalised and audited.
- 6.2** The Corporate Director of Resources (Section 151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.
- 6.3** The Council is also required to confirm that it has adopted the Treasury Management Code.
- 6.4** The Prudential Indicators set will be monitored throughout the year and will be reported to Cabinet on a regular basis.

### **Capital Expenditure and Financing**

- 6.5 The first prudential indicator is a summary of the Council's expenditure plans, both those previously agreed, and those forming part of this budget cycle. Members are asked to approve the following expenditure forecasts.

**Table 1: Capital Expenditure**

	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
<b>General Fund services</b>	41.5	43.3	52.3	34.2	29.0
<b>Commercial activities and non-financial investments</b>	-	-	-	-	-
<b>HRA services</b>	37.8	39.0	57.2	97.1	70.5
<b>Capitalisation Direction*</b>	196.0	63.0	38.0	38.0	38.0
<b>TOTAL</b>	<b>275.3</b>	<b>145.3</b>	<b>147.5</b>	<b>169.3</b>	<b>137.5</b>

*\*The Capitalisation direction figure of £196m includes £36.2m for 22/23 and £159.8m applied to prior years.*

- 6.6 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the Council's overall financial position. The capital expenditure figures shown in Table 1 above indicate that no such activity is proposed in the future programme.
- 6.7 The above programme excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements, that already include borrowing instruments.
- 6.8 If approved by DLUHC, the Capitalisation Direction (see paragraph 7.23) will allow for certain items of revenue expenditure to be charged to Capital.
- 6.9 The table below summarises how the plans in Table 1 are being financed by capital and revenue resources. Any shortfall of resources results in a borrowing need.

**Table 2: Resources**

	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
<b>Capital receipts</b>	55.0	80.4	57.4	30.0	-
<b>Capital grants</b>	9.7	13.4	19.5	11.5	7.0
<b>S106 payments</b>	1.1	0.4	1.1	0.3	0.3
<b>Community Infrastructure Levy</b>	1.4	7.7	8.3	7.2	6.6
<b>Growth Zone Fund</b>	1.4	3.0	4.0	4.0	4.0
<b>HRA Contribution</b>	1.1	1.4	-	-	-
<b>GENERAL FUND TOTAL</b>	<b>69.7</b>	<b>106.3</b>	<b>90.3</b>	<b>53.0</b>	<b>17.9</b>
<b>HRA revenue</b>	-	13.9	12.2	11.3	16.7
<b>RTB receipts</b>	-	2.1	2.1	2.1	2.2



<b>HRA reserves</b>	22.8	7.5	28.2	24.1	-
<b>Capital grants</b>	1.2	-	-	-	-
<b>S106 payments</b>	0.4	-	-	-	-
<b>Major Repairs Allowance</b>	13.4	15.5	14.7	15.1	15.4
<b>HRA TOTAL</b>	<b>37.8</b>	<b>39.0</b>	<b>57.2</b>	<b>52.6</b>	<b>34.3</b>
<b>Net financing need GF</b>	167.8	-	-	19.2	49.1
<b>Net financing need HRA</b>	-	-	-	44.5	36.2
<b>TOTAL NET FINANCING</b>	<b>167.8</b>	<b>-</b>	<b>-</b>	<b>63.7</b>	<b>85.3</b>
<b>TOTAL</b>	<b>275.3</b>	<b>145.3</b>	<b>147.5</b>	<b>169.3</b>	<b>137.5</b>

### The Council's Borrowing Need (Capital Financing Requirement)

**6.10** The second Prudential Indicator is the Council's Capital Financing Requirement (CFR). This is the total of historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, effectively its underlying borrowing need. Any capital expenditure in Table 1, which has not immediately been paid for through a revenue or capital resource, will increase the CFR. However, the CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.

**6.11** The CFR includes any other long term liabilities such as PFI schemes and finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility provided by the PFI or lease provider and the Council is not required to borrow separately to deliver them. The Council currently has £137.9m of such schemes within the CFR.

**6.12** The Council is asked to approve the CFR projections below:

**Table 3: Capital Financing Requirement**

	<b>31/03/23 Forecast £m</b>	<b>31/03/24 Forecast £m</b>	<b>31/03/25 Estimate £m</b>	<b>31/03/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>
General Fund	1,399.9	1,371.9	1,344.5	1,336.8	1,359.2
HRA	365.7	365.7	365.7	410.2	446.4
<b>Total CFR</b>	<b>1,765.6</b>	<b>1,737.6</b>	<b>1,710.2</b>	<b>1,747.0</b>	<b>1,805.6</b>

**Table 4: Movement in Capital Financing Requirement**

	<b>2022/23 Forecast £m</b>	<b>2023/24 Forecast £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>
Net financing need	167.8	-	-	63.7	85.3
Less Minimum Revenue Provision	-45.8	-28.0	-27.4	-26.9	-26.7
Development loans repaid	-24.0	-	-	-	-

<b>Movement in CFR</b>	98.0	-28.0	-27.4	36.8	58.6
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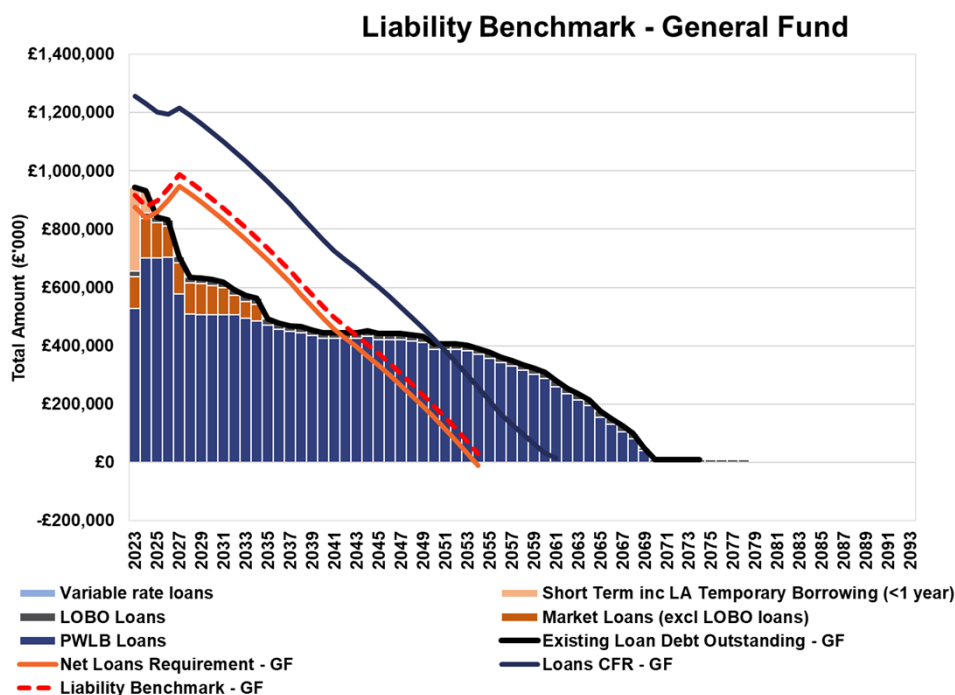
## Liability Benchmark

**6.13** The third prudential indicator is the Liability Benchmark (LB). The LB is a measure of how well the existing loans portfolio matches the authority’s planned borrowing needs. The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

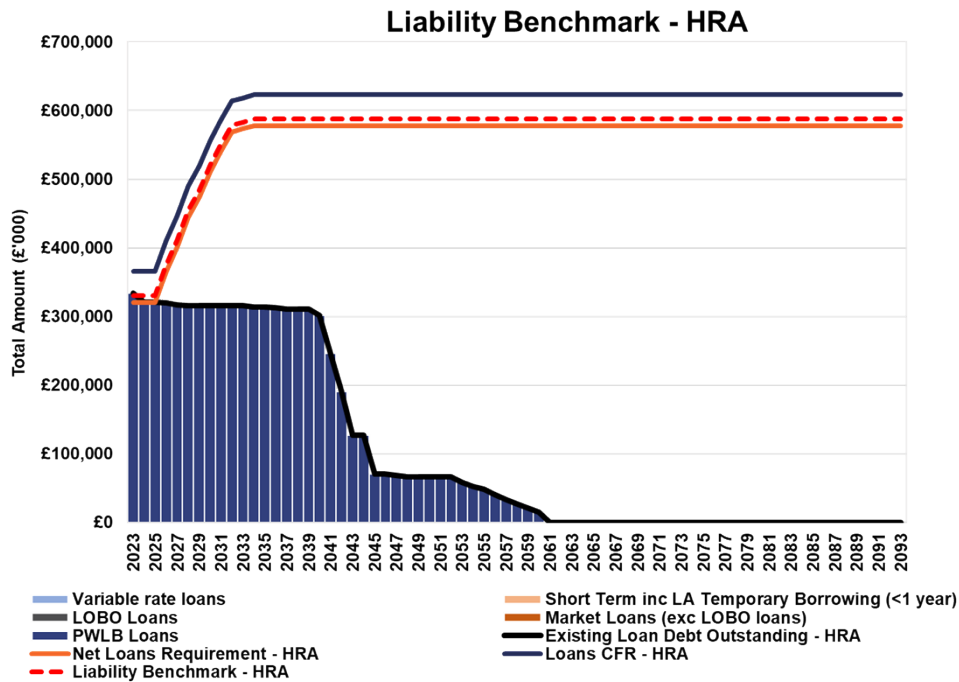
**6.14** There are four components to the LB:

- Existing loan debt outstanding in future years;
- Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP;
- Net loans requirement: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast; and
- LB (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

**6.15** Separate LBs have been calculated for the General Fund and the HRA and are shown in the charts below:



The LB for the General Fund shows that from 2024 to 2042 there are insufficient loans to meet the borrowing requirement as the Existing Loans Outstanding are below the LB line. The Council will need to fund this gap by either increasing its reliance on internal borrowing or adding to its external borrowing. Most will have to be done through external borrowing as the use of internal borrowing has almost been fully exhausted. From 2043 as the level of Existing Loans Outstanding rises above the LB line the Council will have surplus cash which will need investing.



The projection given above for the Council’s HRA LB benchmark has been taken from the HRA 30 year business plan. This indicates that significant levels of borrowing will be undertaken. This extra borrowing must be self-financed from the HRA account.

**Minimum Revenue Provision Policy Statement**

- 6.16 The Council’s Minimum Revenue Provision (MRP) Policy Statement is attached as Appendix B.
- 6.17 The MRP policy has been changed from 2024-25 in relation to the Council’s commercial property held as part of its Investment Property Portfolio. It has been amended to correctly follow the Statutory guidance on MRP which is, to make an MRP charge on the debt associated with the purchase of investment properties over an estimated asset life of 40 years. The capital receipt from any disposal of investment properties will be used to reduce the CFR balance associated with its purchase. The change is reflected in point 15 of the MRP Policy Statement.
- 6.18 Prior to the change referred to in 6.17 the policy was:
  - ‘ 15. The Council holds commercial property as part of its Investment Property Portfolio. The assets are held solely for investment purposes and are managed on a fully commercial basis. The Council has the ability to sell the assets to repay any

outstanding debt liabilities related to their purchase, there is still a need to consider if a prudent provision is required. As above, following a stringent risk assessment a contribution to the MRP may be necessary. The market value of the assets will be reviewed on a regular basis and if the asset value significantly decreases, a prudent MRP contribution will be made. For the 2023/24 Budget and the 3 Year MTFS the Council has calculated the projected MRP costs and these are included within the plans.'

## 7 BORROWING

7.1 The capital expenditure plans set out in paragraph 6.5 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The Treasury Management Strategy covers the relevant treasury / Prudential Indicators, the current and projected debt positions, and the Annual Investment Strategy.

### Current Borrowing Position

7.2 The level of the Council's borrowing as at 31 December 2023 was as follows:

**Table 5: Borrowing as at 31 December 2023**

	Principal £m	Average Rate %
<b>Fixed Rate Funding</b>		
- PWLB <sup>1</sup>	1,037.6	3.72
- Local Authorities <sup>2</sup>	75.0	3.34
- Amber Green LEEF 2LLP	5.0	1.60
- European Investment Bank	102.0	2.20
<b>Variable Rate Funding</b>		
- LOBO <sup>3</sup>	20.0	4.20
<b>Total External Debt as 31/12/23</b>	<b>1,239.6</b>	<b>3.57</b>
<b>Other long term liabilities</b>	<b>137.9</b>	
<b>Total Debt</b>	<b>1,377.5</b>	

1. PWLB is the Public Works Loan Board, the branch of Government that is the principal lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/2012.

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

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

7.3 The Council's debt maturity profile is set out below and is included as a graph in Appendix C.

**Table 6: Debt Maturity Profile at 31 December 2023**

	£m	% of External Debt
Under 12 months	78.0	6.3%
12 months to 2 years	128.7	10.4%
2 years to 5 years	90.0	7.3%
5 years to 10 years	137.0	11.0%
10 years and above	805.9	65.0%

7.4 The Council's external gross debt at 31 December 2023 was £1,377.5m and this is forecast to remain the same at 31 March 2024. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the CFR, highlighting any over- or under-borrowing.

**Table 7: Borrowing and the Capital Financing Requirement**

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
<b>Debt at 1 April</b>	1,364.6	1,277.5	1,239.6	1,287.2	1,374.0
<b>Expected change in debt</b>	-87.1	-37.9	47.6	86.8	83.6
<b>Other long term liabilities(OLTL)</b>	142.6	140.0	137.9	135.3	132.7
<b>Expected change in OLTL</b>	-2.6	-2.1	-2.6	-2.6	-2.6
<b>Actual gross debt at 31 March</b>	<b>1,417.5</b>	<b>1,377.5</b>	<b>1,422.5</b>	<b>1,506.7</b>	<b>1,587.7</b>
<b>CFR</b>	<b>1,765.6</b>	<b>1,737.6</b>	<b>1,710.2</b>	<b>1,747.0</b>	<b>1,805.6</b>
<b>Under/ (over) borrowing</b>	<b>348.1</b>	<b>360.1</b>	<b>287.7</b>	<b>240.3</b>	<b>217.9</b>

The table above assumes that the Council will have to externalise some of its existing internal borrowing as earmarked cash backed reserves which have been used to finance the internal borrowing will be required for future expenditure. It assumes £75m for 2024/25, £50m for 2025/26 and £25m for 2026/27.

Within the above figures the level of debt relating to commercial activities / non-financial investment is:

**Table 8: Debt relating to commercial activities / non-financial investment**

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
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<b>Debt at 1 April (£m)</b>	97.1	95.7	94.1	92.5	90.9
<b>Percentage of total external debt (%)</b>	6.9	6.9	6.6	6.2	5.8

**7.5** Within the range of Prudential Indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

**7.6** The Corporate Director of Resources (Section 151 Officer) reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

### **Treasury indicators: limits to borrowing activity**

**7.7** Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years.

**7.8** **Operational boundary for external debt.** This is the limit which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

**Table 9: Operational boundary for external debt**

	<b>31/03/23 Actual £m</b>	<b>31/03/24 Forecast £m</b>	<b>31/03/25 Estimate £m</b>	<b>31/03/26 Estimate £m</b>	<b>31/03/27 Estimate £m</b>
<b>Debt</b>	1,277.5	1,239.6	1,287.2	1,374.0	1,457.6
<b>Other long term liabilities</b>	140.0	137.9	135.3	132.7	130.1
<b>TOTAL</b>	<b>1,417.5</b>	<b>1,377.5</b>	<b>1,422.5</b>	<b>1,506.7</b>	<b>1,587.7</b>

**7.9** **Authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents the statutory limit under section 3 (1) of the Local Government Act 2003 beyond which external debt is

prohibited, and this limit needs to be set or revised by the Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The Government can control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.

**7.10** At the Council meeting held on 1 March 2023, the Council approved the Authorised Limit for 2023/24 of £1,553.4m. The forecast actual debt for 2023/24 is £1,377.5m and reflects the work done by the Council to date in reducing its external debt. The level of external debt has been identified as and remains a problem for the Council and where possible the Council are looking to reduce this or at least slow the pace of increase over time. The forecast increases in debt are largely driven by Capitalisation Directions being sought by the Council which are due to legacy issues around finance and governance. It is recommended that the Authorised limit for external debt is set based on the Operational boundary plus £50m which is approximately the level for one month of working capital. With this in mind, the Cabinet is asked to recommend to Full Council that it should approve the authorised limit for 2024/25 of £1,472.5m as per the following table:

**Table 10: Authorised limit for external debt**

	<b>31/3/23 Actual £m</b>	<b>31/03/24 Forecast £m</b>	<b>31/03/25 Estimate £m</b>	<b>31/03/26 Estimate £m</b>	<b>31/03/27 Estimate £m</b>
<b>Debt</b>	1,327.5	1,289.6	1,337.2	1,424.0	1,507.6
<b>Other long term liabilities</b>	140.0	137.9	135.3	132.7	130.1
<b>TOTAL</b>	<b>1,467.5</b>	<b>1,427.5</b>	<b>1,472.5</b>	<b>1,556.7</b>	<b>1,637.7</b>

### Prospects for Interest Rates

**7.11** Part of the service provided by Link is to assist the Council to formulate a view on future interest rate movements. The following table gives their current forecasts for certainty rates, gilt yields plus 80bps.

**Table 11: Interest Rate Forecast December 2023 to December 2026**

<b>Link Group Interest Rate View</b>	<b>07.11.23</b>												
	<b>Dec-23</b>	<b>Mar-24</b>	<b>Jun-24</b>	<b>Sep-24</b>	<b>Dec-24</b>	<b>Mar-25</b>	<b>Jun-25</b>	<b>Sep-25</b>	<b>Dec-25</b>	<b>Mar-26</b>	<b>Jun-26</b>	<b>Sep-26</b>	<b>Dec-26</b>
<b>BANK RATE</b>	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
<b>3 month ave earnings</b>	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
<b>6 month ave earnings</b>	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
<b>12 month ave earnings</b>	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
<b>5 yr PWLB</b>	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
<b>10 yr PWLB</b>	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
<b>25 yr PWLB</b>	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
<b>50 yr PWLB</b>	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

- 7.12** Interest rate forecasts have been extremely volatile over the last year, so any forecasts must be viewed with caution. However, the general consensus is that interest rates have peaked and are likely to start a downward trajectory starting in the second half of 2024. Link's commentary on the prospects for interest rates and on the wider economic background are attached as appendices D and E respectively.

### **Borrowing Strategy**

- 7.13** The Council continues to maintain an under-borrowed position. This means that the underlying capital borrowing need (CFR) is not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow is used as an interim measure. The Council will continue to maximise its use of internal borrowing whilst interest rates remain at perceived elevated levels. The Council has £78.0m of short term debt that needs to be financed over the coming calendar year and this along with any new borrowing will continue to be on a short term basis unless long term rates are deemed to be more optimal.
- 7.14** This strategy is prudent as medium and longer dated borrowing rates are expected to fall over the next couple of years as it appears the current level of interest rates has been enough to address prevailing inflation concerns. The Council will keep this under review and continue to be guided by its investment adviser.
- 7.15** Any borrowing, investment and financing decisions taken are delegated to the S151 Officer and will be reported to Cabinet at the first available opportunity.

### **Policy on borrowing in advance of need**

- 7.16** The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 7.17** Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.
- 7.18** The Council is not currently expecting to borrow in advance of need.

### **Debt rescheduling**

- 7.19** Rescheduling of current borrowing is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates, although the Council will have to refinance maturing debt.



**7.20** If rescheduling is to be undertaken it will be reported to Cabinet, at the earliest meeting following its action.

### **Sources of borrowing**

**7.21** The Council's main source of finance has traditionally been borrowing from the Public Works Loan Board (PWLB) where funds can be borrowed for up to 50 years.

**7.22** Currently the PWLB Certainty Rate is set at gilts +80 basis points for General Fund borrowing and gilts +60 basis points for HRA borrowing. The Council will continue to look at other sources, but has struggled to borrow from other sources due to it being perceived as having a higher risk than other local authority counterparties.

**7.23** The Council's Medium Term Financial Plan includes the provision of Capitalisation Directions from Government to support the budget gap of £38.0m per annum within the Revenue Account. This allows the Council to charge some of its revenue expenditure to capital. It is for the Council to decide which of its capital resources eg capital receipts or borrowing to allocate for this purpose at year end. Should the Council choose to borrow from the PWLB to finance the Capitalisation Directions it will be charged the more disadvantageous rate of PWLB+1%. MRP will be required using the asset life method with a proxy 'asset life' of no more than 20 years. To date, the Council has not needed to use this borrowing facility.

**7.24** The Council's 2024/25 Financial Plan indicates a £38m gap to its budget requirement and this is being supported by the allocation of a further capitalisation direction by Government.

## **8 ANNUAL INVESTMENT STRATEGY**

### **Investment Policy – Management of Risk**

**8.1** DLUHC, formerly MHCLG, and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, as managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy.

**8.2** The Council's Investment Policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments; and
- Treasury Management Code and Guidance Notes.

**8.3** The Council's investment priorities will be security first, portfolio liquidity second and then yield. The Council will aim to achieve the optimum yield on its investments

commensurate with proper levels of security and liquidity and with regard to its risk appetite.

**8.4** In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.

**8.5** The guidance from DLUHC and CIPFA places a high priority on the management of risk. The Council adopts a prudent approach to managing risk and defines its risk appetite by the following means:

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.
- Other information: ratings will not be the sole determinant of the quality of an institution; it is important continually to assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisers to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

### **Investment Policy – Council implementation**

**8.6** The Council has defined the list of types of investment instruments that the treasury management team are authorised to use. They are placed in one of two categories:

**Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

**Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

Detailed explanations of investment instruments included in the two categories are provided in Appendix F.

- 8.7** The Council's criteria for the selection of counterparties for investments are based on Link's assessment using formal credit ratings issued by various agencies. Credit rating information is supplied by Link on all active counterparties. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing.
- 8.8** Each week, the Council, along with other clients, receives from Link a "Suggested Credit List." This is accompanied by a disclaimer reminding recipients, inter alia, as follows:

*This document is intended for the use and assistance of customers of Link Asset Services. It should not be regarded as a substitute for the exercise by the recipient of its own judgement.*

- 8.9** Notwithstanding this and other similar clauses Link are the largest suppliers of treasury management advisory services to UK local authorities and understand the market well. In their analysis they take into account the views of each of the three major credit ratings agencies along with the pricing of credit default swaps and market intelligence. They are better placed than Council officers to carry out this analysis and the Council has adopted the following lending list criteria:

#### **Specified investments**

AAA rated money market funds - limit £20m  
Debt Management Office – no limit  
All UK local authorities – limit £10m  
NatWest as the Council's banker – limit £25m  
Duration of up to one year.

#### **Non-specified investments**

All institutions included on Link's weekly "Suggested Credit List" – limit £10m  
All UK local authorities with duration over one year – limit £10m  
Duration to be determined by the "Suggested Credit List" from Link

- 8.10** The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 8.15). Regular monitoring of investment performance will be carried out during the year.

### **Investment Strategy**

- 8.11** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate having peaked in the second half of 2023 and possibly reducing as early as the second half of 2024 so an agile investment strategy is appropriate to optimise returns.
- 8.12** Accordingly, while most cash balances are required in order to manage the fluctuations of cash flow, where surplus cash sums become available it is expected that these will be used to repay debt. However this will be assessed against income that could be generated through longer term investments.
- 8.13** As at 31 December 2023, the Council held £61.7m in short-term investments as shown in table 6 below. The Council deems it appropriate to hold between £50-100m in liquid investments in order to ensure it has the funds to meet its day to day expenditure arising from its operating needs. Any funds above those required to meet day to day expenditure will be used to repay debt as it matures. Daily liquidity requirements will be met by investing in AAA-rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued.

**Table 12: Temporary Investments as at 31 December 2023**

	<b>Principal £m</b>	<b>Average Rate %</b>
Money Market Funds	55.20	5.29
Other Local Authorities	6.60	5.75
<b>Total Temporary investments outstanding as at 31/12/23</b>	<b>61.7</b>	<b>5.34</b>

- 8.14** Based on cashflow forecasts for 2024/25 the Council anticipates its average daily cash balances for the year to be £75m. The overall balances include HRA revenue balances for which an apportionment of interest earned is made. The net income then due to the General Fund is estimated at £1.5m.

### **Investment returns expectations**

- 8.15** The current forecast is based on suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

**Table 13: Average Earnings in Each Year**

Average earnings in each year	
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

**8.16 Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity and debt repayment requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. The Council will be keeping minimal cash balances and so require liquidity which means it will not be investing sums over 365 days.

**8.17** The Council is asked to approve the following treasury indicator and limit: -

**Table 14: Upper limit for principal sums invested for longer than 365 days**

Upper limit for principal sums invested for longer than 365 days			
£m	2024/25	2025/26	2026/27
Principal sums invested for longer than 365 days	£m 0	£m 0	£m 0
Current investments as at 31 December 2023 in excess of 1 year	0	0	0

### End of Year Investment Report

**8.18** At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## 9 CONSULTATION IF REQUIRED

None

## **10 CONTRIBUTION TO COUNCIL PRIORITIES IF REQUIRED**

- 10.1** The Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25 supports the Mayors Business Plan 2022-2026 objective one 'The council balances its books, listens to residents and delivers good sustainable services'.

## **11 IMPLICATIONS**

### **11.1 FINANCIAL IMPLICATIONS**

- 11.1.1** Financial implications have been provided throughout this report.
- 11.1.2** The Council has high costs of borrowing and therefore careful and prudent treasury management is required to avoid unnecessary costs to the revenue account.
- 11.1.3** Comments approved by Allister Bannin on behalf of the Director of Finance. (date 19/01/2024)

### **11.2 LEGAL IMPLICATIONS**

- 11.2.1** The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) made pursuant to the Local Government Act 2003 require the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities ("The Prudential Code"). Regulations 23 and 24 provide respectively that capital receipts may only be used for specified purposes and that in carrying out its capital finance functions, a local authority must have regard to the code of practice in "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes " ("The Treasury Code") issued by CIPFA.
- 11.2.2** In relation to the Annual Investment Strategy, the Council is required to have regard to the Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 entitled "Statutory guidance on Local Government Investments 3rd Edition" which is applicable from and effective for financial years commencing on or after 1 April 2018.
- 11.2.3** In addition, the Prudential Code and the Treasury Code contain investment guidance which complements the Statutory Guidance mentioned above.
- 11.2.4** Local authorities are required to have regard to the current editions of the CIPFA codes by regulations 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended.
- 11.2.5** Under the provisions of Section 3(1) and (8) of the Local Government Act 2003, the Council must determine and keep under review how much money

it can afford to borrow, and the function of determining and keeping these levels under review is a full Council, rather than an executive function.

**11.2.6** The Council must also have regard to the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 entitled 'Statutory guidance on minimum revenue provision'.

**11.2.7** As set out earlier in this report, the Prudential Code requires authorities to prepare a capital strategy.

**11.2.8** Comments approved by Sandra Herbert, the Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer. (Date 09/01/2024)

### **11.3 EQUALITIES IMPLICATIONS**

**11.3.1** Under the Public Sector Equality Duty of the 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.

**11.3.2** 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.

**11.3.3** Although no EQI has been submitted for this report, it is understood from the report that there is no negative impact arising as a result of the proposals in this report for any protected groups.

**11.3.4** Comments approved by Naseer Ahmad on behalf of the Equalities Manager. (Date 11/01/2014)

### **11.4 HUMAN RESOURCES IMPLICATIONS**

**11.4.1** There are no immediate human resource implications arising from this report. It is essential the council, with Government support, operates a prudent approach to achieve a balanced budget, where cash raised during the year will meet its cash expenditure and the effective operation of treasury management supports this. In the event that the council cannot achieve a balanced budget this would likely have workforce implications and to effect such consequential changes the council would need to apply its HR policy

and procedure framework, including meaningful consultation with any affected staff and their trade union representatives.

**11.4.2** Approved by: Dean Shoesmith, Chief People Officer. (Date 12/01/2024)

## **12 APPENDICES**

- 12.1** Appendix A - Capital and Treasury Management Prudential Indicators 2024/25 -2026/27
- Appendix B - Minimum Revenue Provision Policy Statement 2024/25
- Appendix C - Long-term debt profile
- Appendix D - Commentary on prospects for interest rates – December 2023
- Appendix E - Economic background – December 2023
- Appendix F - Specified and non-specified investments

## **13 BACKGROUND DOCUMENTS**

- 13.1** Capital Strategy and Medium Term Financial Plan

**CONTACT OFFICER:** Matthew Hallett, Acting Head of Pensions and Treasury Ext 27148





**CAPITAL AND TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2023/24 – 2025/26****CAPITAL**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the plans is reflected in the Prudential Indicators, which are designed to assist members' overview and confirm capital expenditure plans.

**Capital Expenditure**

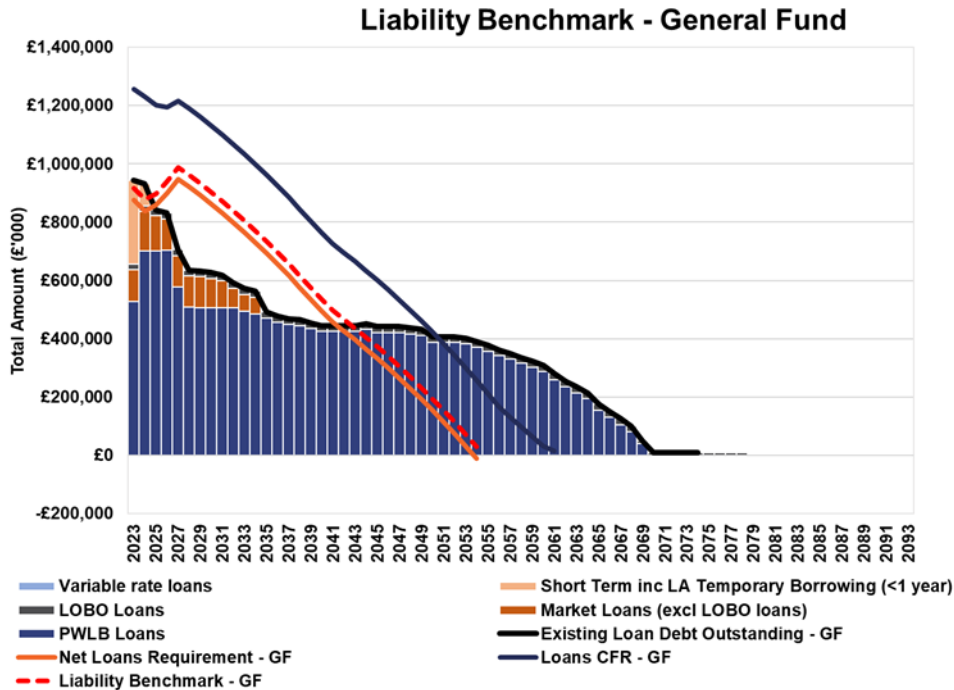
	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
<b>General Fund services</b>	41.5	43.3	52.3	34.2	29.0
<b>Commercial activities and non-financial investments</b>	-	-	-	-	-
<b>HRA services</b>	37.8	39.0	57.2	97.1	70.5
<b>Capitalisation Direction*</b>	196.0	63.0	38.0	38.0	38.0
<b>TOTAL</b>	<b>275.3</b>	<b>145.3</b>	<b>147.5</b>	<b>169.3</b>	<b>137.5</b>

*\*The Capitalisation direction figure of £196m includes £36.2m for 22/23 and £159.8m applied to prior years.*

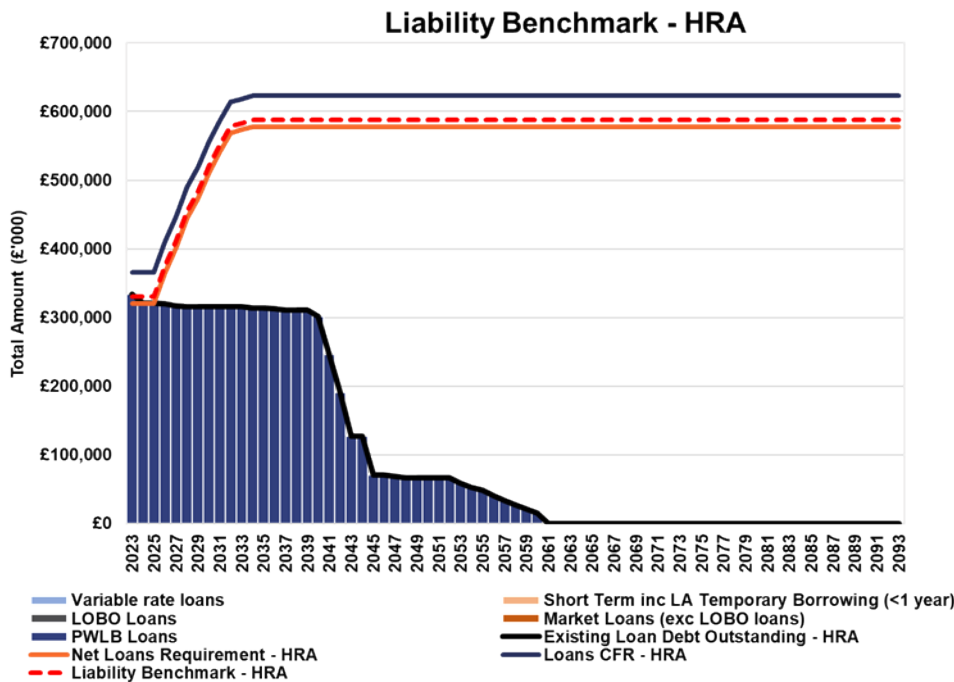
**Capital Financing Requirement Projections**

	31/03/23 Forecast £m	31/03/24 Forecast £m	31/03/25 Estimate £m	31/03/26 Estimate £m	2026/27 Estimate £m
General Fund	1,399.9	1,371.9	1,344.5	1,336.8	1,359.2
HRA	365.7	365.7	365.7	410.2	446.4
<b>Total CFR</b>	<b>1,765.6</b>	<b>1,737.6</b>	<b>1,710.2</b>	<b>1,747.0</b>	<b>1,805.6</b>

## Liability Benchmark



The LB for the General Fund shows that from 2024 to 2042 there are insufficient loans to meet the borrowing requirement as the Existing Loans Outstanding are below the LB line. The Council will need to fund this gap by either increasing its reliance on internal borrowing or adding to its external borrowing. Most will have to be done through external borrowing as the use of internal borrowing has almost been fully exhausted. From 2043 as the level of Existing Loans Outstanding rises above the LB line the Council will have surplus cash which will need investing.



The projection given above for the Council's HRA LB benchmark has been taken from the HRA 30 year business plan. This indicates that significant levels of borrowing will be undertaken. This extra borrowing must be self-financed from the HRA account.

## Debt and Capital Financing Requirement

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
<b>Debt at 1 April</b>	1,364.6	1,277.5	1,239.6	1,287.2	1,374.0
<b>Expected change in debt</b>	-87.1	-37.9	47.6	86.8	83.6
<b>Other long term liabilities(OLTL)</b>	142.6	140.0	137.9	135.3	132.7
<b>Expected change in OLTL</b>	-2.6	-2.1	-2.6	-2.6	-2.6
<b>Actual gross debt at 31 March</b>	<b>1,417.5</b>	<b>1,377.5</b>	<b>1,422.5</b>	<b>1,506.7</b>	<b>1,587.7</b>
<b>CFR</b>	<b>1,765.6</b>	<b>1,737.6</b>	<b>1,710.2</b>	<b>1,747.0</b>	<b>1,805.6</b>
<b>Under/ (over) borrowing</b>	<b>348.1</b>	<b>360.1</b>	<b>287.7</b>	<b>240.3</b>	<b>217.9</b>

The table above assumes that the Council will have to externalise some of its existing internal borrowing as earmarked cash backed reserves which have been used to finance the internal borrowing will be required for future expenditure. It assumes £75m for 2024/25, £50m for 2025/26 and £25m for 2026/27.

### Authorised limit for external debt

	31/3/23 Actual £m	31/03/24 Forecast £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m
<b>Debt</b>	1,327.5	1,289.6	1,337.2	1,424.0	1,507.6
<b>Other long term liabilities</b>	140.0	137.9	135.3	132.7	130.1
<b>TOTAL</b>	<b>1,467.5</b>	<b>1,427.5</b>	<b>1,472.5</b>	<b>1,556.7</b>	<b>1,637.7</b>

### Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing Prudential Indicators,

but within this framework Prudential Indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

**a) Ratio of Financing Costs to Net Revenue Stream**

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	<b>2022/23 Actual %</b>	<b>2023/24 Forecast %</b>	<b>2024/25 Estimate %</b>	<b>2025/26 Estimate %</b>	<b>2026/27 Estimate %</b>
General Fund	12.6	16.1	17.1	16.4	15.8
HRA	13.7	12.1	12.2	14.1	14.4

The estimates of financing costs include current commitments and the proposals in the budget report.

It is acknowledged that the cost of servicing the Council's debt for the General Fund is too high and not sustainable in the long term and a ratio of Financing Costs to the Net Revenue Stream of under 10% should be targeted to ensure sustainability.

**b) Ratio of debt to net revenue stream General Fund**

	<b>31/03/23 Actual</b>	<b>31/03/24 Forecast</b>	<b>31/03/25 Estimate</b>	<b>31/03/26 Estimate</b>	<b>31/03/27 Estimate</b>
General Fund CFR (£m)	1,399.9	1,371.9	1,344.5	1,336.8	1,359.2
General Fund Debt excluding (£m) Other long term liabilities	943.2	919.1	966.7	979.5	1,026.9
Net Revenue Stream (£m)	320.3	340.9	361.3	371.3	381.0
Ratio of CFR to Net Revenue Stream	4.4	4.0	3.7	3.6	3.6
Ratio of Debt to Net Revenue Stream	2.9	2.7	2.6	2.6	2.7

It is acknowledged that the Council's debt is too high and not sustainable in the long term and a ratio of the CFR to the Net Revenue Stream of 2.5 should be targeted to ensure sustainability.

**c) Ratio of Debt to Revenue HRA**

	<b>31/03/23 Actual</b>	<b>31/03/24 Forecast</b>	<b>31/03/25 Estimate</b>	<b>31/03/26 Estimate</b>	<b>31/03/27 Estimate</b>
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HRA debt £m	334.3	320.5	320.5	394.5	430.7
HRA debt cap (CFR) £m	365.7	365.7	365.7	410.2	446.4
HRA revenues £m	88.1	96.0	103.1	105.1	107.1
Ratio of debt to revenues (debt/revenue)	3.8	3.3	3.1	3.9	4.2

## TREASURY MANAGEMENT

### Investment treasury indicator and limit - total principal funds invested for greater than 365 days.

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end. The Council will be keeping minimal cash balances and so require liquidity which means it will not be investing sums over 365 days.

The Council is asked to approve the following treasury indicator and limit:

<b>Upper limit for principal sums invested for longer than 365 days</b>			
<b>£m</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Principal sums invested for longer than 365 days	£m 0	£m 0	£m 0
Current investments as at 31 December 2022 in excess of 1 year	0	0	0

### Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

<b>Maturity structure of fixed interest rate borrowing 2023/24</b>			
	<b>At 31 December 2023</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	6.3%	0%	20%
12 months to 2 years	10.4%	0%	20%
2 years to 5 years	7.3%	0%	30%
5 years to 10 years	11.0%	0%	30%
10 years and above	65.0%	0%	100%

### MINIMUM REVENUE PROVISION POLICY STATEMENT 2024/25

1. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 2003/3146, as amended] states that:

**“a local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent”.**

The regulations provide authorities discretion in deciding their annual amount of Minimum Revenue Provision (hereafter MRP). Statute (S.21 (1)(A) of LGA 2003) requires authorities to “have regard” to the MRP Guidance and the recommendations within it.

2. Regulation 28 does not define prudent provision, the MRP guidance issued by MHCLG (now DLUHC) makes recommendations on the interpretation of that term. Within this guidance it is acknowledged that while four methodologies are available to authorities, other approaches are not meant to be ruled out, provided they are fully consistent with the statutory duty to make prudent revenue provision. Therefore it is recognised that in some cases a more individually designed MRP approach is justified, taking into account local circumstances.

3. The Council has given regard to Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003 which was revised in November 2020.

4. The Council’s MRP Policy Statement for 2024/2025 is to be as follows:

5. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adopt Option 1 - the Regulatory Method by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.

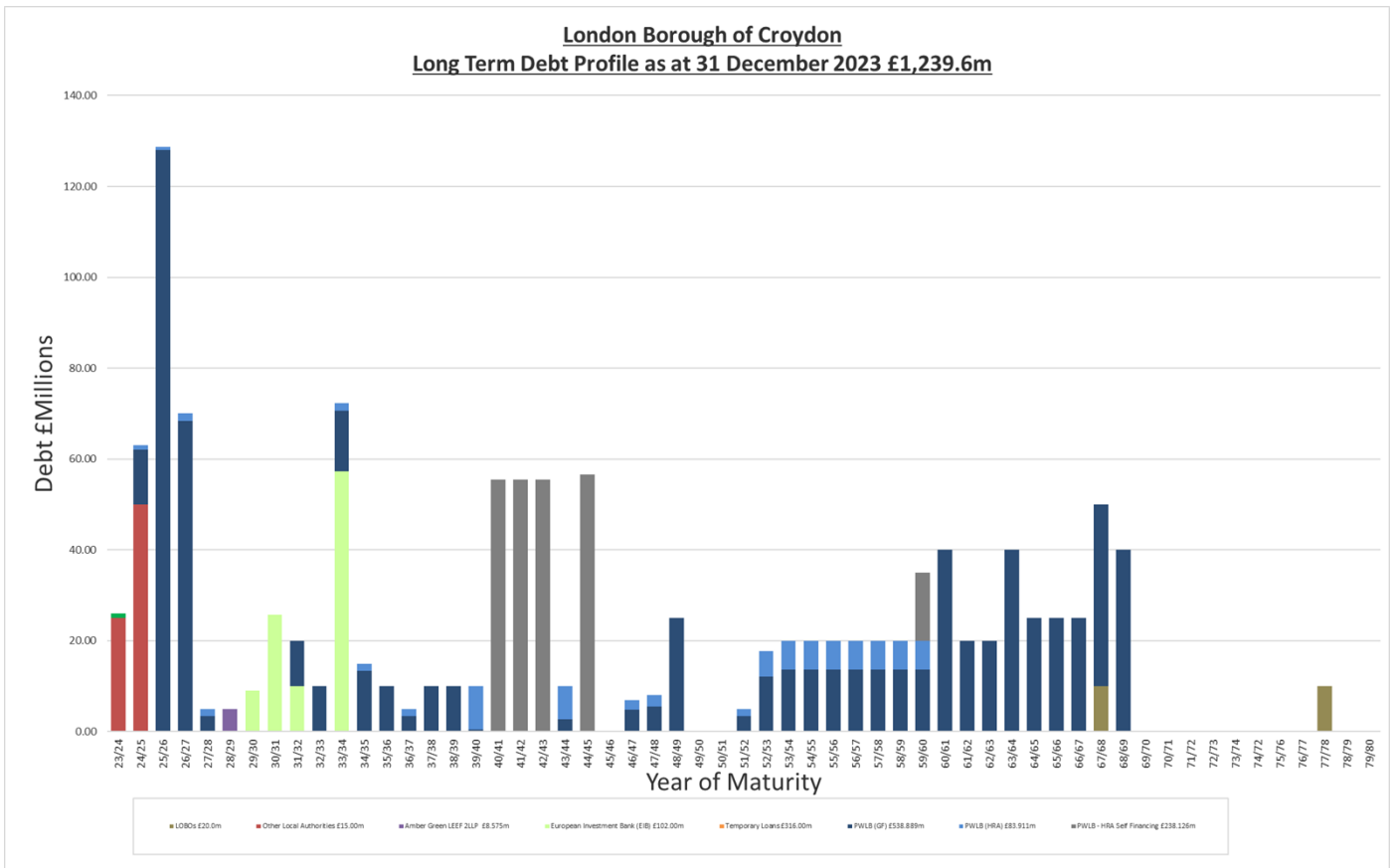
6. For unsupported borrowing undertaken since 1 April 2008, reflected within the CFR debt liability at 31 March 2023, the MRP policy will be to adopt Option 3 – Asset Life Method – Annuity method from the Guidance. Estimated life periods will continue to be determined as indicated in the Guidance. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate. The total useful life will not exceed 50 years which would be in line with MRP Guidance.

7. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

8. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.
9. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.
10. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP). In addition, the Council commits to set aside a minimum of 2% of Capital Financing Requirement for MRP in the event the total MRP charge is less than 2% of the total CFR.
11. There may be circumstances when the Council may not make a provision for the repayment of the debt liability. In such circumstances where the authority has had regard to the guidance and chooses an alternative approach, the authority will set out the reasons in support to demonstrate it is satisfied that the arrangement is prudent
12. Where the Council has provided loan(s) to a third party to support capital expenditure which is due to be repaid in full under the terms of the contractual agreements, the loan repayments are classed as a capital receipt. Any principal sum repaid will be set aside to reduce the increase in the CFR which relates to any such loan(s) provided.
13. In circumstances where the Council has previously determined not to set aside a provision to repay the debt liability, an annual review will be undertaken to determine if the amount and timing of any loan repayment remains in accordance with the formal loan agreement. Where there is evidence which suggests that the full amount will not be repaid, it would be prudent to reassess the need to commence MRP to recover the impaired amounts from revenue. This will be reviewed on an annual basis to assess the likelihood of default. If required, a prudent MRP policy will commence, following a stringent risk assessment process.
14. The Council holds commercial property as part of its Investment Property Portfolio. The assets are held solely for investment purposes and are managed on a fully commercial basis. The Council will make an MRP charge on debt associated with the purchase of investment properties over an estimated asset life of 40 years. The capital receipt from any disposal of investment properties will be used to reduce the CFR balance associated with its purchase.
15. The Council holds an investment in the Real Lettings Property Fund LP under a 7-year life arrangement which is due to be returned in full at maturity with interest paid on outstanding balances annually. The investment is treated as capital expenditure with the Council's CFR increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. No MRP has been charged as annual valuations have determined that Council's investment has not impaired in value but has increased instead. The investment is relatively short-term in duration and the funds are to be returned in full.
16. Loans borrowed from Amber Green LEEF 2LLP, an alternative source to fund energy efficiency and carbon reduction schemes at certain educational institutions within the Borough will be recovered in full from these institutions. As such, the Council has determined there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.







**COMMENTARY ON PROSPECTS FOR INTEREST RATES PROVIDED BY LINK GROUP**  
**DECEMBER 2023**

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
<b>BANK RATE</b>	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

*Additional notes by Link on this forecast table: -*

- Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

#### **PWLB RATES**

- Gilt yield curve movements have broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

**The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is to the downside.

### **Downside risks to current forecasts for UK gilt yields and PWLB rates include: -**

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

### **Upside risks to current forecasts for UK gilt yields and PWLB rates: -**

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

### **LINK GROUP FORECASTS**

We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

### **Gilt yields and PWLB rates**

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

**Borrowing advice:** Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below. You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

**ECONOMIC BACKGROUND – DECEMBER 2023**

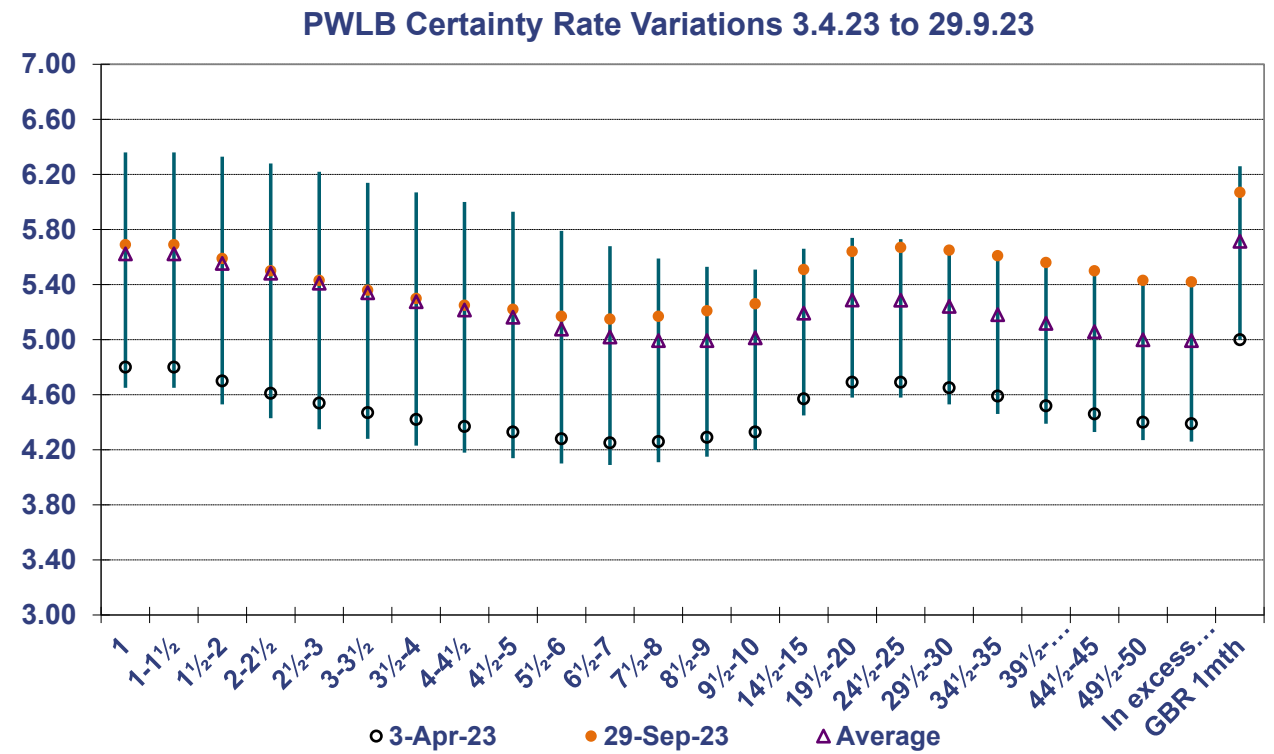
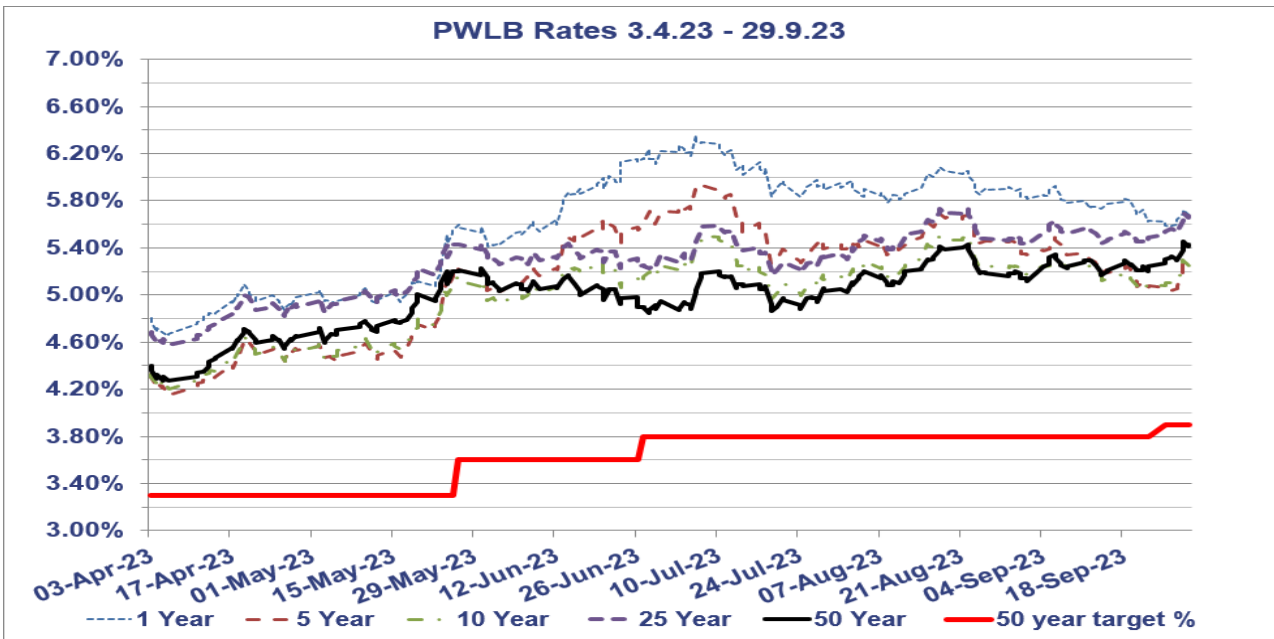
- The first half of 2023/24 saw:
  - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
  - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
  - CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.
  - Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.
  - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).
- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% quarter on quarter rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.
- The 0.4% month on month rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living situation without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.
- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the

labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23





## HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.65%	4.14%	4.20%	4.58%	4.27%
<b>Date</b>	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
<b>High</b>	6.36%	5.93%	5.51%	5.73%	5.45%
<b>Date</b>	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
<b>Average</b>	5.62%	5.16%	5.01%	5.29%	5.00%
<b>Spread</b>	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

### CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

### SPECIFIED AND NON-SPECIFIED INVESTMENTS

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

except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.
- Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.
- Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.
- Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts.
- If traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Enhanced Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding

assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.

- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market. If held to maturity there is a known yield but if traded there could be a potential for capital gain or loss through appreciation or depreciation in value. Given the potential for loss, any investment would need to be based on the principle that UK government gilts would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. If held to maturity, these bonds represent the nearest to a risk-free investment.
- Property Funds. Property funds can provide stable returns in terms of fixed period rents, whether commercial or industrial rentals. Property funds can be regulated or unregulated. An investment in share or loan capital issued by a regulated property fund is not treated as capital expenditure but an investment in an unregulated fund would count as capital expenditure. Given the nature of the property sector, a longer-term time horizon will need to be considered for this type of investment. The Council currently has invested in one property fund; the Real Lettings Property Fund Limited Partnership. It is recommended, however, that any future investments in property funds should only be considered, after consulting and taking advice from the treasury management consultants.
- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's authorised lending list, after consulting and taking advice from the treasury management consultants.
- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters. It is recommended that the use of this type of investment can now be considered, after consulting and taking advice from the treasury management consultants.
- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets. It is recommended that the use of this investment can now be considered, after consulting and taking advice from the treasury management consultants.
- Investment in equity of any company wholly owned by Croydon Council.

<b>REPORT TO:</b>	<b>COUNCIL</b> <b>28<sup>th</sup> February 2024</b>
<b>SUBJECT:</b>	<b>COUNCIL BUDGET - AMENDMENT FROM</b> <b>THE LABOUR GROUP</b>
<b>LEAD OFFICER:</b>	<b>Jane West, Section 151 and Corporate Director of</b> <b>Resources</b>
<b>WARDS:</b>	<b>All</b>

**SUMMARY OF REPORT:**

This is a supplementary paper to agenda item 8, the Council Budget Report.

The paper contains details of a proposed amendment that has been submitted by the Labour Group.

**1. BACKGROUND**

- 1.1 This paper is a supplement to agenda item 8, the Council Budget. It details a proposed amendment received from the Labour Group.
- 1.2 As per the Budget & Policy Framework, proposed amendments by Opposition Members / Opposition Groups, can only be voted upon at a second budget meeting, 6<sup>th</sup> March 2024 (scheduled for if the budget is not agreed on the 28<sup>th</sup> February 2024).
- 1.3 Any amendments are published however for reference and to inform the Council Budget debate.

**2. PROPOSED AMENDMENT**

- 2.1 The proposed budget amendment is set out as Appendix A.

## APPENDIX A

### LABOUR GROUP BUDGET AMENDMENT

Proposed by: Councillor Stuart King  
Seconded by: Councillor Callton Young

This Council notes that last year the Mayor raised Council Tax by 14.99% and that a further maximum permitted increase is proposed for 2024/25, taking Council Tax in Croydon to a new highest ever level. Meanwhile, a further £23m in cuts are to be made and resident satisfaction with key services continues to be poor.

This Council notes that since the election of the Executive Mayor the cost of the political and senior staff leadership of the Council has risen and is set to rise further. These costs include the Improvement & Assurance Panel, which has expanded in size. Its role, including its cost, is acknowledged and accepted.

The Council further notes that in his Scheme of Delegations the Executive Mayor has not delegated any executive functions to his Cabinet, thereby considerably reducing its value for money.

In this context this Council believes there is a reduced justification for the Mayor to maintain the same level of spend on his political appointees whilst he is not delegating decisions to his Cabinet. In contrast the immediate previous administration delegated decision making and reduced its SRAs and associated costs significantly.

In light of the above, this Council resolves to generate a revenue saving by reducing the cost of a number of political appointments that are not responsible for executive decision making or the scrutiny of those decisions. These are to:

1. Reduce the Special Responsibility Allowance (SRA) for the seven Cabinet Members by 50% to £14,307.16 [saving **£110k**]
2. Delete the SRA for the five Deputy Cabinet Members [saving **£30k**]
3. Reduce the SRA for the Majority Group Secretary to the same level provided to the Opposition Group Secretary [saving **£3k**]
4. Reduce the SRA for the Majority Group Whip to the same level provided to the Opposition Group Whip [saving **£7k**]

In addition, Council proposes to reduce the budget for the community engagement function in the Executive Mayor's Office [saving **£70k**]

These amendments to the General Fund budget combined would generate General Fund savings in 2024/25 of **£220k**.

These savings could be used to provide one or more of the following, which include priorities residents set out in their responses to the budget engagement exercise as set out in Appendix J to the Budget papers (Appendix G):

- a) **PROTECTING VULNERABLE YOUNG PEOPLE** Reinstates the Grade 9 post of Housing Safeguarding Officer to bridge the gap between housing and children's services to provide liaison and resolution of urgent housing needs as recommended in the Child Safeguarding Review of Serious Youth Violence, December 2023. [£55k]
- b) **KEEPING YOUNG PEOPLE SAFE** Commission a specific programme of targeted school support covering the transition from year 6 and 7, where young people are vulnerable to being exploited and drawn into criminal behaviour. Currently there is no provision offered like this in the borough, although it has been demonstrated to have positive effects across London (such as the Growing against Violence program)

Undertake targeted year-long outreach and engagement for teenagers at risk in our highest risk areas, which would include increasing the areas targeted so that we could address the five most vulnerable locations (Town Centre, Thornton Heath, New Addington, Shrublands Estate, Purley). This would include linking with local schools to help protect young people being robbed leaving school at the critical afternoon timeslot where our young people are most likely to be robbed.

Work with DWP, probation, adult education services, and local third sector groups with experience in working with older young people, to develop a support programme for those most at risk between 18 and 25 focussing on work readiness and employability, advocacy, and social skills support to enable them to leave criminality and reduce their risk of re-offending. [£200k]

- c) **TACKLING DOMESTIC ABUSE & VIOLENCE AGAINST WOMEN AND GIRLS** Fund two additional Independent Domestic Violence Advocates (IDVAs), to provide additional support for victims of domestic abuse and violence. Croydon is currently running the largest high-risk case load in London, and providing additional IDVAs would increase the quality and amount of support provided to the most vulnerable victims of domestic violence and abuse.

Fund a preventative course on healthy relationships targeted at young males. This would be linked to the existing Mental Health Support Team in schools provision delivered through the Education team and help prevent domestic abuse and violence against girls at a younger age. [£200k]

- d) **IMPROVING DELIVERY OF AFFORDABLE HOUSING** Reinstate the post of Senior Affordable Housing Enabling Officer in the Spatial Planning Team which is proposed for deletion as part of Budget saving 2024-28 SAV SCRER 003 [£65k]
- e) **CLEANER STREETS** Recruit an additional Client Monitoring Officer into the Environment Services team to ensure Veolia delivers street cleanliness to the standard required by the Council's contract with them [£55k]
- f) **NEW APPROACHES TO TACKLING FLYTIPPING** Establish a 12 month trial "pop up Mobile household recycling initiative" similar to that organised in Merton, as a way of bringing waste disposal and recycling closer to residents who do not live near a council tip or don't have access to a car [£5k per event]
- g) **BETTER DELIVERY OF SAVINGS** Strengthen the Policy, Programme & Performance by a Grade 14 post to improve oversight and delivery of Council savings commitments [£70k]
- h) **REDUCING THE COUNCIL'S DEBTS** Make additional debt repayments over and above what is proposed in the Mayor's 2024/25 budget proposals [£200k]

Budget delivery is the responsibility of the Executive Mayor. This Council leaves the decision about which one or combination of (a) to (h) above is to be funded in 2024/25 to the Executive Mayor.



<b>REPORT TO:</b>	<b>COUNCIL</b> <b>28<sup>th</sup> February 2024</b>
<b>SUBJECT:</b>	<b>COUNCIL BUDGET - AMENDMENT FROM</b> <b>THE GREEN GROUP</b>
<b>LEAD OFFICER:</b>	<b>Jane West, Section 151 and Corporate Director of Resources</b>
<b>WARDS:</b>	<b>All</b>

**SUMMARY OF REPORT:**

This is a supplementary paper to agenda item 8, the Council Budget Report.

The paper contains details of a proposed amendment that has been submitted by the Green Group.

**1. BACKGROUND**

- 1.1 This paper is a supplement to agenda item 8, the Council Budget. It details a proposed amendment received from the Green Group.
- 1.2 As per the Budget & Policy Framework, proposed amendments by Opposition Members / Opposition Groups, can only be voted upon at a second budget meeting, 6<sup>th</sup> March 2024 (scheduled for if the budget is not agreed on the 28<sup>th</sup> February 2024).
- 1.3 Any amendments are published however for reference and to inform the Council Budget debate.

**2. PROPOSED AMENDMENT**

- 2.1 The proposed budget amendment is set out as Appendix A.

## **APPENDIX A**

### **GREEN GROUP BUDGET AMENDMENT**

Proposed by: Councillor Ria Patel  
Seconded by: Councillor Esther Sutton

#### **Cuts**

##### **Fairer Salaries**

Croydon Council is delivering less services for residents, with frontline officers being cut; however, senior officers' pay has increased. The Greens believe that compared to the average salary in Croydon, senior officers are already paid too much, and pay rises should be minimised going forward.

The Green Party recognises that the latest pay policy demonstrates a pay ratio of 1:7 for staff on payroll, however we would like to see this also reflected including those contracted by the organisation.

We recommend HR conduct a review on how to make officers' salaries fairer over the next 6 months. This review should also consider whether it would be possible to reduce the number of people on senior salaries.

This would lead to savings that could be invested in frontline staff and services.

##### **Parking**

We are aware that the parking policy is going through a review. Greens would like to emphasise the need for the parking review to be fair between different parts of the borough, and also fair in terms of the carbon impact, i.e. the most polluting and largest vehicles paying more.

##### **Members' Allowances**

The people of Croydon voted for a mayoral system, against Green Party policy for a committee system. However, the current members' allowances seem to reflect the old cabinet system with Special Responsibility Allowances (SRAs) for the cabinet and shadow cabinet. We feel that it is now the role of all councillors to scrutinise the Executive Mayor. We believe the Constitution Working Group needs to consider this and members' allowances as agreed by Full Council should be reflective of the new responsibilities.

For the next financial year Greens propose to cut Special Responsibility Allowances (SRA's) for the administration and shadow cabinet by 50% and use the money to support frontline services, as set out below.

The total current cost for the SRA's for cabinet members, deputy cabinet members, shadow cabinet members, group secretaries and chief whips is £322k, and if cut by 50%, this would create a saving of £161k.

## **Growth**

### **Improving Community Safety and Environmental Enforcement**

Key concerns for local Croydon residents are violence and fly-tipping; however, Croydon Council has cut the relevant officers, meaning enforcement is low and repeat fly-tipping and vehicle idling goes unchallenged.

Greens would like to create 1 x Neighbourhood Safety Officer post (£51k cost).

Greens would like the Council to commission services for violence prevention from a public health perspective (£40k cost).

Greens would like a one year trial of creating 1 x Environmental Enforcement Officer post (£65k), which would be self-funded via fines from enforcement.

### **Bus Shelters**

Greens campaigned for Croydon's bus shelters to be restored during our local election campaign in 2022. Two years later Croydon is still awaiting bus shelters. We should be encouraging more people to use public and active transport. But the lack of bus shelters is putting people off waiting for buses.

So Greens would like to ensure Croydon's bus shelters are of high-quality, with green roofs, live bus times, wayfinding and positive, ethical advertising as part of the ongoing procurement.

There are examples across the UK and Europe of high-quality bus shelters, which are not only functional but also have features which Croydon residents would be proud of. These bus shelters, of which at least 10 would include green roofs, would have the ongoing maintenance funded from the ethical advertising revenue. The extra setup costs of the green roofs would be funded by section 106 contributions if the ethical advertising revenue wasn't sufficient to fund the setup costs.

### **Community Food Growing Projects**

Greens would encourage the building of more community food growing projects.

We would want £30k from Section 106 as seed funding, to help with promotion and for community groups around Croydon to start food growing projects, as well as to support them in sourcing funding from outside of the council to further expand their projects.

### **Bike Lockers and Infrastructure**

Greens are aware that Croydon Council is not applying for funding which is already available to them, for example, from the Mayor of London and external sources. We encourage Croydon Council to submit new bids going forward, for example for better cycle provision, bus priority lanes, bike lockers and other active travel infrastructure.

### **Carbon Literacy**

We spend a lot of time looking at the financial budget for Croydon Council, but there's no information for the carbon budget for Croydon Council or the carbon impact of all the spending discussed in the budget.

There are various training courses available, like carbon literacy training, much of which is free, so we would request more officers are allowed and encouraged to access this training so that in future the Council budget includes the carbon impact of the Council's activities not just the financial implications.

### **Care Leavers**

We would like a review, supported by up to £30k, to conduct research and a needs assessment for care leavers. This is to identify whether Croydon Council's current provisions are sufficient and what the funding thresholds are to enable care leavers to take their next steps in life, from accommodation and transport, to apprenticeships and higher education.

### **Libraries**

The rest of our savings (£40k) would be used to support and promote library services and offers, which would also support improving the financial sustainability of our library offer through events and venue hire.

# Agenda Item 7

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>COUNCIL</b>	
<b>DATE OF DECISION</b>	<b>6 March 2024</b>	
<b>REPORT TITLE:</b>	<b>Members' Allowance Scheme 2023/24 and 2024/25</b>	
<b>DIRECTOR:</b>	Stephen Lawrence-Orumwense Director of Legal Services	
<b>LEAD OFFICER:</b>	Adrian May Interim Head of Democratic Services adrian.may@croydon.gov.uk	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>NO</b>	Public
<b>WARDS AFFECTED:</b>	<b>NA</b>	

### 1 SUMMARY OF REPORT

- 1.1 Under the Local Authorities (Members' Allowances) (England) Regulations 2003, Councils must, each year, approve the Members' Allowances Scheme for the next financial year. On 1<sup>st</sup> March 2023, Full Council agreed that there would be no uplift to the Members Allowance Scheme for 2022/23 and that the 2023/24 Scheme should be materially the same as the 2022/23 Scheme.
- 1.2 In January 2024, the Independent Panel on the Remuneration of Councillors in London published its report on the remuneration of Councillors in London for 2023 ("Remuneration Report"), attached as Appendix 1, and amongst other matters recommended that with regards to annual uplifts, all allowances should be updated annually in line with the percentage pay award agreed by the National Joint Council for Local Government Services Staff (LPSS). This represents a 3.88% increase from April 2023. The Council must have regard to this and the other Independent Panel Recommendations when considering any amendments to the Members Allowance Scheme.
- 1.3 General Purposes Committee (GPC), 19<sup>th</sup> February 2024, reviewed an officer proposal that the 2023/24 Members' Scheme be increased in-line with the Local Government Pay Settlement (agreed in November 2023). The GPC also considered the Members' Allowance Scheme proposed for 2024/25 which they recommend for Full Council approval. Appendix 3 shows track changes from the 2023/24 scheme updated following GPC, 19<sup>th</sup> Feb 2024.
- 1.4 The report presented to the GPC, 19<sup>th</sup> February 2024 is attached as Appendix 2.

## 2 RECOMMENDATIONS

For the reasons set out in this report (and appendices), and as recommended by the General Purposes Committee, Council is recommended to:

- 2.1 give due consideration to the Independent Panel Report (IPR) on the Remuneration of Councillors in London for 2023 (“Remuneration Report” Appendix 1) when considering this report and proposals around the Members Allowance Scheme.
- 2.2 agree that **No Increase** is applied to the Member Allowance Scheme for 2023/24, which had been proposed at a 3.88% increase to align with the LPSS;
- 2.3 agree the Members’ Allowances Scheme for 2024/25 (Appendix 3).
- 2.4 agree that the Director of Legal Services is authorised to comply with the statutory requirements to publicise the 2024/25 Members’ Allowances Scheme, the IPR and make all necessary updates to the Constitution; and,

to note:

- 2.5 that the General Purposes agreed to undertake a review of the Members Allowance Scheme in 2024 as detailed in paragraph 4.9 and 4.10.
- 2.6 A recommendation around any uplift aligned to the LPSS applicable for the Members Allowance Scheme 2024/25 will be proposed to Full Council by GPC late 2024 / early 2025.

## 3 REASONS FOR RECOMMENDATIONS

- 3.1 Following consideration at the General Purposes Committee, 19 February 2024, which included discussion of the Independent Panel, and their strong recommendations around increasing basic allowances and applying LGSS aligned increases, GPC did not agree the proposed recommendation to Council for an increase to the 2023/24 Members’ Allowance Scheme.
- 3.2 GPC agreed to recommend to Council the Members’ Allowance Scheme for 2024/25 with the changes highlighted in Appendix 3 (shows track changes from the 2023/24 scheme, updated following GPC, 19<sup>th</sup> Feb 2024):
- 3.3 There is a legal requirement for the Members’ Allowance Scheme to be advertised / published in the local press (albeit also being published on the internet) and it is good governance that the constitution be regulated updated.

## 4 BACKGROUND AND DETAILS

- 4.1 There is a statutory duty for a Members Allowance Scheme to be agreed by Full Council before the commencement of the financial year to which it applies. In doing so, there is a statutory duty for Full Council to have regard to the recommendations of the Independent Remuneration Panel, Appendix 1 to this report.
- 4.2 The Croydon Member's Allowance Scheme already provides that the Basic and Special Responsibility Allowances, Civic Mayor and Deputy Civic Mayor Allowance shall be subject to an annual adjustment.
- 4.3 A report on a proposed uplift for 2023/24 along with a proposed Members Allowance Scheme for 2024/25 was presented to GPC on the 19<sup>th</sup> February 2024 (Appendix 2).
- 4.4 The GPC recognised the Members Allowances Scheme was important to help address equalities issues and remove possible barriers to becoming a Councillor. GPC understood the strong recommendations and rationale contained in the thorough report of the Independent Panel.
- 4.5 It was acknowledged by GPC and of concern, that by allowances not having increased for several years, the gap between IRP recommendations and the Croydon scheme continued to widen and unfortunately the scheme would not be as effective in supporting and enabling local people from a diverse range of backgrounds and circumstances to become a Councillor.
- 4.6 It was unanimously agreed however that considering the continued financial challenges of the council, now was not the time to agree an increase to allowances.
- 4.7 Under the Local Authorities (Members' Allowances) (England) Regulations 2003, Councils each year, must approve the Members' Allowances Scheme for the next financial year.
- 4.8 With regards to the Members' Allowance Scheme for 2024/25, GPC agreed to recommend to Council the Scheme in Appendix 3 (which shows track changes from the 2023/24 scheme, updated following GPC, 19<sup>th</sup> Feb 2024), with the changes being:
- In order for improved transparency to Members and the Public and to allow Council to agree annual adjustment based on actual known % increases, it is proposed to both allow agreement of increases applicable for the coming year or in-year. For clarity and to confirm - No more than one inflationary related uplift can be agreed or be applicable for any given year.
  - The Members Allowance scheme is therefore recommended to make the following provision to accommodate backdating of any adjustments when agreed for a given year (see Paragraphs 4 & 5 in Appendix 3):

*4. Unless agreed otherwise by Full Council that no uplift will apply, the level of the Basic Allowance, Special Responsibility Allowances, Civic Mayor's and Deputy Civic Mayor's Allowances may be subject to annual adjustment in line with the percentage pay award agreed by the National Joint Council (NJC) for Local Government Services staff (LGSS). Members may review this aspect no more frequently than annually to determine whether there will be an adjustment for the Council year in question. Where it is necessary to consider a potential uplift in-year (where the details of the annual LGSS settlement is not agreed until after the commencement of the year to which the scheme applies) paragraph 5 below will apply.*

*5. Where an amendment is to be made by virtue of an uplift which affects an allowance payable for the year in which the amendment is made, the entitlement to such allowance as amended is to apply with effect from the beginning of the year in which the amendment is made. There is no ability to backdate any entitlement beyond the current year.*

- To meet the Independent Panel recommendations around enhancing care of dependent allowances, it is proposed that the 2024/25 Members Allowance Scheme be amended to include the payment of enhanced rates where specialist nursing care is required (See DEPENDENT CARERS ALLOWANCE section in Appendix 3).

**4.9** Whilst it was noted by GPC that no changes to Member roles, functions and responsibilities or Committee functions and business had been identified during the period from the last review, sufficient to warrant a change to the basic or special allowances payable under the scheme, during the consultation, a number of issues had been raised.

**4.10** It was agreed the issues would be further explored, with proposals anticipated as being brought back to GPC in November 2024, as part of a wider review of Members Allowances, which would include the following:

- a further consideration of the IPR report.
- Consider the anticipated Independent Panel review of implementation progress across London (as noted in Appendix 1, page 17)
- Further feedback received by Members on the current scheme.
- LGSS agreed and applicable for 2024/25.

**4.11** The issues, highlighted in the report to GPC, Appendix 2, were that no specific provision for an SRA for Scrutiny Sub-Committee Chairs exists and there is no provision for a 2<sup>nd</sup> Opposition Group Leader.

**4.12** At GPC 19<sup>th</sup> Feb 2024, an apology given to Members for a typo in the Report Title (subsequently corrected from '2022/23' to '2023/24', Appendix 2).



## **5 CONSULTATION**

- 5.1** In addition to the details in the Consultation of the reports to General Purposes Committee (Appendix 2), it was reiterated that the two largest groups understood the reasons for the proposed increase, but it needed to be considered in the wider financial context and challenge.
- 5.2** It was conveyed that Green Group had noted the lack of provision for a Scrutiny Sub-Committee SRA (*this had also been identified by Officers*), and the Group wished the issue to be reviewed and addressed. It was noted at the GPC that officers felt more time was needed to review the options, and review the 2<sup>nd</sup> opposition SRA as part of a proposed, and subsequently agreed, allowance review during 2024.
- 5.3** The LibDem Independent Member conveyed they understood the rationale for the proposed increase and financial pressure felt by Councillors and the role allowances played in equalities and tackling barriers to becoming/remaining a Councillor. Equally the financial pressure on local residents and Council had to be considered. A review was supported during 2024 to consider any approaches to the scrutiny and 2<sup>nd</sup> Opposition Group SRA.

## **6 CONTRIBUTION TO COUNCIL PRIORITIES**

- 6.1** Through taking into consideration the recommendations of the current and future IRP report, it supports the Council to achieve, priority 4 of the Mayor's Business Plan: Ensure good governance is embedded and adopt best practice.

## **7 IMPLICATIONS**

### **7.1 FINANCIAL IMPLICATIONS**

The annual cost of the Members Allowance Scheme for 2023/24, including the council's national insurance contributions, will be approx. £1.488m (Updated figure).

Full details of the financial implications of an increase were detailed in the report (Appendix 2).

Please note, the financial implications section in Appendix 2 was approved by Lesley Shields, Interim Head of Finance – Resources & Assistant Chief Executive.

## 7.2 LEGAL IMPLICATIONS

- 7.2.1 The Council's Scheme of Members' Allowances is required to comply with the relevant provisions of the Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002, Local Authorities (Members' Allowances) (England) Regulations 2003, the Local Government and Housing Act 1989 and the Local Government Act 2000. In addition, there are separate provisions, namely sections 3 and 5 of the Local Government Act 1972 for the payment of allowances to the current civic Mayor and the deputy civic Mayor which Croydon has traditionally referenced as part of its Scheme of Members' Allowances, although the Council is not obliged to make such an inclusion as it sits outside the statutory regime for Members' Allowances.
- 7.2.2 The 2002 Regulations specifically allows for an elected mayor to be treated as a councillor of the local authority for the purposes of schemes relating to basic attendance and special responsibility allowances for local authority members as set-out within the Local Government and Housing Act 1989.
- 7.2.3 Regulation 10 of the 2003 Regulations provides that before the beginning of each year, an authority shall make the scheme required by regulation 4(1)(a) for the payment of basic allowance for that year. The scheme shall also make provision for the following allowances if an authority intends to make such payments in respect of the year–
- (a) special responsibility allowance;
  - (b) dependants' carers' allowance;
  - (c) travelling and subsistence allowance; and
  - (d) co-optees' allowance.
- 7.2.4 Subject to regulation 12 the scheme may be amended at any time but may only be revoked with effect from the beginning of a year. A scheme may make provision for an annual adjustment of allowances by reference to such index as may be specified by the authority and where the only change made to a scheme in any year is that effected by such annual adjustment in accordance with such index the scheme shall be deemed not to have been amended.
- 7.2.5 Regulation 10 (5) provides that where an authority has regard to an index for the purpose of annual adjustment of allowances it must not rely on that index for longer than a period of four years before seeking a further recommendation from the independent remuneration panel established in respect of that authority on the application of an index to its scheme. The Independent remuneration panel, in its current report, continues to recommend that any proposed annual adjustment be linked to the Local Government Staff Settlement (LGSS). Whilst the Council's current scheme makes provision for an annual adjustment, General Purposes Committee accepted the recommendation to provide in the scheme that such an annual adjustment may be approved by Full Council not that it "shall" take place. In addition, the current scheme makes no provision for the backdating of such adjustment as detailed more fully within the report to General Purposes Committee and changes are recommended by GPC to the scheme for 24/25 to accommodate this for future years.
- 7.2.6 Where an amendment is to be made which affects an allowance payable for the year in which the amendment is made, the scheme may provide for the entitlement to such allowance as amended to apply with effect from the beginning of the year in which the amendment is made. (Regulation 10(6).)

- 7.2.7 In accordance with regulation 21, An independent remuneration panel is required to produce a report in relation to the authority or authorities in respect of which it was established, making recommendations in respect of, among other matters—
- as to whether, in the event that the scheme is amended at any time so as to affect an allowance payable for the year in which the amendment is made, payment of allowances may be backdated in accordance with regulation 10(6);
  - as to whether adjustments to the level of allowances may be determined according to an index and if so which index and how long that index should apply, subject to a maximum of four years, before its application is reviewed.
- 7.2.8 Regulation 19 of the 2003 Regulations provides that the Council must have regard to the recommendations of the independent remuneration panel before making or amending a Scheme of Allowances for its members.
- 7.2.9 Regulation 5(1) of the 2003 Regulations provide that the Scheme can make provision for an SRA to be paid to members who have such "special responsibilities in relation to the authority as are specified in the Scheme" and are within one or more of nine categories of responsibility identified in sub-paragraphs (a) - (i). This includes responsibilities such acting as leader or deputy leader of a political group within the authority; acting as a member of an Executive, presiding at meetings of a committee or sub-committee and acting as a spokesman of a political group on a committee or sub-committee.
- 7.2.10 Regulation 13 requires that the Council's scheme shall provide that a person may, by notice in writing given to the proper officer of the authority, elect to forgo their entitlement or any part of their entitlement to allowances.
- 7.2.11 Regulation 22, which makes provision for the required publicity for recommendations of Independent Remuneration Panels requires that once an authority receives a copy of a report made to it by an independent remuneration panel in accordance with regulation 21, it shall, as soon as reasonably practicable—
- (a) ensure that copies of that report are available for inspection by members of the public at the principal office of the authority, at all reasonable hours; and
  - (b) publish in one or more newspapers circulating in its area, a notice which—
    - (i) states that it has received recommendations from an independent remuneration panel in respect of its scheme;
    - (ii) describes the main features of that panel's recommendations and specifies the recommended amounts of each allowance mentioned in the report in respect of that authority;
    - (iii) states that copies of the panel's report are available at the principal office of the authority for inspection by members of the public at such times as may be specified by the authority in the notice; and
    - (iv) specifies the address of the principal office of the authority at which such copies are made available.

Comments approved by Stephen Lawrence-Orumwense Director of Legal Services and Monitoring Officer (20/02/2024).

## **7.3 EQUALITIES IMPLICATIONS**

- 7.3.1 Under the Public Sector Equality Duty of the 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.
- 7.4.2 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.
- 7.4.3 There are no direct equality implications arising from the recommendations in this report. The provision for annual increases reflected in the scheme however does reflect the report of the Independent Remuneration Panel views that allowances should be set at a level that enable people from a diverse range of backgrounds to become Councillors.
- 7.4.4 Councillors who require reasonable adjustments for disabilities should seek support from Democratic Services under PSED Equality Act 2010.

Approved by: Denise McCausland Equalities Programme Manager 12/02/2024

## **8 APPENDICES**

**Appendix 1** - Remuneration Independent Panel report 2023

**Appendix 2** - Report to GPC, 19th Feb 2024

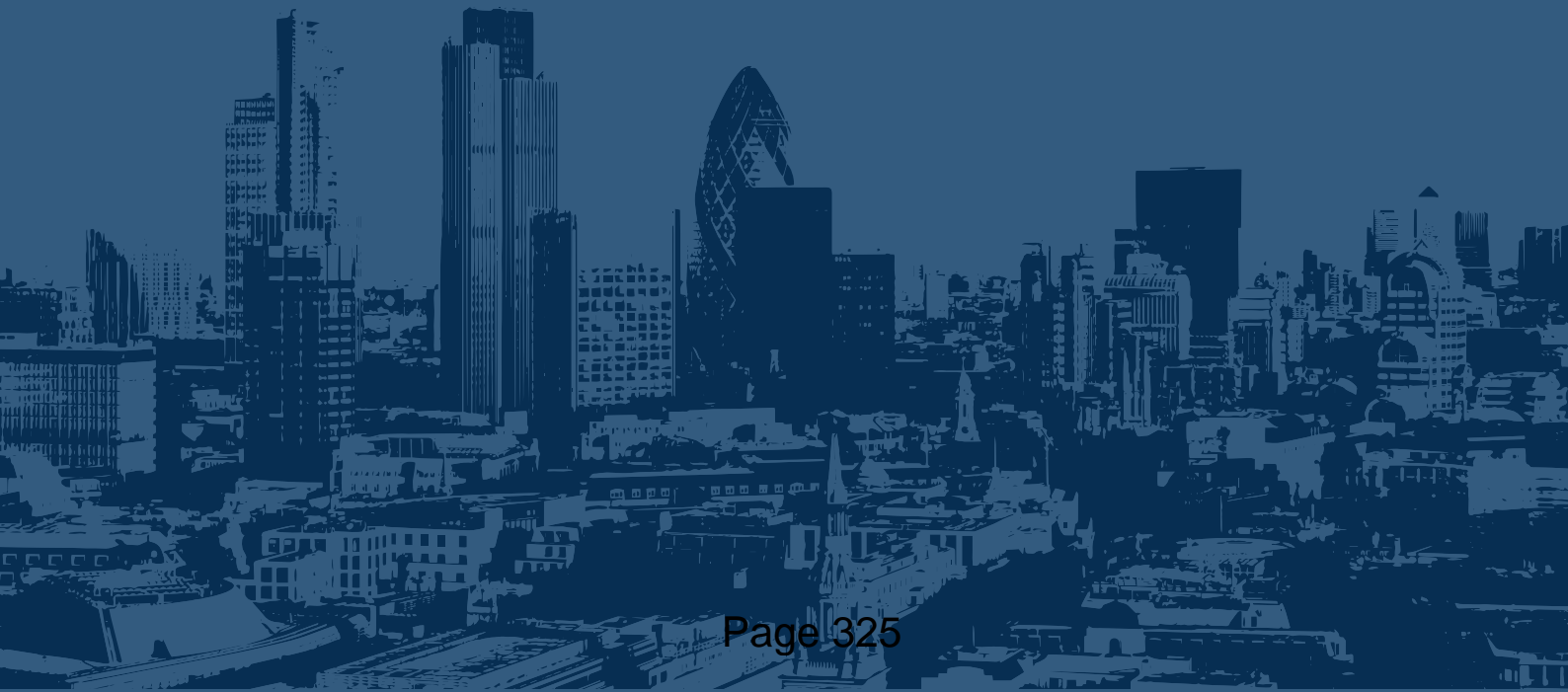
**Appendix 3** - Proposed 2024/25 Allowance Scheme with Tracked Changes

## **9 BACKGROUND DOCUMENTS**

N/A

# The Remuneration of Councillors in London 2023

Report of the Independent Panel



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# Remuneration of councillors in London 2023

## 1. Introduction

- 1.1 The Independent Panel on Members' Remuneration last published a report on member allowances in early 2022. In that report the Panel did not recommend substantial changes to Member allowances, it noted that the challenges facing councils and councillors appeared to be increasing and becoming more complex. Therefore, the Panel also recommended that it undertake a more detailed review in 2023.
- 1.2 For the 2023 review, the Panel has undertaken a detailed review of member allowances with the aim of providing up to date advice on appropriate levels of reward for the work of elected members in London over the next four years. The intention was to seek a wider consultation than previously, using qualitative and quantitative research to underpin its findings and recommendations. The Panel canvassed members and officers in all London boroughs through surveys, focus groups and interviews, in order to consider whether and how the role of councillors has changed in recent years and what the main issues that may have an effect on the recruitment and retention of councillors are currently. It also carried out a considerable benchmarking exercise of allowances paid in other parts of England as well as in Scotland, Wales and Northern Ireland, and undertook an in-depth review of the methodology used by Independent Remuneration Panels across the UK.
- 1.3 The research showed that basic allowances per annum in London are significantly lower than those paid in Scotland, Wales and Northern Ireland. The assessment of members' allowances in the home nations is carried out by independent bodies whereas in England, the level of allowances is determined by the local authority members themselves. It has also become clear that allowances in many boroughs are considerably lower than remuneration received by workers in London with comparative levels of responsibilities and skills. This comparative contrast in remuneration is juxtaposed against increased workloads, time pressures, accountability, and financial pressures that councillors are presently having to manage. The Panel takes the view that it is important that there is a system of support in place that recognises the vital role that elected representatives play in local government and the full scale of their responsibilities. This support includes appropriate remuneration levels.

## 2.0 Background

- 2.1 Local authorities are required by the Local Authorities (Members' Allowances) (England) Regulations 2003<sup>1</sup> to establish and maintain an independent remuneration panel to make recommendations on the level of the basic and special responsibility allowances. In London the regulations authorise the establishment of an independent panel (the Panel) by the Association of London Government (now London Councils)

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<sup>1</sup> [The Local Authorities \(Members' Allowances\) \(England\) Regulations 2003 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uksi/2003/1070/contents/make)

panel to make recommendations in respect of the members' allowances payable by London boroughs. The Regulations require a review of the scheme every four years as a minimum. Whilst the Panel makes recommendations, each council determines its own remuneration scheme for its own councillors, having regard to the Panel's recommendations.

- 2.2 The Independent Panel for London Councils currently comprises Mike Cooke (Chair), Sir Rodney Brooke CBE DL and Anne Watts CBE. It reported in 2022 and at that time recommended very few changes on the basis that more time was needed for a more detailed review during 2023, given that the Panel had received feedback that the work of councillors and the demands upon them had increased significantly.

### **3.0 Research**

- 3.1 This review has provided the Panel with an opportunity to consider the roles undertaken by councillors in London, and to examine more deeply how the demands, responsibilities and scope of duties of councillors have evolved in recent years. This review also provided the Panel with an opportunity to review the methodology used by other Independent Remuneration Panels and to carry out benchmarking with other local authorities across England, Scotland, Wales and Northern Ireland.
- 3.2 The Panel has expanded on the approaches used in previous reviews. In addition to carrying out a survey of London borough Leaders to gauge their views on the operation of the existing remuneration scheme, the Panel has held a series of feedback meetings with groups of elected councillors, conducted a survey of the London branch of the Association of Democratic Services Officers (ADSO), and held meetings with officers from the London Borough Legal Alliance (LBLA), and the South London Legal Partnership (SLLP), in order to get a more complete picture of the challenges facing London's councillors today. The Panel also commissioned Ipsos to carry out a small number of focus groups to gauge the public perception of councillors' roles, responsibilities and levels of allowances.
- 3.3 The member engagement focus groups consisted of a range of participants from the three major political parties – Labour, Conservative, and Liberal Democrat, and included a range of members from inner and outer boroughs, and with different levels of responsibility (e.g. newly elected backbench councillors, Cabinet Members and borough Leaders).
- 3.4 The Panel is grateful both to everyone who participated in the consultation process and thank them for their contributions as well and to London Councils for its support to the review.



#### 4.0 The crucial role of elected councillors

***The role of the councillor has fundamentally changed in recent times. There is now more reliance from the public on their local council due to challenges such as the cost of living crisis, the effects of the pandemic and the resettlement of refugees. (Borough Leader)***

- 4.1 Councillors in London oversee multi-million pound budgets and employ thousands of people; all are responsible for the delivery of a wide range of crucial services. The health and wellbeing of residents and communities are at the heart of the work of London boroughs who also at one end of the age spectrum are endeavoring to give children the best start in life, whilst at the other are helping to support older people to live as independently as possible. Local councils are at the heart of developing their boroughs and working with businesses to bring local economic benefits. The building of new homes and the improvement in the standards of existing houses are crucial to their work as is their local leadership on climate change.
- 4.2 A key aspect of the responsibility of councillors is managing the complex financial pressures involved in addressing increases in the demand for services with reductions in budgets. The scale of a London council's annual expenditure budget and other financial activities are in many instances comparable with those of large publicly quoted companies.

***"The budgets that borough Leaders are managing are huge, as is their level of responsibility when something goes wrong. A borough Leader's role is now similar to that of a non-executive director of a large company" (Borough Leader)***

- 4.3 At the same time Councillors are integral to the effectiveness of the local democratic process. As well as representing them, they stand ready to be approached by their residents to take up matters on their behalf where appropriate. The voice of democratically elected councillors in the development of the policies and strategies of their councils is absolutely essential. Councillors also play an important role in the oversight and scrutiny of services.
- 4.4 Some Councillors have additional and burdensome responsibilities, including Leaders of Councils, Elected Mayors and council portfolio holders. Some roles have specific statutory responsibilities (e.g. in the case of elected Mayors/statutory children's and adults cabinet members).
- 4.5 The needs of Londoners and of London's communities are becoming arguably more complex, given the seismic national and international changes ranging from the

global energy crisis, climate change, patterns of migration and housing shortages. The national economic challenges directly affect households and communities as well as businesses and councils themselves.

## **5.0 The role of Member Allowances**

- 5.1 It is important to reflect on the purpose of the allowances, payments and related arrangements for councillors.
- 5.2 The Panel draws the reader's attention to the report of the 2007 Independent Commission on the Role of Local Councillors, chaired by Dame Jane Roberts which was commissioned to consider the incentives and barriers for encouraging people who are able, qualified and representative to be candidates to serve as councillors; retaining and developing them once they are elected and enabling them to secure public interest and recognition for the work they carry out for their communities.
- 5.3 The Roberts commission considered a wide range of issues but at its heart were the key questions of: 1) how best to ensure that people from a wide range of backgrounds and with a wide range of skills are encouraged to serve as local councillors; and 2) how to ensure those who participate in and contribute to the democratic process should not suffer unreasonable financial disadvantage.
- 5.4 Within these broad considerations there can be no doubt that financial compensation or a system of allowances plays a crucial part in making it financially possible for local people to put themselves forward to take on the onerous responsibilities involved in being a councillor and indeed to continue to serve as one.
- 5.5 For this reason it is crucial that allowances for councillors across London are pitched at an appropriate level such that they make a major contribution in ensuring diverse and effective local representation. This 2023 review of Member allowances has aimed to take a step back and ensure that the recommended allowances are pitched such that they serve this crucial purpose.
- 5.6 We are clear that the Panel can only make recommendations and that each council must determine its own system and rates of allowances. However each council must have regard to our recommendations. We are concerned that a wide variation in the level of allowances between councils across London has evolved over the years. **Given that this year's Panel review has been a significant stocktake and that we have made clear recommendations, with a clear rationale and for the important purpose described in this section, we strongly recommend that the findings of our review and the Panel's position are adopted across London. This is at the heart of ensuring a healthy, vibrant and representative local government in the capital.**

## 6.0 Time commitment and demands on councillors

6.1 Fulfilling the responsibilities of councillors in the many and various roles within a council has, arguably, always been demanding. In 2022 the Panel received anecdotal feedback that the workload and the time involved had increased significantly and so in this review we wanted to explore this in more detail.

6.2 The feedback from elected members and officers was that in the view of almost all the people we spoke to workloads, demands and pressures had increased. There appear to be a number of contributory factors:

- A wide range of recent events had added additional work; some examples given were: the demands of the pandemic years and the post-pandemic recovery work; sometimes given was the level of work in the resettlement of refugees; and the work to support residents through the very significant economic challenges of recent years, including during the energy crisis but also linked to the impact of food inflation and increased risks of homelessness.
- There has been a noticeable increase in the expectation that leading councillors work in closer partnership with other public services. The Health and Care Act 2022 in particular brings an expectation that councils will work in formal partnership with NHS organisations including NHS providers and Integrated Health Boards.
- The feedback confirmed the views we were given in 2002 that public expectations of councillors has increased especially linked to the societal changes that social media has brought about. Although most of the councillors we spoke to welcomed the flexibility that now exists for increased levels of remote meetings, the downside appears to be that there are more meetings. The representations which have been made to the Panel also suggest a picture of councillors being expected to be almost instantly available, with heavy constituency case loads and often with ever more complex responsibilities for the running of the council and overseeing its services.

***“ One resident submitted a formal complaint because they had messaged me on Friday evening and I hadn’t replied to them until the following Monday morning.”  
(Backbench councillor)***

As well as these issues adding complexity, they make additional time demands.

***“There are now many more meetings than pre-Covid. There are also numerous social media groups councillors are expected to be involved in, case work, and other commitments. I have worked out that on average I work 54 hours a week” (Cabinet Member)***

- 6.3 Members have told the Panel that it is increasingly difficult to maintain a full-time job alongside their role as councillors, and this is particularly true for Cabinet Members and Leaders. The implication of this would be that it is more likely that people who are already financially secure who can carry out these roles, which may prevent younger candidates, people with lower incomes or those with young families, from standing or taking on special responsibilities. Taking up a role in local government could also hinder councillors’ career progression in their day job, and in most cases the special responsibility allowances do not compensate for the reduced salary people receive as a result of not being able to dedicate themselves fully to their day job. The time pressures involved in the role, particularly councillors with special responsibilities can make it difficult to combine the role with a job and caring responsibilities.
- 6.4 One borough Leader told the Panel that at the 2022 election, there were so few candidates that in some wards residents did not have a choice of councillors to vote for.
- 6.5 Councillors also expressed concern that appointments to positions carrying special responsibilities could be uncertain and not in most cases for a set term. Consequently, councillors have significant concerns about giving up full-time work to undertake more senior roles in their councils.

## **7.0 The Basic Allowance**

- 7.1 As a result of the economic climate over the last decade and ongoing financial challenges, our recent reports have made no recommendations for increasing the levels of members’ allowances other than continuing provision for annual adjustments in accordance with the annual local government pay settlement for staff agreed by the National Joint Council for Local Government Staff.
- 7.2 As part of the research for this 2023 review, the Panel carried out benchmarking of recommendations on allowances and those paid by local authorities within the UK to see how current London allowances compare.
- 7.3 From the Panel’s benchmarking research, it is evident that the previous Panel’s recommendations for the basic allowance in London, lags behind Scotland, Wales and Northern Ireland. This issue was identified in the last two Panel reports, however, the Panel reluctantly decided at the time that given the financial climate it would have been inappropriate to recommend a general increase in member allowances.

- 7.4 In our last report the Panel recommended that there should be a Basic Allowance paid to every councillor of £12,014. Updated for the local government staff pay awards since then, the figure is now £12,499.
- 7.5 This allowance continues to be substantially lower than the allowance paid by all local authorities in Scotland which is presently £20,099<sup>2</sup> and similarly in Wales<sup>3</sup> where the government-appointed commission has set the basic allowance at £17,600 for members of local authorities with populations which are generally substantially lower than those of London boroughs. Furthermore, the basic allowance in Northern Ireland from 1 April 2023 is £16,394<sup>4</sup> per annum. The Panel's research has established that there are some parts of England that have similar basic allowances to those currently recommended for London boroughs. However, there are other English local authorities, where the roles and responsibilities of councillors are broadly the same to those of councillors serving in London boroughs, that pay significantly more. For example, in Birmingham<sup>5</sup>, in 2022-23 the basic allowance was £18,876, and in Manchester<sup>6</sup> it was £18,841.
- 7.6 The Panel is of the view that when taking everything into account that the rate of the basic allowance should now be addressed.
- 7.7 As part of the 2023 review, the Panel has reviewed the methodologies used by other Panels and has identified that Independent Panels across the UK use a variety of approaches for determining how to set the member allowances. The Panel has also re-examined the methodology used in calculating allowances in the original London panel report and updated it to reflect current circumstances. The original calculation in the Panel's first report in 2001 was based on a proportion of the average 'white collar worker' wage in London.
- 7.8 Although making the comparisons with Scotland, Wales, NI and other UK cities was useful in terms of gaining a comparative perspective, the Panel has reached the view that it needed to both determine a method for London and recommend a level of allowance that was achievable, bearing in mind the historic challenges for some councils in agreeing to previous recommended allowances.
- 7.9 Having looked at various options, the Panel has concluded that the most appropriate approach is to determine the basic allowance as a proportion to the remuneration of the people councillors represent and has used the Annual Survey of Hours and Earnings (ASHE) data, published by the Office for National Statistics as a basis of its calculation. The Panel has used the median wage for all London workers for this purpose. In 2022-23, this is £38,936.73 per annum. Based on a 37 hour week, and taking into account a 30% public service discount, (as has been the custom and practice) **the Panel has determined that the recommended basic allowance should be £15,960.**

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<sup>2</sup> [The Local Governance \(Scotland\) Act 2004 \(Remuneration\) Amendment Regulations 2023 \(legislation.gov.uk\)](#)

<sup>3</sup> [Independent Remuneration Panel for Wales: annual report 2022 to 2023 \[HTML\] | GOV.WALES](#)

<sup>4</sup> <https://www.communities-ni.gov.uk/publications/circular-ig-0323-consolidated-councillor-allowances>

<sup>5</sup> [Independent Remuneration Panel Reports | Birmingham City Council](#)

<sup>6</sup> [Microsoft Word - MCC IRP Final Report \(manchester.gov.uk\)](#)

- 7.10 The Panel considers that this allowance better reflects the high cost of living in London, than the previous recommendations.
- 7.11 It is the Panel's view that it is pressing that boroughs should implement these changes in 2024, as part of the contribution to recruiting and retaining a diverse range of good quality candidates to stand for office in London.

## **8.0 Special Responsibility Allowances**

8.1 The reasons for payment of special responsibility allowances, additional to the basic allowance, should be clearly set out in local allowances schemes. Special allowances should come into play only in positions where there are significant differences in the time requirements and levels of responsibility from those generally expected of a councillor.

8.2 Categories of special allowances:

The regulations specify the following categories of responsibility for which special responsibility allowances may be paid:

- Members of the executive where the authority is operating "executive arrangements"
- Acting as leader or deputy leader of a political group within the authority
- Presiding at meetings of a committee or sub-committee of the authority, or a joint committee of the authority and one or more other authorities, or a sub-committee of such a joint committee
- Representing the authority at meetings of, or arranged by, any other body
- Membership of a committee or sub-committee of the authority which meets with exceptional frequency or for exceptionally long periods
- Acting as spokesperson of a political group on a committee or sub-committee of the authority
- Membership of an adoption panel
- Membership of a licensing or regulatory committee
- Such other activities in relation to the discharge of the authority's functions as require of the member an amount of time and effort equal to or greater than would be required of him by any one of the activities mentioned above, whether or not that activity is specified in the scheme.

8.3 The Panel's research shows that the categories of SRAs recommended by the London Panel are comparable with those recommended by Independent Panels in other cities in the UK and in Scotland and Wales.

8.4 However, the Panel's previous recommendations have not consistently been adopted within London, and the resulting situation is that whilst there is some convergence

across London boroughs on the basic allowance, there remain substantial differences in the amounts of SRAs for similar roles in boroughs.

- 8.5 Given the extent of the responsibilities of Leaders of London boroughs, the Panel's first report in 2001 recommended that their remuneration should equate to that of a Member of Parliament. Our recommendations for other special responsibility allowances were historically determined as a sliding scale (pro-rata) proportion of the remuneration package for a council Leader. Since then, the increase in the remuneration of Members of Parliament has substantially exceeded the annual local government pay increase which was tied to the special responsibility allowance for the leader of a London borough, and the current MP salary is now £86,584
- 8.6 The Panel has taken the opportunity to review this historic link, and following feedback, we sense strong support for our own view that an MP's salary is no longer an appropriate comparator to set the Leader's allowance, as the roles are substantially different and indeed almost impossible to compare.
- 8.7 We received feedback that some members believe that the Leaders of London boroughs warrant a higher remuneration than an MP, because they have greater financial responsibility and legal burdens, and especially given the differential pension arrangements. Indeed, some respondent authorities suggested that the direct responsibilities of a Leader should command the salary of a junior minister.

***"An MP does not undertake an executive role (strategic leadership, management & accountability of a complex public service operationally managed by highly paid officials) and so not a comparator to a Leader or elected Mayor"***

***(Borough Leader)***

## **9.0 Leader's SRA**

- 9.1 This is often a full-time role, involving a high level of responsibility. It is right that it should be remunerated on a basis which compares with roles with similar levels of responsibility, while still retaining a reflection of the voluntary character of public service.
- 9.2 For the Leader's SRA, the Panel has decided that a more appropriate comparator would be the Annual Survey of Hours and Earnings (ASHE) data for Corporate Managers and Directors as the level of responsibilities most closely align to those of a borough Leader. For 2022-23, the average gross annual salary for full time workers in London within this category was £108,242. After applying a 30% public service discount (as has been the custom and practice) this would provide for a Leader's total

package of £75,773. The 2022 Panel report recommended that the Leader's SRA should be £62,090. Taking into account this figure, when combined with the new recommended basic allowance, the total package for a Leader would be £78,050. As this figure is greater than that based on the ASHE calculation, the Panel is not recommending any changes to the existing Leader's SRA at this time.

## **10.0 Other SRAs**

10.1 The Panel has previously determined that all other SRAs are calculated as a proportion of the Leader's SRA. Since its inception, the Panel has recommended using bands rather than fixed amounts, in order to allow flexibility and recognise local variations on how the roles are performed. The Panel has decided to continue using this methodology. However, as part of the review, the Panel has benchmarked the sliding scale recommended by other Panels and used by local authorities and has adjusted the percentages historically used in order to more closely align with the average used by other local authorities outside of London. **The recommended bands and levels of allowance are attached as Annex A.**

## **11.0 Bridging the Gap and public perception**

11.1 When considering a members' allowances scheme, boroughs are obliged to have to a report by an independent panel, but it is a matter for boroughs themselves to decide whether to adopt its recommendations.

11.2 However, in view of the evidence obtained over the past 18 months, the Panel strongly recommends that all authorities implement the recommendations in their boroughs in the next year. On average, the total annual budget for members allowances in a London Borough is between 0.4-0.5% of the council's general fund net budget. Notwithstanding this, the Panel acknowledges the challenges that increasing allowances may present to boroughs, both financially and reputationally; however, the Panel is concerned that if member allowances do not keep up with its recommendations, there is a risk that they will fall significantly further behind their comparators and that councils will consequently face even greater challenges in recruiting and retaining a good calibre of councillors in the future.

11.3 The Panel perceived that there was some concern from councillors about the public acceptability of increasing allowances. As a result the Panel sought to test the public view and therefore commissioned Ipsos to undertake qualitative research, through a number of focus groups, on the public's perception on councillors remuneration. The Ipsos research was small scale but provides indicative evidence of public views.

11.4 Ipsos held three discussion groups with a representative sample of the general public in June 2023 using a deliberative approach to enable participants to reach an informed perspective. The stimulus material included pen portraits of councillors based on information received from London Councils' members on their working hours and



levels of responsibility. The information given to participants also included typical allowances received in London, in Essex, and in Wales for councillors receiving a basic allowance and average SRAs paid to Cabinet Members, and council Leaders.

- 11.5 The research found that the Londoners in focus groups felt that allowances in London needed to increase to provide a more accurate reflection of councillors' responsibilities and hours.

***"I thought at least [the Council Leader's remuneration] would be about a £100,000 plus for the amount of work that she does because she's taken on casework as well... and that's time-consuming."***

When exposed to allowance comparisons in different parts of the country, participants thought the current allowances did not reflect the fact that the cost of living in London was higher than elsewhere in the country.

***"Councillors' pay should take into account that living in London is more expensive, so they should immediately just be paid more in general."***

In addition, they recognised that the level of allowances can have a detrimental effect on the diversity of councillors and would deter those from a lower income background from becoming councillors.

***"It feels like [we're] paying them so little, it feels like there are some people who can't afford to be a councillor. And that has consequences on the democratic process"***

- 11.6 Participants also suggested changes to remuneration for councillors: raising the basic allowance and increasing allowances to better reflect responsibilities and hours; and additional allowances provided to support councillors with childcare costs and saving for a pension.
- 11.7 Participants expressed surprise at the range of allowances paid across London, particularly at the cabinet member and council leader level and supported greater consistency in such remuneration levels across councils in London.
- 11.8 Although the sample of Londoners was only small, it indicates that with due briefing and deliberation there is likely to be support for the increase in allowances.
- 11.9 During the consultation process, a significant number of councillors told the Panel that they do not think that councillors should be responsible for setting their own allowances, and that this is perhaps one of the reasons why the basic allowance in London lags behind Scotland and Wales, where allowances are set by outside bodies and it is mandatory for local authorities to adopt the recommendations. The Panel is supportive of this view, but recognizes that this would need a change in legislation. The Panel intends to raise this issue with the Secretary of State.

## **12.0 Training and support**

- 12.1 The responsibilities of councillors are substantial, extensive and complex, particularly since the Pandemic and its aftermath, which has seen a rapid increase of using digital technology, and flexible ways of working. The training and development of councillors is beyond the remit of this Panel. However, the feedback we received was that councillors require the logistical and clerical support and appropriate IT equipment which will help them carry out their roles efficiently. The Panel supports this view and recommends that boroughs undertake their own stock takes to ensure appropriate support is in place to enable members to fulfil their responsibilities.
- 12.2 Furthermore, we have heard from boroughs that councillors are experiencing increased levels of abuse on social media, and so we recommend that training in navigating the increasingly challenging world of social media is also provided.

## **13.0 Care Costs**

- 13.1 It is important that obstacles to becoming a councillor should be removed wherever possible. Care costs could be a significant deterrent to service as a councillor. Our strong view is that in appropriate cases when they undertake their council duties, councillors should be entitled to claim an allowance for care of dependents. The dependents' carers' allowance should at least be set at the London living wage but payment should be made at a higher rate when specialist nursing skills are required or to reflect higher costs during non-standard working hours. We have had representation that the carers allowance should be payable to family members on the basis that it is preferable for family members to look after a dependent, especially in the evening but that the frequency is often such that it is unreasonable for this to be expected to be with no financial allowance.

***The level of dependent carers allowance does not recognise the fact that babysitters tend to charge more for evening and weekend work. In addition, the carers allowance should be able to be claimed even if a family member was looking after the councillors' dependents" (Newly-elected Backbench Councillor)***

- 13.2 The Panel recognises that allowance payments for family carers who are not members of a councillor's household would need to be designed with some careful consideration but is very sympathetic to this need and recommend that councils review their schemes to make this possible.
- 13.3 It's view is also that members' allowances schemes should allow the continuance of Special Responsibility Allowances in the case of sickness, maternity and paternity leave in the same terms that the council's employees enjoy such benefits (that is to say, they follow the same policies). To this end, London boroughs are recommended to adopt a related parental leave and sickness policy as an appendix to their allowances scheme.

13.4 The Panel has received feedback that there is a need to reform the legislation governing membership of the Cabinet/Executive and how this impacts Councillors who wish to take parental leave. Councils have a strict statutory limit of ten members of the cabinet/executive – including the Leader. Should one of those members wish to take parental leave for any significant period during their tenure as a cabinet member, and there is already a full complement of cabinet and leader up to the statutory limit they are faced with what is an entirely unfair dilemma. They either resign from the post so another councillor can be appointed or they leave their colleagues with an additional workload for their period of absence. While some Councils have sought to appoint deputy cabinet members or the like these are not proper answers to this issue as they are not cabinet members with the appropriate legal and constitutional authority. It is very easy to compare this to the position of an employee where a replacement can be appointed for the duration without prejudice to the individuals' rights to return. While self-evidently Councillors are not employees there should not be any additional hurdles to participation for any section of the population.

13.5 The Panel support the view that the legislation needs reviewing.

#### **14.0 Travel and Subsistence allowances**

14.1 The Basic Allowance should cover basic out-of-pocket expenses incurred by councillors, including intra-borough travel costs and expenses. The members' allowances scheme should, however, provide for special circumstances, such as travel after late meetings or travel by councillors with disabilities. The scheme should enable councillors to claim travel expenses when their duties take them out of their home borough, including a bicycle allowance.

#### **15.0 Allowances for Civic Mayor or Civic Head**

15.1 Many councils include the allowances for the mayor (or civic head) and deputy in their members' allowance scheme. However, these allowances do serve a rather different purpose from the 'ordinary' members' allowances, since they are intended to enable the civic heads to perform a ceremonial role. There are separate statutory provisions (ss 3 and 5 of the Local Government Act 1972) for such allowances and councils may find it convenient to use those provisions rather than to include the allowances in the members' allowance scheme.

#### **16.0 Allowances that fall outside this scheme**

16.1 Within the context of this review, the Panel has not looked at remuneration that councillors may receive for their roles on outside bodies, wholly owned companies or joint venture partnerships. However, in the interests of transparency, the Panel requests that councils consider how information on all members remuneration within their borough is made easily available to the public in the same place. The Panel recommends that where local authorities have set up companies which remunerate councillors who act as directors these allowance should be set out in the members allowances scheme.

## **17.0 Local discretion**

- 17.1 It is for each borough to decide how to allocate their councillors between the different bands, having regard to our recommendations and how to set the specific remuneration within the band. The Panel believes these should have the merits of being easy to apply, easy to adapt, easy to explain and understand, and easy to administer.
- 17.2 The scheme should be able to be applied to different types of governance arrangements and interpreted flexibly. The Panel has received legal advice that suggests that in boroughs which operate through the Committee System, where a Committee Chair has identified responsibilities in a role profile for particular services, then in practice the duties and responsibilities of a Committee Chair are equivalent to the role of a Cabinet Member and that a similar system of allowances should be used. For example, in some boroughs which use a committee system, the Statutory Lead Member for Children's Services is the Chair of the Children and Community Services Committee. In this case, it would be reasonable to suggest that this Committee Chair should receive the SRA equivalent to that of a Cabinet Member. The Panel must emphasise that these decisions are dependent on the arrangements adopted by the authority in question and should be decided on a case by case basis.

## **18.0 Pensions**

- 18.1 There is a widespread view amongst the councillors we spoke to in 2022 and this year that a disincentive to the recruitment and retention of councillors has been the Government's decision in 2014 to remove the right of councillors to join the local government pension scheme. This was keenly felt by those councillors the Panel heard from. The Panel notes that the rationale behind that decision was unclear and that councillors in Scotland, Wales and Northern Ireland continue to be entitled to a local government pension. The Panel is of the view that this inconsistency should be addressed. Although this issue is beyond the remit of the Panel, the Panel will nevertheless write a letter to the Secretary of State asking the government to look again at this important issue,

## **19.0 Annual uplifts**

- 19.1 The Panel continues to recommend that all allowances should be updated annually in line with the percentage pay award agreed by the National Joint Council (NJC) for Local Government Services staff.
- 19.2 In some years the NJC national pay award is agreed as being in the form of a lump sum for all or the majority of staff or the rate of increase is different at different levels on the NJC pay spine. In such situations a method of deriving an appropriate increase in the Members' basic allowance (so it keeps in line with the staff pay award) is required. To achieve this the panel will have regard to any NJC guidance such as guidance on what any lump sum equates to as an average percentage pay increase, and guidance on the percentage increase to any staff allowances. The Panel will also consider the average (mean) percentage increase to the spinal column points,

but excluding any exceptional increases such as measures to rectify a low pay problem at the lowest level of the pay spine. For illustrative purposes, for April 2023 the figure was 3.88%“

**20. Review of implementation**

- 20.1 The Panel proposes to convene in the final quarter of 2024 to review how its recommendations have been implemented by boroughs across London and at the same time consider the most recently published ASHE data on median salaries of those working in the Greater London area, as well as any agreed NJC national pay award.

**Mike Cooke**

**Sir Rodney Brooke CBE DL**

**Anne Watts CBE**

**December 2023**

## Appendix A

### THE RECOMMENDED MEMBER ALLOWANCE SCHEME FOR LONDON

**The Basic allowance: £15,960**

#### **Special responsibilities – beyond the basic allowance**

##### **Calculation of special allowances**

The proposed amounts for each band are a percentage of the figure suggested for a council leader depending upon levels of responsibility of the roles undertaken and are explained below.

##### **BAND ONE**

The posts that the Panel envisages falling within band one, include:

- Vice chair of a service, regulatory or scrutiny committee
- Chair of sub-committee
- Leader of second or smaller opposition group
- Service spokesperson for first opposition group
- First opposition group whip (in respect of council business)
- Vice chair of council business
- Chairs, vice chairs, area committees and forums
- Cabinet assistant
- Acting as a member of a committee or sub-committee which meets with exceptional frequency or for exceptionally long periods
- Acting as a member of an adoption panel where membership requires attendance with exceptional frequency or for exceptionally long periods
- Leadership of a specific major project.

##### **Remuneration**

The Panel proposes that band one special responsibility allowances should be on a sliding scale of between 5-15% per cent of the Leader's SRA.

This would be made up as follows:

Basic allowance: £15,960

Band One allowance: £3,105 - £9,314

**Total: £19,065 - £25,274**

## **BAND TWO**

The Panel considers that the types of office being within band two are:

- Lead member in scrutiny arrangements, such as chair of a scrutiny panel
- Representative on key outside body
- Chair of major regulatory committee e.g. planning
- Chair of council business (civic mayor)
- Leader of principal opposition group
- Majority party chief whip (in respect of council business).

### **Remuneration**

The Panel proposes that band two allowances should be on a sliding scale between 25-50 per cent, pro rata of the remuneration package for a council leader.

This is made up as follows:

Basic allowance £15,960

Band two allowances: £15,523 - £31,046

**Total: £31,483 - £47,006**

### **BAND THREE**

The Panel sees this band as appropriate to the following posts:

- Cabinet member
- Chair of the Health and Wellbeing Board
- Chair of the main overview or scrutiny committee
- Deputy leader of the council

#### **Remuneration:**

The Panel proposes that band three allowances should be between 60-75 per cent pro rata of the remuneration package for a council leader.

This is made up as follows:

Basic allowance: £15,960

Band three allowance: £37,255 - £46,569

**Total: £53,215 - £62,529**

### **BAND FOUR**

Leader of the Council

This is often a full-time role, involving a high level of responsibility. It is right that it should be remunerated on a basis which compares with roles with similar levels of responsibility, while still retaining a reflection of the voluntary character of public service.

#### **Remuneration:**

**The Panel proposes that the remuneration package for a council leader under band four of our scheme should be £78,052.**

This is made up as follows:

Basic allowance: £15,960

Band four allowance: £62,092

**Total: £78,052**



## **BAND FIVE**

### Directly elected mayor

A directly elected mayor has a full-time job with a high level of responsibility and exercises executive responsibilities over a fixed electoral cycle. It is right that it should be remunerated on a basis which compares with similar positions in the public sector, while still retaining a reflection of the voluntary character of public service. However, the Panel believes that this post remains different to that of the strong leader with cabinet model. The directly elected mayor is directly elected by the electorate as a whole. The strong leader holds office at the pleasure of the council and can be removed by the council. The Panel believes that the distinction is paramount and this should be reflected in the salary level.

### **Remuneration:**

The Panel proposes that a directly elected mayor should receive a remuneration of **£93,575**.

## **Appendix B**

### **A Job Profile for councillors**

In its previous reports, the Panel reflected on the importance of the role of elected members. The 'job profile' for councillors originally included in the Panel's 2010 report is repeated in as the Panel still considers it to be accurate and up to date.

### **On behalf of the community – a job profile for councillors**

#### **Purposes:**

1. To participate constructively in the good governance of the area.
2. To contribute actively to the formation and scrutiny of the authority's policies, budget, strategies and service delivery.
3. To represent effectively the interests of the ward for which the councillor was elected, and deal with constituents' enquiries and representations.
4. To champion the causes which best relate to the interests and sustainability of the community and campaign for the improvement of the quality of life of the community in terms of equity, economy and environment.
5. To represent the council on an outside body, such as a charitable trust or neighbourhood association.

#### **Key Tasks:**

1. To fulfil the statutory and local determined requirements of an elected member of a local authority and the authority itself, including compliance with all relevant codes of conduct, and participation in those decisions and activities reserved to the full council (for example, setting budgets, overall priorities, strategy).
2. To participate effectively as a member of any committee or panel to which the councillor is appointed, including related responsibilities for the services falling within the committee's (or panel's) terms of reference, human resource issues, staff appointments, fees and charges, and liaison with other public bodies to promote better understanding and partnership working.
3. To participate in the activities of an outside body to which the councillor is appointed, providing two-way communication between the organisations. Also, for the same purpose, to develop and maintain a working knowledge of the authority's policies and practices in relation to that body and of the community's needs and aspirations in respect of that body's role and functions.
4. To participate in the scrutiny or performance review of the services of the authority, including where the authority so decides, the scrutiny of policies and budget, and their effectiveness in achieving the strategic objectives of the authority.
5. To participate, as appointed, in the area and in service-based consultative processes with the community and with other organisations.

6. To represent the authority to the community, and the community to the authority, through the various forums available.
7. To develop and maintain a working knowledge of the authority's services, management arrangements, powers/duties, and constraints, and to develop good working relationships with relevant officers of the authority.
8. To develop and maintain a working knowledge of the organisations, services, activities and other factors which impact upon the community's well-being and identity.
9. To represent effectively the interests of the ward for which the councillor was elected, and deal with constituents' enquiries and representations including, where required, acting as a liaison between the constituent and the local authority and where appropriate other public service providers.
10. To contribute constructively to open government and democratic renewal through active encouragement of the community to participate generally in the government of the area.
11. To participate in the activities of any political group of which the councillor is a member.
12. To undertake necessary training and development programmes as agreed by the authority.
13. To be accountable for his/her actions and to report regularly on them in accessible and transparent ways.

## **Appendix C**

The independent panel members

### **Mike Cooke**

Mike Cooke was the Chief Executive of the London Borough of Camden for seven years, where he had also been Director of Housing and Adult Social Care and HR Director. He has extensive experience of partnership working across London including as the Chief Executive Leadership Committee lead on children and chairing the London Safeguarding Children Board. Mike also has worked for seven years in financial services where he developed an expertise in remuneration.

Until November 2020 Mike had been a Non-Executive Director of the Central and North West London NHS Foundation Trust where he was chair of the HR Committee. Mike's current role is the Chair of the North Central London Integrated Health and Care System.

### **Sir Rodney Brooke CBE, DL**

Sir Rodney Brooke has a long career in local government, including as chief executive of West Yorkshire County Council, Westminster City Council and the Association of Metropolitan Authorities.

He was knighted in 2007 for his contribution to public service.

### **Dr Anne Watts CBE**

Anne Watts has an extensive career in governance, diversity and inclusion spanning commercial, public and voluntary sectors. She has held executive roles for HSBC and Business in the Community and was chair of the Appointments Commission. She has carried out reviews of Government departments and the Army. In addition she has been a member of Government Pay review bodies and Deputy Chair, University of Surrey where she chaired the Remuneration Committee and the new Vet School.

She is a non-exec of Newable (previously Greater London Enterprise) where she chairs the Environmental, Social and Corporate Governance Committee and is a non-exec of Newflex subsidiary. In addition she continues to sit on the Race and Gender Equality Leadership teams for Business in the Community.



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# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	GENERAL PURPOSES COMMITTEE	
<b>DATE OF DECISION</b>	19 <sup>th</sup> February 2024	
<b>REPORT TITLE:</b>	Members' Allowance Scheme [2023/24] and 2024/25	
<b>DIRECTOR</b>	Stephen Lawrence-Orumwense Director of Legal Services	
<b>LEAD OFFICER:</b>	Adrian May Interim Head of Democratic Services adrian.may@croydon.gov.uk	
<b>AUTHORITY TO TAKE DECISION:</b>	Part 3 Responsibility for Council Functions in the Constitution, identifies the General Purposes Committee (GPC) are responsible for reviewing the Member's Allowance Scheme with approval of the scheme reserved to full Council.	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>NO</b>	Public
<b>WARDS AFFECTED:</b>	<b>N/A</b>	

## 1 SUMMARY OF REPORT

- 1.1** Under the Local Authorities (Members' Allowances) (England) Regulations 2003, Councils must, each year, approve the Members' Allowances Scheme for the next financial year. On 1<sup>st</sup> March 2023, Full Council agreed that there would be no uplift to the Members Allowance Scheme for 2022/23 and that the 2023/24 Scheme should be materially the same as the 2022/23 Scheme.
- 1.2** In January 2024, the Independent Panel on the Remuneration of Councillors in London published its report on the remuneration of Councillors in London for 2023 ("Remuneration Report") and amongst other matters recommended that with regards to annual uplifts, all allowances should be updated annually in line with the percentage pay award agreed by the National Joint Council for Local Government Services Staff. This represents a 3.88% increase from April 2023. The Council must have regard to this and the other Independent Panel Recommendations as attached at Appendix 1.
- 1.3** The purpose of this report is to consider the Independent Panel Remuneration Report and recommendations; determine whether in light of the Independent Panel recommendation, there should be an uplift in members allowance of 3.88% and when this should commence; and determine the Members Allowance Scheme for

2024/25 and finally, whether there should be a review of the Scheme in 2024. These matters are to be the subject of recommendation to Full Council for a final decision.

## **2 RECOMMENDATIONS**

For the reasons set out in the report, the General Purposes Committee is recommended to:

- 2.1 give due consideration to the Independent Panel Report on the Remuneration of Councillors in London for 2023 (“Remuneration Report”) including the recommendation that all member allowances should be updated annually in line with the percentage pay award agreed by the National Joint Council for Local Government Services Staff. This represents a 3.88% increase from April 2023. The Remuneration Report is attached at Appendix 1.
- 2.2 agree to recommend to Full Council that an uplift in members allowance of 3.88% in line with the Independent Panel recommendation be made, and to determine when this uplift should commence (i.e., from April 2023 or April 2024) and recommend the same to Full Council.
- 2.3 if the Committee decides that the uplift should commence from April 2023, to agree to recommend to Full Council in-year amendments to the Members Allowance Scheme for 2023/24 to permit such uplifts and which is in line with the Independent Panel Remuneration Report recommendation on member allowances for 2023.
- 2.4 Subject to Paragraphs 2.2 and 2.3, to agree to recommend to Full Council the Members’ Allowances Scheme for 2024/25 (Appendix 2).
- 2.5 to agree to recommend to Full Council that the Director of Legal Services be authorised to comply with the statutory requirements to publicise the 2024/25 Members’ Allowances Scheme together with the Independent Panel Remuneration Report and to make all necessary updates to the Constitution.
- 2.6 to agree to undertake a review of the Members Allowance Scheme in 2024 to further consider the remuneration report and feedback received on the Scheme.

## **3 REASONS FOR RECOMMENDATIONS**

- 3.1 There is a statutory duty for a Members Allowance Scheme to be agreed by Full Council before the commencement of the financial year to which it applies. In doing so, there is a statutory duty for Full Council to have regard to the recommendations of the Independent Remuneration Panel, Appendix 1 to this report.
- 3.2 There is a statutory duty to advertise and publicise locally the Members’ Allowance Scheme each year as well as statutory duties to ensure publication of the Independent Remuneration Panel report, details of the main recommendations of the report, details of how the Council has considered the report and annual publication of allowances paid/received pursuant to any adopted scheme for the year to which it applies.



- 3.3 Whilst the Council's current scheme makes provision for an annual adjustment, no provision is made for the backdating of such adjustment within the scheme as recommended by previous Remuneration Panel reports and as required by regulation 10 of the Local Authorities (Members' Allowances) (England) Regulations 2003 . In the event that Full Council agrees that an uplift is to be applied from April 2023, the scheme for 23/24 will need to be amended to permit backdating of any uplifted allowances.
- 3.4 In respect of the scheme for 24/25, it is recommended that the scheme be updated to make provision for such backdating in the event that an uplift is approved for future years.

#### **4. BACKGROUND AND DETAILS**

- 4.1 The current Scheme provides for the payment of Basic and Special Responsibility Allowances, Dependent Carers, Travel and Subsistence Allowances and an allowance (without travel or subsistence) for the Independent Chair of Audit and Governance Committee where applicable.
- 4.2 The Croydon Member's Allowance Scheme already provides that the Basic and Special Responsibility Allowances, Civic Mayor and Deputy Civic Mayor Allowance shall be subject to an annual adjustment in accordance with the annual National Joint Council (NJC) for Local Government Services staff (LGSS) pay settlement but that any such review may only be undertaken once annually in respect of the *upcoming year*.

The details of the final settlement are often not known until towards the end of the financial year to which the settlement relates, meaning that in-year adjustments to a scheme may need to be considered.

- 4.3 At the 1<sup>st</sup> March 2023 Budget Council, it was agreed that no annual increase would be agreed for 2022/23 and that the 2023/24 Scheme should be materially the same as the 2022/23 Scheme. The annual adjustment is a long-standing recommendation of the Independent Panel however, currently in the Members Allowance scheme there is no provision for in-year annual adjustments to be backdated whether that is to the beginning of the year in which the adjustment is made or to some other date within the current year. It is proposed that specific provision be made to provide for clarity and transparency, in the event that an uplift is agreed in-year.
- 4.4 There is a legal requirement to have regard to the latest 'Remuneration of Councillors in London' report of the Independent Panel when amending / agreeing a new scheme. Their latest report, 'Remuneration of Councillors in London 2023' was published in January 2024.
- 4.5 The 2023 report of the Independent remuneration panel, alongside a recommendation as to the revised recalculation of the basic allowance level so that it more accurately reflects the requirements placed on members (as detailed in section 4.4 below) retains the LGSS settlement as the recommended index for annual adjustment, with 3.88% increase being the amount applicable for 2023/24.
- 4.6 The identified key recommendations from the 'Remuneration of Councillors in London' report for 2023 are:

- The panel conducted a thorough and detailed review of allowance for the 2023 report having not conducted an in-depth review for several years.
- The Panel canvassed members and officers in all London boroughs through surveys, focus groups and interviews, in order to consider whether and how the role of councillors has changed in recent years and what the main issues that may have an effect on the recruitment and retention of councillors are currently.
- Panel says it has become clear that allowances in many boroughs are considerably lower than remuneration received by workers in London with comparative levels of responsibilities and skills. This comparative contrast in remuneration is juxtaposed against increased workloads, time pressures, accountability, and financial pressures that councillors are presently having to manage. The levels of basic allowances for members in London were also found to be significantly below the levels approved in respect of Welsh, Scottish, Northern Irish authorities and less than similarly sized authorities to London Boroughs outside of London.
- Having looked at various options, the Panel has concluded that the most appropriate approach is to determine the basic allowance as a proportion to the remuneration of the people councillors represent and has used the Annual Survey of Hours and Earnings (ASHE) data, published by the Office for National Statistics as a basis of its calculation. The Panel has used the median wage for all London workers for this purpose. In 2022-23, this is £38,936.73 per annum. Based on a 37 hour week, and taking into account a 30% public service discount, (as has been the custom and practice) **the Panel has determined that the recommended basic allowance should be £15,960.**
- the Remuneration Report 2023 continues to recognise the LGSS increase as a basis for annual uplifts.
- Directly Elected Mayor should receive a remuneration of £93,575
- Cabinet Members, Chair of Scrutiny, recommending to be £37-46k
- Other SRA allowance are within £3,105 to £31,046
- Research found that the Londoners in focus groups felt that allowances in London needed to increase to provide a more accurate reflection of councillors' responsibilities and hours.

- During the consultation process, a significant number of councillors told the Panel that they do not think that councillors should be responsible for setting their own allowances, and that this is perhaps one of the reasons why the basic allowance in London lags behind Scotland and Wales, where allowances are set by outside bodies and it is mandatory for local authorities to adopt the recommendations. The Panel is supportive of this view, but recognised that this would need a change in legislation. The Panel intends to raise this issue with the Secretary of State.
- The panel noted that it is important that obstacles to becoming a councillor should be removed wherever possible. Care costs could be a significant deterrent to service as a councillor. The Panel's strong view is that in appropriate cases when they undertake their council duties, councillors should be entitled to claim an allowance for care of dependents. The dependents' carers' allowance should at least be set at the London living wage but payment should be made at a higher rate when specialist nursing skills are required or to reflect higher costs during non-standard working hours. *An amendment to the Council's scheme to reflect this element regarding specialist nursing is proposed in the scheme for 24/25 as set out at Appendix 2.*
- Panel strongly recommends that the findings of the review are adopted across London for 2024. This is at the heart of ensuring a healthy, vibrant and representative local government in the capital.

4.7 The Independent Panel is clear that they can only make recommendations and that each council must determine its own system and rates of allowances. However, in view of the evidence obtained over the past 18 months, the Panel strongly recommends that all authorities implement the recommendations in their boroughs in the next year. Notwithstanding this, the Panel acknowledges the challenges that increasing allowances may present to boroughs, both financially and reputationally; however, the Panel is concerned that if member allowances do not keep up with its recommendations, there is a risk that they will fall significantly further behind their comparators and that councils will consequently face even greater challenges in recruiting and retaining a good calibre of councillors in the future.

4.8 The most significant recommendation was the Basic Allowance in London for 2024 being £15,960. The Panel considered that this basic allowance amount better reflects the high cost of living in London, than previous recommendations (last being effectively £12,499).

4.9 Croydon's Basic Allowance is comparable with other London Boroughs. During 2022/23 (Borough IPMR Report London Wide report) Basic Allowances ranged from £8,694 to £12,736 across Boroughs, with the Croydon allowance at £11,692 (which has not increased since 2019/20).

- 4.10 The Independent Panel's (IP) proposed Basic Allowance of £15,960 when compared to Croydon Basic Allowance of £11,692 represents a 36% increase. The cost of implementing the recommendation would be approx. £300k+.
- 4.11 The recommendation from the Independent Panel is for step-change in the Basic Allowance, whilst it is not proposed to increase the Basic Allowance by, what would constitute 36%+ increase on Croydon's Basic Allowance, it does strengthen the recommendation for Council to consider an inflationary increase for 2023/24 and/or 2024/25. It is proposed the IP recommendations are further considered by GPC as part of a wider review during 2024, to inform the 2025/26 scheme proposals (if not earlier).
- 4.12 Whilst no specific recommendations are made at this time, it should be noted that the Independent Panel recommended SRA levels are much higher than the Croydon Members Allowance Scheme provides for - including the Executive Mayor, Cabinet and Scrutiny Chair.
- 4.13 The Remuneration Report 2023 continued to recognise the LGSS increase as a basis for annual uplifts, and it's recommended that for 2024/25 this continues in the Croydon Scheme. The Panel also reconsidered how the basic allowance level should be assessed (as a proportion to the remuneration of the people councillors represent) and it is proposed that this approach could be considered as part of the General Purposes Committee review during 2024.
- 4.14 Whilst Croydon's Members Allowance Scheme has dependent carer's allowance provision, there is no provision, as recommended, for a higher rate when specialist nursing skills are required or to reflect higher costs during non-standard working hours.
- To partially meet this recommendation, it is proposed that the 2024/25 Members Allowance Scheme be amended to include the payment of enhanced rates where specialist nursing care is required, and that these are agreed prior to claiming. Historically, there has been no to low levels of claims against the provision, the cost is anticipated to be relatively negligible. Furthermore it is proposed that dependent carer's allowances are further reviewed with Members and GPC, due to the relative short time for consultation to amend the 2024/25 scheme.
- 4.15 It should be noted that the Independent Panel is proposing to convene in the final quarter of 2024 to review how the recommendations have been implemented across London. This will allow the General Purposes Committee to consider more informed recommendations related to significant amendments to the Members Allowance Scheme (2025/26).
- 4.16 Whilst the Council's current scheme makes provision for an annual adjustment linked to the LGSS, no provision is made for the backdating of such adjustment within the scheme as recommended by the previous Remuneration Panel reports and as required by the applicable regulations.
- 4.17 The scheme currently provides that if Council wishes to apply an annual adjustment (related to the Local Government Staff Settlement) this should be agreed for the following year.

- 4.18 The LGSS has historically been known before the start of the next financial year for which it is applicable. In more recent years, the LGSS has not been known until late in the year for which it was applicable. For example, the LGPSS increase of 3.88% for 2023/24 was confirmed only in November 2023.
- 4.19 In order for improved transparency to Members and the Public and to allow Council to agree annual adjustment based on actual known % increases, it is proposed to both allow agreement of increases applicable for the coming year or in-year. For clarity and to confirm - No more than one inflationary related uplift can be agreed or be applicable for any given year.

It is therefore proposed that the Members Allowance scheme be amended, to make the following provision to accommodate backdating of any adjustments when agreed for a given year:

*Unless agreed otherwise by Full Council that no uplift will apply, the level of the Basic Allowance, Special Responsibility Allowances, Civic Mayor's and Deputy Civic Mayor's Allowances shall be subject to annual adjustment in line with the percentage pay award agreed by the National Joint Council (NJC) for Local Government Services staff (LGSS). Members may review this aspect no more frequently than annually to determine whether there will be an adjustment for the Council year in question. Where it is necessary to consider a potential uplift in-year (where the details of the annual LGSS settlement is not agreed until after the commencement of the year to which the scheme applies) paragraph 5 below will apply.*

*Where an amendment is to be made by virtue of an uplift which affects an allowance payable for the year in which the amendment is made, the entitlement to such allowance as amended is to apply with effect from the beginning of the year in which the amendment is made. There is no ability to backdate any entitlement beyond the current year.*

- 4.20 Whilst the Council's current scheme makes provision for an annual adjustment no provision is made for the backdating of such adjustment within the scheme as recommended by previous Remuneration Panel reports (2006) and required by the regulations. The above is proposed, so that Council, given the challenging financial circumstances to the authority, can consider inflationary increases when knowing the actual financial cost. The backdating provision is proposed so inflationary increase if agreed for a year can be applied for that year.
- 4.21 As part of the lead up and consultation with Members on the Members Allowance Scheme, the following was highlighted.

#### Scrutiny related SRAs

Special Responsibility Allowances are afforded to the Chair, Deputy Chair and Vice-Chair of Scrutiny & Overview Committee. Historically, the three positions chaired three scrutiny sub-committees.

Due to the configuration of Scrutiny during 2023/24, the Deputy Chair and Vice Chair of Scrutiny & Overview chair two of the four Scrutiny sub-committees. There is no specific SRA provision within the Members Allowance Scheme for a Scrutiny Sub-Committee Chair. This leaves two sub-committee Chairs without a scrutiny related SRA.

#### 2<sup>nd</sup> Opposition (non-principal opposition) Group Leader

Whilst Special Responsibility Allowances provision is made for principal opposition groups across authorities, the Croydon scheme does not recognise a 2<sup>nd</sup> opposition group.

Only a limited number of London authorities (20%+) make such provision. One authority makes a leader SRA provision for smaller (non-principal opposition) groups of a minimum size (i.e., 4 seats or more on Council).

- 4.22 It is proposed that time is afforded to consider the raised points, so to present options to General Purposes Committee during 2024 for consideration as part of future schemes for 2025/26
- 4.23 No further changes to Member roles, functions and responsibilities or Committee functions and business have been identified, as part of the consultation.

## **5 ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 A Council's Members' Allowance Scheme needs approving by Council before the start of the next financial year.
- 5.2 Should Council wish to make changes to the Members' Allowances Scheme at a full Council meeting, Council must give due regard to the Report of the Independent Panel 2023, just as Council needs to give due regard to the Report when considering proposals by the General Purposes Committee.

## **6 CONSULTATION**

- 6.1 In advance of this Committee meeting, the key proposals were circulated to all political groups and parties reflected on Croydon Council on the 2<sup>nd</sup> Feb 2024.
- 6.2 Before and as part of Member consultation, Members of all parties on the Council were sent benchmarking information (Borough IPMR Report London Wide), a copy of the Independent Panel's 2023 report and key proposals and points of discussion covered in this report.
- 6.3 Informally no negative feedback to the proposals has been provided yet, and Members understood the rationale for proposing the IP recommendation related to the LGSS increase. Whilst recognising the financial challenges of the Council and residents, Members also recognised the increased living costs faced by their Members. Given

the relative short time for consultation however, further feedback from the consultation is anticipated, and will be verbally provided at the Committee meeting.

- 6.4 It should be noted that should any Member not wish to take up the proposed increase in their allowance, Part 6A the Member’s Scheme of Allowances includes provision that any Member may elect to forego all or part of the Basic Allowance and if appropriate the Special Responsibility Allowance, to which they are entitled, by writing to the Council’s Monitoring Officer.
- 6.5 The proposed change to the dependent carers allowance was not part of the consultation, however this, along with other provision of the Member Scheme is proposed to be reviewed during 2024.

## 7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 Through taking into consideration the recommendations of the IP report, it supports the Council to achieve, priority 4 of the Mayor’s Business Plan: Ensure good governance is embedded and adopt best practice.

## 8. IMPLICATIONS

### 8.1 FINANCIAL IMPLICATIONS

The annual cost of the Members Allowance Scheme for 2023/24, including the council’s national insurance contributions, will be approx. £1.54m

It is assumed that any increases in members allowances for inflation in future years will also be funded by the corporate provision for pay awards as part of the provision for council officers. The in year if agreed can be met by existing budget.

#### 8.1.1 Revenue consequences of report recommendation

The report is recommending further consideration of the Members Allowance Scheme which could impact on 2023/24 and 2024/25 if agreed at Budget Council.

For illustration, if a 2023/24 increase is applied, aligned to the Local Government Pay Settlement. The associated budgets are presented below:

	Current Year	Medium Term Financial Strategy – 3 year forecast		
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
<b>Current Revenue</b>	1,502	1,502	1,502	1,502

<b>Budget Available</b>				
<b>Current salaries expenditure</b>	1,433	1,433	1,433	1,433
<b>Effect of decision from report reflected in budget virement above</b>	55	55	55	55
<b>Remaining Budget</b>	14	14	14	14

Comments approved by Lesley Sheilds, Interim Head of Finance, (12/02/2024).

## 8.2 LEGAL IMPLICATIONS

- 8.2.1** The Council's Scheme of Members' Allowances is required to comply with the relevant provisions of the Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002, Local Authorities (Members' Allowances) (England) Regulations 2003, the Local Government and Housing Act 1989 and the Local Government Act 2000. In addition, there are separate provisions, namely sections 3 and 5 of the Local Government Act 1972 for the payment of allowances to the current civic Mayor and the deputy civic Mayor which Croydon has traditionally referenced as part of its Scheme of Members' Allowances, although the Council is not obliged to make such an inclusion as it sits outside the statutory regime for Members' Allowances.
- 8.2.2** The 2002 Regulations specifically allows for an elected mayor to be treated as a councillor of the local authority for the purposes of schemes relating to basic attendance and special responsibility allowances for local authority members as set-out within the Local Government and Housing Act 1989.
- 8.2.3** Regulation 10 of the 2003 Regulations provides that before the beginning of each year, an authority shall make the scheme required by regulation 4(1)(a) for the payment of basic allowance for that year. The scheme shall also make provision for the following allowances if an authority intends to make such payments in respect of the year–
- (a) special responsibility allowance;
  - (b) dependants' carers' allowance;
  - (c) travelling and subsistence allowance; and
  - (d) co-optees' allowance.
- 8.2.4** Subject to regulation 12 the scheme may be amended at any time but may only be revoked with effect from the beginning of a year. A scheme may make provision for an annual adjustment of allowances by reference to such index as may be specified by the authority and where the only change made to a scheme in any year is that effected by such annual adjustment in accordance with such index the scheme shall be deemed not to have been amended.



- 8.2.5** Regulation 10 (5) provides that where an authority has regard to an index for the purpose of annual adjustment of allowances it must not rely on that index for longer than a period of four years before seeking a further recommendation from the independent remuneration panel established in respect of that authority on the application of an index to its scheme. The Independent remuneration panel, in its current report, continues to recommend that any proposed annual adjustment be linked to the Local Government Staff Settlement (LGSS). Whilst the Council's current scheme makes provision for an annual adjustment, no provision is made for the backdating of such adjustment within the scheme as detailed within the report.
- 8.2.6** Where an amendment is to be made which affects an allowance payable for the year in which the amendment is made, the scheme may provide for the entitlement to such allowance as amended to apply with effect from the beginning of the year in which the amendment is made. (Regulation 10(6).)
- 8.2.7** In accordance with regulation 21, An independent remuneration panel is required to produce a report in relation to the authority or authorities in respect of which it was established, making recommendations in respect of, among other matters–
- as to whether, in the event that the scheme is amended at any time so as to affect an allowance payable for the year in which the amendment is made, payment of allowances may be backdated in accordance with regulation 10(6);
  - as to whether adjustments to the level of allowances may be determined according to an index and if so which index and how long that index should apply, subject to a maximum of four years, before its application is reviewed.
- 8.2.8** Regulation 19 of the 2003 Regulations provides that the Council must have regard to the recommendations of the independent remuneration panel before making or amending a Scheme of Allowances for its members.
- 8.2.9** Regulation 5(1) of the 2003 Regulations provide that the Scheme can make provision for an SRA to be paid to members who have such "special responsibilities in relation to the authority as are specified in the Scheme" and are within one or more of nine categories of responsibility identified in sub-paragraphs (a) - (i). This includes responsibilities such acting as leader or deputy leader of a political group within the authority; acting as a member of an Executive, presiding at meetings of a committee or sub-committee and acting as a spokesman of a political group on a committee or sub-committee.
- 8.2.10** Regulation 13 requires that the Council's scheme shall provide that a person may, by notice in writing given to the proper officer of the authority, elect to forgo their entitlement or any part of their entitlement to allowances.
- 8.2.11** Regulation 22, which makes provision for the required publicity for recommendations of Independent Remuneration Panels requires that once an authority receives a copy of a report made to it by an independent remuneration panel in accordance with regulation 21, it shall, as soon as reasonably practicable–
- (a) ensure that copies of that report are available for inspection by members of the public at the principal office of the authority, at all reasonable hours; and
  - (b) publish in one or more newspapers circulating in its area, a notice which–

- (i) states that it has received recommendations from an independent remuneration panel in respect of its scheme;
- (ii) describes the main features of that panel's recommendations and specifies the recommended amounts of each allowance mentioned in the report in respect of that authority;
- (iii) states that copies of the panel's report are available at the principal office of the authority for inspection by members of the public at such times as may be specified by the authority in the notice; and
- (iv) specifies the address of the principal office of the authority at which such copies are made available.

**8.2.12** Comments approved by Director of Legal Services and Monitoring Officer (12/02/2024).

### **8.3 EQUALITIES IMPLICATIONS**

8.3.1 Under the Public Sector Equality Duty of the 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.

8.3.2 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.

8.3.3 There are no direct equality implications arising from the recommendations in this report. The provision for annual increases reflected in the scheme however does reflect the report of the Independent Remuneration Panel views that allowances should be set at a level that enable people from a diverse range of backgrounds to become Councillors.

8.3.4 Councillors who require reasonable adjustments for disabilities should seek support from Democratic Services under PSED Equality Act 2010.

Approved by: Denise McCausland Equalities Programme Manager 12/02/2024

## **9 APPENDICES**

1 - The Independent Remuneration Panel report on Councillor Allowances 2023

2 – Proposed 2024/25 Members Allowance Scheme

## 10 SUPPORTING DOCUMENT

Borough IPMR Report London Wide (2023 London Benchmarking of Allowances)

<https://www.londoncouncils.gov.uk/who-we-are/about-us/financial-information/leadership-and-expenses/remuneration-councillors-london>

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# CONSTITUTION OF THE LONDON BOROUGH OF CROYDON

## PART 6A

### SCHEME OF MEMBERS' ALLOWANCES 2024/25

- 1 The Council has adopted a scheme of Members' allowances that complies with the Local Authorities (Members Allowances) (England) Regulations 2003 (No. 1021) as amended and having considered the recommendations of the London Councils' Independent Panel 2022-2023 on the Remuneration of Members in London.

The Croydon scheme provides for:

- Every Member (for clarity, does not include the directly elected Mayor) to receive a basic allowance which shall be inclusive of all travel costs incurred within the Borough;
- Members appointed by the Annual Council, or subsequently by virtue of the office they hold, shall receive a Special Responsibility Allowance;
- No Member shall receive more than one Special Responsibility Allowance;
- Out-of-Borough travel and subsistence allowances shall be reviewed by the General Purposes Committee and paid in line with levels set by the Committee, unless already prescribed by Statutory Instrument or Circular. Costs related to travel and subsistence outside the Borough only when incurred undertaking an approved duty shall be eligible for reimbursement;
- The scheme for reimbursement of costs associated with providing childcare or care for a dependent relative incurred by a Member when undertaking an approved duty is set out in Appendix A and it shall be reviewed periodically by the General Purposes Committee;
- Any Member may elect to forego all or part of the Basic Allowance and if appropriate the Special Responsibility Allowance, to which they are entitled, by writing to the Monitoring Officer. Otherwise, all allowances due to each Member shall be paid automatically each calendar month on the basis of one 12<sup>th</sup> of the total;
- Members do not have access to the Local Government Pension Scheme;
- The scheme does not provide for the payment of any allowances to co-optees, with the exception of the Independent Chair of Audit and Governance Committee (who receives a special responsibility allowance but no other allowances as a 'co-optee allowance'). Where a co-opted

As amended 02.2019, 08.2019, 03.2021 and 05.2022, ~~and~~ March 2023, and March 2024

member is suspended or partially suspended from their responsibilities or duties any co-optees' allowance payable to them in respect of the responsibilities or duties from which they are suspended or partially suspended may be withheld by the authority.

- Members shall only be entitled to a pro-rata payment in respect of a term of office which is not for a complete year, which would include any job share arrangements;
- The term of office of the Independent Chair of the Audit and Governance Committee is four years and the allowance is payable annually under this Scheme. They shall only be entitled to a pro-rata payment in respect of the annual allowance for any period which is not served as a complete year.
- In all other respects, the scheme of allowances as set out here shall remain in place until such time as the Council decides otherwise.

2 The respective levels of Basic and Special Responsibility Allowances payable from April 2023 are set out in Appendix B.

3 The Civic Mayor and Deputy Civic Mayor shall receive allowances for expenses in accordance with relevant legislation in relation to the discharge of their ceremonial and other duties. The level of expenses paid to the Civic Mayor and Deputy Civic Mayor are as shown in Appendix B.

4 Unless agreed otherwise by Full Council that no uplift will apply, the level of the Basic Allowance, Special Responsibility Allowances, Civic Mayor's and Deputy Civic Mayor's Allowances shall may be subject to annual adjustment in accordance with the annual in line with the percentage pay award agreed by the National Joint Council (NJC) for Local Government Services staff (LGSS). Members may review this aspect no more frequently than annually to determine whether there will be an adjustment for the upcoming Council year in question. Where it is necessary to consider a potential uplift in-year (where the details of the annual LGSS settlement is not agreed until after the commencement of the year to which the scheme applies) paragraph 5 below will apply.

5 Where an amendment is to be made by virtue of an uplift which affects an allowance payable for the year in which the amendment is made, the entitlement to such allowance as amended is to apply with effect from the beginning of the year in which the amendment is made. There is no ability to backdate any entitlement beyond the current year.

6 All Members shall continue to receive their Basic Allowance in full in the case of maternity, adoption, shared parental, paternity and sickness leave (subject

to the six-month councillor attendance at meetings requirement under Section 85 of the Local Government Act 1972).

4 7 In specific circumstances the payment of a Special Responsibility Allowance may continue during a period of absence in the case of maternity, adoption, shared parental, paternity and sickness leave. Where the SRA is paid at a reduced level the payment will be applied proportionately during the period of absence. Where members have elected not to receive their SRA no payment will be made. The Council, relevant committee/body or Mayor in case of Cabinet Members, as appropriate, may depending on the circumstances, appoint a temporary replacement to cover the period of absence, who will be entitled to an SRA pro-rata for the period of the temporary appointment.

8 Full details of entitlement to leave and allowances as a result of maternity, adoption, shared parental, paternity and sickness are attached at Appendix C.

## **DEPENDENT CARERS, TRAVEL AND SUBSISTENCE ALLOWANCE SCHEMES**

Members are entitled to claim reimbursement of expenditure incurred on the provision of the care of their children and dependent relations requiring care when undertaking an Approved Duty, subject to the provisions of the scheme set out below. Members are also entitled to claim travel and subsistence expenses incurred in the performance of an Approved Duty.

### **Approved Duties**

An Approved Duty shall be one that is specified in the relevant statutory Regulations, which currently provide for the following activities:

- 1 A meeting of the Executive.
- 2 A meeting of a Committee of the Executive.
- 3 A meeting of the Authority.
- 4 A meeting of a Committee or Sub-committee of the Authority.
- 5 A meeting of any other body to which the Member has been appointed or nominated by the Authority.
- 6 A meeting of a Committee or Sub-Committee to which the Member has been appointed or nominated by the Authority.
- 7 A meeting which has been authorised by the Authority, a Committee or Sub-Committee or a joint Committee of the Authority or one or more other authorities, or a Sub Committee of a joint Committee and to which representatives of more than one political group have been invited.
- 8 A meeting of a local authority association of which the Authority is a member.
- 9 Duties undertaken on behalf of the authority in connection with the discharge of any function of the Authority conferred by or under any enactment and empowering or requiring the Authority to inspect or authorised the inspection of premises.

The following Rates of Allowances shall be monitored by the General Purposes Committee, who shall also have power to revise them.



**RATES OF  
DEPENDENT CARERS, TRAVEL AND SUBSISTENCE ALLOWANCES  
TO MEMBERS OF THE COUNCIL**

The following allowances will be paid as a reimbursement of **INCURRED** expenditure **FOR AN APPROVED DUTY**, following the submission of receipts or other supporting documents, within 2 months of the expenditure being incurred.

**DEPENDENT CARERS ALLOWANCE**

1. Expenditure not less than the London Living Wage, currently £~~41~~13.~~0~~15 per hour, incurred in respect of care provided by a person that is not a member of the Member's household, for:
  - ~~£~~—The care of children 15 years of age or under living in the Member's household; or ~~£~~
  - ~~£~~ The care of other dependants where there is medical or social work evidence that care is required.
  - Where specialist nursing care is required at a higher rate, and the prior written agreement of the Head of Democratic Services on behalf of the Monitoring Officer has been obtained, a higher rate will be payable.

**TRAVEL ALLOWANCES (payable only for Out-of-Borough travel)**

**Rail or other Public Transport**

Ordinary or cheap fare, at first class rates, plus actual expenditure on:

- [a] Pullman car or similar supplements; reservation of seats; deposit or portorage of luggage.
- [b] Sleeping accommodation for an overnight journey (subject to thirty-three and one third percent reduction of any subsistence allowance payable for that night).

**Taxi-Cab or Cab**

- [a] In cases of urgency or where no public service is reasonably available, the amount of the actual fare and any reasonable gratuity paid;

As amended 02.2019, 08.2019, 03.2021 and 05.2022, ~~and~~ March 2023, and March 2024

[b] In other cases, the equivalent fare for travel by an appropriate public transport.

### **Private motor vehicle**

The rate for travel by a Member's private motor vehicle shall not exceed the following rates:

- [i] motorcycle, tricar or motor car of cylinder capacity 500cc **25.9p per mile**
- [ii] not exceeding 999cc **34.6p per mile**
- [iii] 1000cc - 1199cc **39.5p per mile**
- [iv] 1200cc and above **48.5p per mile**
- [v] For the carriage of each additional Member of the Council (not exceeding four): 3.0p per mile for the first passenger and 2.0p per mile for second and subsequent passengers.
- [vi] Expenditure on tolls, ferries, parking fees.
- [vii] Reimbursement of overnight parking charges.

### **Private bicycle**

The rate for travel by a Member's private bicycle shall not exceed **24.0p per mile**.

### **Hired Cars**

The rate which would have been applicable had the vehicle belonged to the Member who hired it. Subject to the approval of the General Purposes Committee, the rate may be increased to an amount not exceeding the actual cost of hiring.

## **SUBSISTENCE ALLOWANCES (payable only for Out-of-Borough subsistence)**

**Breakfast Allowance** **£4.92**

More than 4 hours away from normal place of residence or a lesser period before 11am.

**Lunch Allowance** **£6.77**

More than 4 hours away from normal place of residence or a lesser period including the lunchtime between noon and 2pm.

**Tea Allowance** **£2.67**

More than 4 hours away from normal place of residence or a lesser period including the period 3pm to 6pm.

**Evening Allowance** **£8.38**

More than 4 hours away from normal place of residence or a lesser period ending after 7pm.

**Overnight Absence** **£79.82**

From usual place of residence

**Overnight Absence in London** **£91.04**

Or for the purpose of attendance at an annual conference (including or not including an annual meeting) of the Association of County Councils, the Association of Metropolitan Authorities and the Association of District Councils or such other association of bodies as the Secretaries of State may for the time being approve for the purpose.

For the purposes of the above paragraph, London means the City of London and the London Boroughs of Camden, Greenwich, Hackney, Hammersmith & Fulham, Islington, Kensington & Chelsea, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth and Westminster.

**NOTE:** Any Subsistence Allowances claimed should be reduced by an appropriate amount in respect of any meal provided free of charge by the Council or body in respect of the meal or the period to which the allowance relates. Additionally, where main meals are taken on trains during a period for which there is an entitlement for a day subsistence allowance, the reasonable cost of the meals (including VAT) may be reimbursed in full. In such circumstances, reimbursement for the reasonable cost of a meal replaces the entitlement to the day subsistence allowance for the appropriate meal period.

**COUNCILLORS' BASIC AND SPECIAL RESPONSIBILITY ALLOWANCES**April ~~2023~~2024/2425.

		(£)
<b>Basic Allowance</b>	All Members	11,692
	Civic Mayor's Allowance	15,900
	Deputy Civic Mayor's Allowance	7950.40
<b>Special Responsibility Allowances - Paid in addition to Basic Allowance</b> (Unless otherwise stated)		
	Elected Mayor of the Council (inc. Basic Allowance)	81,894.36
	Statutory Deputy Mayor	30,352.80
	Cabinet Members (up to 7 positions)	27,503.20
	Deputy Cabinet Members (up to 5 positions)	5,491.36
	Chair - Scrutiny and Overview Committee	20,942
	Deputy Chair - Scrutiny and Overview Committee	8,585.60
	Conservative Group Secretary	8,268
	Conservative Chief Whip	12,121.80
	Chair - Licensing Committee	8,246.40
	Chair - Planning Committee	13,224.80
	Chair - Pension Committee	7,368
	Chair – General Purposes Committee	5,615.20
	Leader of the Labour Group	17,956
	Deputy Leader of the Labour Group (Up to 2 positions)	6,567.60
	Shadow Cabinet Members (up to 6 positions)	5,615.20
	Labour Chief Whip	5,615.20
	Labour Group Secretary	5,505.60
	Vice Chair - Scrutiny and Overview Committee	8,585.60
<b>Co-optee allowance</b>	Chair - Audit and Governance Committee	8,000.00

As amended 02.2019, 08.2019, 03.2021 and 05.2022, ~~and~~ March 2023 and Budget Council (date TBC) 2024

**APPENDIX C**  
**PARENTAL AND SICKNESS LEAVE**  
**ARRANGEMENTS**

Introduction

This Appendix sets out Members' entitlement to maternity, paternity, shared parental adoption leave and sickness leave and relevant allowances.

The objective is to ensure that insofar as possible Members are able to take appropriate leave at the time of birth or adoption that both parents are able to take leave, and that reasonable and adequate arrangements are in place to provide cover for portfolio-holders and others in receipt of Special Responsibility Allowances (SRA) during any period of leave taken.

Improved provision for new parents will contribute towards increasing the diversity of experience, age and background of local authority Members. It will also assist with retaining experienced Members – particularly women – and making public office more accessible to individuals who might otherwise feel excluded from it.

There is at present no legal right to parental leave of any kind for elected Members. This applies to MPs as well as Members and these arrangements can therefore only currently be implemented on a voluntary basis by individual Councils.

**1. Leave Periods**

*Maternity*

1.1 Members giving birth are entitled to up to 6 months maternity leave from the due date, with the option to extend up to 52 weeks by agreement if required.

1.2 In addition, where the birth is premature, the Member is entitled to take leave during the period between the date of the birth and the due date in addition to the 6 months' period. In such cases any leave taken to cover prematurity of 28 days or less shall be deducted from any extension beyond the initial 6 months.

1.3 In exceptional circumstances, and only in cases of prematurity of 29 days or more, additional leave may be taken by agreement, and such exceptional leave shall not be deducted from the total 52 week entitlement.

*Paternity*

1.4 Members shall be entitled to take 2 weeks paternity leave if they are the biological father or nominated carer of their partner/spouse following the birth of their child(ren). The Member may take one week at a time or two consecutive weeks of paternity leave, but not single days or less than a week's duration. Paternity leave must be taken within two months of the birth or adoption.

### *Shared parental leave*

1.5 A Member is entitled to Shared Parental Leave if they have (or share with the other parent) the main responsibility for the care of the child and are either the Mother, Father, Main Adopter or Other Adopter of the child, or the spouse, civil partner or partner of the Mother/Main Adopter.

A Member may share up to 50 weeks leave if the Mother/Main Adopter curtails their maternity/adoption leave before using their full entitlement of 52 weeks. The number of weeks available as Shared Parental Leave will be reduced by the number of weeks maternity or adoption leave that has already been taken by the Mother or Main Adopter.

Shared Parental Leave can be taken as one continuous block or in multiples of complete weeks, but must end no later than one year after the birth/placement of the child.

1.6 Where both parents are Members leave may be shared up to a maximum of 24 weeks for the first six months and 26 weeks for any leave agreed thereafter, up to a maximum of 50 weeks. Special and exceptional arrangements may be made in cases of prematurity.

### *Adoption*

1.7 A Member who adopts a child through an approved adoption agency shall be entitled to take up to six months adoption leave from the date of placement, with the option to extend up to 52 weeks by agreement if required.

### *Sickness*

A Member who is sick will continue to receive the basic allowance as long as they remain a councillor and comply with the attendance requirements regarding council meetings under section 85 of the Local Government Act 1972. They will also continue to receive any SRA for a period of up to six months during any 12 month period subject to review and a possible extension by six months.

### *General*

1.8 Any Member who takes maternity, shared parental, adoption or sickness leave retains their legal duty under the Local Government Act 1972 to attend a meeting of the Council within a six month period unless the Council Meeting agrees to an extended leave of absence prior to the expiration of that six month period.

1.9 Any Member intending to take maternity, paternity, shared parental, adoption or sickness leave will be responsible for ensuring that they comply with the relevant notice requirements of the Council as set out in paragraph 4 below, both in terms of the point at which the leave starts and the point at which they return.

1.10 Any member taking leave should ensure that they respond to reasonable requests for information as promptly as possible, and that they keep officers and colleagues informed and updated in relation to intended dates of return and requests for extension of leave.

## **2 Basic Allowance**

2.1 All Members shall continue to receive their Basic Allowance in full whilst on maternity, paternity, adoption or sickness leave as long as they remain a Member (subject to the six month councillor attendance at meetings requirement in section 85 of the Local Government Act 1972).

## **3. Special Responsibility Allowances**

3.1 Members entitled to a Special Responsibility Allowance shall continue to receive their allowance in full in the case of maternity, paternity, shared parental, adoption or sickness leave for a period of 6 months followed by a further period of 6 months at half rate.

3.2 Where a temporary replacement is appointed to cover the period of absence that person shall also receive an SRA on a pro rata basis for the period of the temporary appointment.

3.3 The payment of Special Responsibility Allowances, whether to the primary SRA holder or a temporary replacement, during a period of maternity, paternity, shared parental, adoption or sickness leave shall continue for a period of six months subject to a possible extension for a further six month period or until the Member or temporary replacement ceases to be appointed to a position entitling an SRA or is up for election whichever is the sooner.

3.4 Should a Member appointed to act as a temporary replacement for the Member on maternity, paternity, shared parental, adoption or sickness leave already hold a remunerated position, the ordinary rules relating to payment of more than one Special Responsibility Allowances shall apply.

## **4. Notification**

4.1 Maternity Leave: The Member should notify the Head of Democratic Services of their intention to take maternity leave in writing no later than 28 days before the date they wish the period of maternity leave to start and:

- i) Confirm the expected date of childbirth; ii) ) Provide a copy of the MATB1 (available from a doctor or midwife);
- iii) Confirm the dates which the Member will be absent.

4.2 Paternity Leave: The Member should notify the Head of Democratic Services of their intention to take paternity leave in writing no later than 28 days before they wish the period of paternity leave to start and:

- i) Confirm the expected date of childbirth; or date the child is expected to be placed for adoption (UK Adoption); or the date on which the date on which the child is expected to enter Great Britain (Overseas Adoption);

As amended 02.2019, 08.2019, 03.2021 and 05.2022, and March 2023

- i) Provide a copy of the MATB1 or matching certificate/official notification;
- iii) Confirm the dates which the Member will be absent.

4.3 Adoption Leave: The Member should notify the Head of Democratic Services of their intention to take adoption leave in writing no later than 28 days before the date they wish the period of adoption leave to start and:

- i) Confirm they are the Main Adopter and the date the child is expected to be placed for adoption (UK Adoption) or the date on which the child is expected to enter Great Britain (Overseas Adoption); ii) ) Provide a copy of the matching certificate/official notification;
- iii) Confirm the dates which the Member will be absent

4.4 Shared Parental Leave: The Member should notify the Head of Democratic Services of their intention to take shared parental leave in writing no later than 28 days before the date they wish the period of shared parental leave to start and:

- i) Confirm their entitlement to shared parental leave and the expected (or actual) date of birth/placement;
- ii) Confirm the start and end dates of the Mother/Main Adopter's maternity/adoption leave, the amount of shared parental leave available and how much each parent intends to take; iii) Provide a copy of the MATB1 or matching certificate/official notification;
- iv) Confirm the dates which the Member will be absent.

4.5 Sickness Leave. The Member should notify the Head of Democratic Services where they are likely to be sick for a period in excess of 2 months.

4.6 If the Member wishes to change the start date of a period of leave they should write to the Head of Democratic Services no later than 28 days before either the original start date or the new start date (whichever is earlier).

4.7. If the Member wishes to change the end date of a period of leave they should write to the Head of Democratic Services at least 28 days before either the original end date or the new end date (whichever is earlier).

4.8. The Head of Democratic Services will provide confirmation that the information on revised dates has been received and that relevant re-instatement or adjustment of any SRA has taken place within 10 working days.



## **5. Resigning from Office and Elections**

5.1 If a Member decides not to return at the end of their maternity, paternity, and shared parental, adoption or sickness leave they must notify the Council at the earliest possible opportunity. All allowances will cease from the effective resignation date.

5.2 If an election is held during the Member's maternity, paternity, shared parental, adoption or sickness leave and they are not re-elected, or decide not to stand for re-election, their Basic Allowance and SRA, if appropriate, will cease from the Monday after the election date when they would technically leave office.

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