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Council Agenda

To: Councillor Toni Letts (Chair)

Councillors Mike Selva, Hamida Ali, Jamie Audsley, Jane Avis, Jeet Bains, Sue Bennett, Margaret Bird, Carole Bonner, Simon Brew, Alison Butler, Jan Buttinger, Robert Canning, Richard Chatterjee, Sherwan Chowdhury, Luke Clancy, Pat Clouder, Stuart Collins, Jason Cummings, Patsy Cummings, Mario Creatura, Mike Fisher, Sean Fitzsimons, Alisa Flemming, Maria Gatland, Timothy Godfrey, Lynne Hale, Simon Hall, Patricia Hay-Justice, Maddie Henson, Steve Hollands, Yvette Hopley, Karen Jewitt, Humayun Kabir, Bernadette Khan, Shafi Khan, Stuart King, Oliver Lewis, Stephen Mann, Maggie Mansell, Dudley Mead, Margaret Mead, Vidhi Mohan, Michael Neal, Tony Newman, Steve O'Connell, Andrew Pelling, Jason Perry, Helen Pollard, Tim Pollard, Joy Prince, Badsha Quadir, Andrew Rendle, Pat Ryan, Paul Scott, Manju Shahul-Hameed, Donald Speakman, Andy Stranack, Phil Thomas, James Thompson, Wayne Trakas-Lawlor, Mark Watson, John Wentworth, Sue Winborn, David Wood, Louisa Woodley, Chris Wright and Callton Young

A meeting of the **Council** which you are hereby summoned to attend, will be held on **Tuesday, 27 February 2018** at **6.30 pm** in the **Council Chamber - Town Hall**

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Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

AGENDA – PART A

Item No.	Item Title	Report Page nos.
1.	**Apologies for Absence** To receive any apologies for absence from any Members.	
2.	**Minutes of the Previous Meeting** To approve the minutes of the meeting held on 29 January 2018 as an accurate record.	7 - 22
3.	**Disclosure of Interests** In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.	
4.	**Urgent Business (if any)** To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.	

5. **Announcements**

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

6. **Council Tax and Budget** 23 - 140

(a) **Questions to the Leader**
To last for a total of 15 minutes, the first 3 minutes available for announcements from the Leader.

(b) **Questions to the Cabinet Member for Finance**
To last for a total of 15 minutes, the first 3 minutes available for announcements from the Cabinet Member.

(c) **Scrutiny Business Report** 24 – 27
To last for a total of 10 minutes, the first 2 minutes available for announcements from the Chair of Scrutiny and Overview Committee.

(d) **Council Tax Debate** 29 - 140
The mover of the budget recommendations shall have 10 minutes to speak, followed by the Leader of the Opposition who shall also have 10 minutes to speak. There shall then be five further Members from each group called to speak for no more than 3 minutes each. The debate shall conclude with a right of reply from the Leader of the Council or other Cabinet Member for not more than 5 minutes.

At the conclusion of the debate the following recommendations will be taken through a recorded vote:

I. A 2.99% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).

II. A 2.0% increase in the Adult Social Care precept (a charge

Central Government has assumed all councils' will levy in its spending power calculations).

III. Welcomes the GLA increase of 5.07%, where over 81% of which is being used for the Police and 16% being used for the Fire service.

With reference to the principles for 2018/19 determined by the Secretary of State under Section52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are not excessive in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in the report.

7. Recommendations of Cabinet or Committee referred to Council for decision 141 - 206

To consider the recommendations made by Cabinet and the Cabinet Member for Homes, Regeneration and Housing since the last ordinary Council Meeting relating to the following matters:

7.1 Cabinet – Treasury Management Policy Statement 141 – 185

7.2 Cabinet Member for Homes, Regeneration and Housing – Adoption of Croydon Local Plan 185 - 205

8. Exclusion of the Press and Public

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

PART B

Council

Meeting of held on Monday, 29 January 2018 at 6.30 pm in Council Chamber - Town Hall

MINUTES

Present: Councillor Toni Letts (Chair);

Councillors Hamida Ali, Jamie Audsley, Jane Avis, Margaret Bird, Simon Brew, Alison Butler, Jan Buttinger, Robert Canning, Richard Chatterjee, Sherwan Chowdhury, Luke Clancy, Pat Clouder, Stuart Collins, Jason Cummings, Patsy Cummings, Mario Creatura, Mike Fisher, Sean Fitzsimons, Alisa Flemming, Maria Gatland, Timothy Godfrey, Lynne Hale, Simon Hall, Patricia Hay-Justice, Steve Hollands, Yvette Hopley, Karen Jewitt, Humayun Kabir, Shafi Khan, Stuart King, Oliver Lewis, Stephen Mann, Maggie Mansell, Vidhi Mohan, Michael Neal, Tony Newman, Steve O'Connell, Andrew Pelling, Jason Perry, Helen Pollard, Tim Pollard, Joy Prince, Badsha Quadir, Andrew Rendle, Pat Ryan, Paul Scott, Manju Shahul-Hameed, Donald Speakman, Andy Stranack, James Thompson, Mark Watson, John Wentworth, Sue Winborn, David Wood, Louisa Woodley, Chris Wright and Callton Young

Apologies: Councillor Mike Selva, Jeet Bains, Sue Bennett, Carole Bonner, Maddie Henson, Bernadette Khan, Dudley Mead, Margaret Mead, Phil Thomas and Wayne Trakas-Lawlor

PART A

1/18 **Minutes of the Previous Meeting**

The minutes of the meeting held on 4 December 2017 were agreed as an accurate record.

2/18 **Disclosure of Interests**

There were none.

3/18 **Urgent Business (if any)**

The Mayor agreed to receive one item of urgent business, which related to a number of appointments including the election of a new Chair to the Health and Wellbeing Board.

Councillor Newman moved, and Councillor Butler seconded, the recommendations as stated in the report:

1.1 To note the Leader's appointment of Councillor Manju Shahul-Hameed to the role of Cabinet Member for Economy and Jobs with effect from 1 February 2018;

1.2 To note the appointment of Councillor Mark Watson to the role of Deputy Cabinet Member for Culture, Leisure and Sport with effect from 1 February 2018;

1.3 To note the appointment of Councillor Maggie Mansell to the Health and Wellbeing Board with effect from 1 February 2018; and

1.4 To appoint Councillor Maggie Mansell as Chair of the Health and Wellbeing Board with effect from 1 February 2018 for the remainder of the 2017/18 Municipal Year.

The motion was put to the vote and was carried unanimously.

4/18 **Announcements**

The Mayor announced upcoming fundraising events for the Mayor's Charities which included:

- Fish and Chip lunch at McDermott's on 6 February 2018
- Love Not Hate event on 24 February 2018
- Samaritans dinner on 10 March 2018

The Leader announced that the draft settlement for funding for Unaccompanied Asylum Seeking Children (UASCs) was a poor offer for Croydon from central government; Croydon was responsible for 10% of UASCs in the country yet the proposal was for only 2% of the funding for the borough.

5/18 **Croydon Question Time**

The Mayor began the item with questions from members of the public.

Tony Pearson asked for details on the long term plans for Fishers Farm recycling centre. Councillor Collins responded that the centre was important for the area and had benefited from recent investment. There would be a recycling centre in New Addington for the foreseeable future.

Tony Pearson asked a supplementary question over concerns raised in the area by Councillor Hall. Councillor Collins responded that Councillor Hall had reported an issue and local officers had dealt with the matter quickly. There were new big belly bins deployed in the area and new cleaning vehicles were being utilised. There were also plans for an education programme in the ward similar to the pilot launched in Thornton Heath.

Michael O'Dwyer asked whether a Controlled Parking Zone (CPZ) would be imposed in three roads in the Addiscombe ward. Councillor King responded that the formal consultation had not yet been completed, but when it had been, the representations would be published and an officer report would be taken to the Traffic Management Advisory Committee (TMAC).

Michael O'Dwyer asked a supplementary question related to a Labour commitment that no CPZs would be imposed on roads where residents voted against it. Councillor King responded that the approach taken had been approved at TMAC by Members of both parties.

Ola Kolade asked when the railings on Norwood Grove Park would be repainted. Councillor Godfrey welcomed residents raising such concerns and would add the issue onto the work programme for officers.

Ola Kolade asked a supplementary question as to a specific date and time such works would be completed. Councillor Godfrey responded that the works would be undertaken as soon as possible, but the significant cuts in government funding provided less resource for such works.

Eunice O'Dame asked why the new street lights on Stroud Green Lane were more dimly lit than the old lights. Councillor King responded that all street lights in the borough had been replaced as part of a borough wide campaign that had been completed in 2017. In response to the issue raised, the service manager had been asked to accompany ward Councillors in the area on a walk around to investigate the concerns.

Eunice O'Dame asked a supplementary question on whether a risk assessment was carried out prior to the installations at Stroud Green Road. Councillor King responded that all lights installed met the appropriate light standards and the new lanterns used were of a higher wattage than the old ones.

Joseph Lee asked why there had been delays in updating residents on the works being undertaken at the Blackhorse Lane bridge. Councillor King responded that there had been regular dialogue with residents and local businesses throughout the first phase of the works. Prior to the next phase of works, a letter was due to be circulated to all residents and businesses providing information on the next steps.

Joseph Lee asked a supplementary question as to whether a commitment could be made for a timetable of the closure of the bridge. Councillor King responded that Transport for London (TfL) had only recently appointed a contractor to undertake the works and thus a detailed plan wasn't possible at that stage. However there was a clear commitment to organise local stakeholder events once a detailed plan was in place.

Rob Elliot asked a question over concerns that the 20mph speed limit was not being adhered to in roads in Shirley. Councillor King responded that the area was being monitored by officers who would be investigating what traffic calming measures could be implemented to deal with the issue.

Rob Elliot asked a supplementary question as to whether the Cabinet Member had been informed of the issue by local ward Councillors. Councillor King responded that the Council had not been made aware of the issue prior to the question being submitted.

Scott Roche asked a question related to what quality control measures were in place for contractors providing care in the borough. Councillor Woodley responded that a recent CQC inspection had rated care provision in Croydon as good, only one provider had been rated as inadequate and 80% had been rated as good. The Council's procurement process contained stringent quality tests for providers to pass.

Scott Roche asked a supplementary question pertaining to what systems were in place for residents to raise concerns over their quality of care. Councillor Woodley responded that there were carers' meeting held in the borough, as well as a draft strategy for carers currently being considered, as well as support groups for carers.

Gemma Patient asked why local residents had not been given notice of plans to build on the Norwood recreation ground. Councillor Butler responded that there were no plans at all to build on the recreation ground. It was stated that there were local designations in place to protect the area and the question was just a political ploy.

The Mayor then moved onto Councillor questions to the Leader.

Councillor Tim Pollard read quotes from the Commissioner's report on the steps taken in Children's Services since the Ofsted inspection, stating that opportunities had been missed to intervene when the service was struggling. The Councillor asked what investigations had taken place when the Chair for the Children's Safeguarding Board had resigned. The Leader responded that Councillor Flemming had been involved with discussions with the Chair at the time about her concerns. There had been disappointment at the speed of implementation of the changes required at that time. The steps undertaken since the Ofsted report had put the service in a much stronger position. It was stated that the problems with the service had been there before 2014, and whilst the current administration had taken its share of responsibility, the opposition party had failed to take their share from when they were in administration prior to 2014.

Councillor Tim Pollard asked a supplementary question as to why concerns raised by the Chair of the Board were not responded to immediately. The Leader responded that the safeguarding report had portrayed that the service was in better shape than it actually was and the administration had taken this at face-value.

Councillor Rendle asked whether the Leader agreed that there should be a government ban on coaches and buses using tyres older than 10 years' use. The Leader responded that there should be such a band and the falling of the private members' bill on the matter in Parliament was disappointing.

Councillor Tim Pollard asked a question pertaining to the Commissioner's report and whether the evidence suggested that the Leader and the Cabinet Member knew about the issues but didn't act on it. The Leader responded that officers were always being challenged and the issue had been the lack of speed on implementing the changes needed. The Commissioner's report had noted that the administration had turned the service around and had supported the Council to continue to run the service.

Councillor Tim Pollard asked a supplementary question pertaining to claims about the Cabinet Member's attendance at key meetings such as the Safeguarding Board and one-to-one meetings with key officers. The Leader responded that the Cabinet Member had his full support for the action undertaken and the Minister for Children's Services had agreed by allowing the Council to continue to run the service. The key issue was funding to children's services, as stated by the Chair of the Local Government Association.

The Mayor then moved the item to Councillor questions to the first pool of Cabinet Members.

Councillor Godfrey announced that the borough's libraries previously run by Carillion had been brought in-house, and had ensured all staff were paid the London Living Wage.

Councillor Woodley announced that the work carried out on living independently had received praise from national organisations as good practice. Croydon was also the first borough to set up a project on hoarding and had recently made national news.

Councillor Flemming congratulated Martin Williams, Chair of the Foster Carer Association, for his recent OBE. It was also announced that the nominations for the young Mayor of Croydon had been launched.

Councillor Gatland asked why the Cabinet Member had ignored reported issues of poor practice in children's services prior to the Ofsted report. Councillor Flemming responded that issues within the service dated back to 2012 when the opposition were in power. Whilst the current administration had accepted their responsibility, the opposition had failed to do so. Funding was also a critical issue that raised in the Commissioner's report – specifically in relation to Unaccompanied Asylum Seeking Children (UASCs).

Councillor Gatland asked a supplementary question related to a number of issues that were raised prior to the Ofsted report which should have alerted the Cabinet Member to act. Councillor Flemming responded that the Commissioner's report had noted that the multiagency work was being delivered effectively and areas that needed improvement were being acted upon.

Councillor Mann asked what action was being taken to ensure contractors whose vehicles were damaging the surface of Ashburton Park. Councillor Godfrey responded that the contractors in question were not up to the standard expected, and had failed to deliver the London Living Wage to their staff, however they had been appointed under the previous administration.

Councillor Mann asked a supplementary question pertaining to feedback on the winter festival at Ashburton Park held in December 2017. Councillor Godfrey responded that repair work to the park surface had been undertaken immediately following the conclusion of the festival. It was also noted that the festival had been a huge success.

Councillor Hopley asked a question pertaining to questions raised in the Commissioner's report over the Cabinet Member's expertise and capacity to undertake the improvements to the service needed. Councillor Flemming responded that the report was alluding to specific areas where the service could benefit from support, such as Camden Council providing guidance in services for vulnerable adolescents. Changes in the business support department had led to support issues in certain areas of the service however there had been an injection of £3.5million into the service to fund immediate support in areas required.

Councillor Hopley asked a supplementary question on the Cabinet Member's attendance at the Children's Safeguarding Board. Councillor Flemming responded that herself and the Deputy Cabinet Member attended Board meetings as observers but additionally attended a variety of meetings with senior officers. The issue highlighted in the report was the delay in implementation of improvements, not that the administration was unaware of the problems within the service.

Councillor Canning asked for an update on the planned development of football pitches in the Purley Way playing fields. Councillor Godfrey responded that state of the art football pitches were being delivered in collaboration with the Premier League in both Purley Way and Ashburton.

Councillor Stranack asked whether the Cabinet Member would publish her work diary up to the election in May 2018. Councillor Flemming responded that the Councillor had no right to question her commitment to the job at hand.

The Mayor then moved to Councillor questions to the second pool of Cabinet Members.

Councillor Butler provided details of the significant amount of work that had been undertaken inspecting private tower blocks to ensure property fire safety. The work had been recognised in a letter by the Secretary of State for Communities and Local Government.

Councillor Ali congratulated Croydon resident Lucy Njomo who had been recognised in the New Years' Honours list, receiving the British Empire medal for her work with young people in combatting female genital mutilation.

Councillor Hale asked a question on council housing construction since the new administration got into power. Councillor Butler responded that they had delivered new council homes that had been delayed by the previous administration. It was further stated that central government had imposed a number of obstacles in the way of local authorities' ability to build new council housing.

Councillor Hale asked a supplementary question pertaining to whether the administration would support the Conservative call for armed forces personnel to receive housing priority and further, whether the administration supported Jeremy Corbyn's pledge to house every homeless person. Councillor Butler responded that veterans of the armed forces already received priority for social housing in Croydon. It was further stated that the Council did a huge amount of work for homeless people in the borough and worked with a range of organisations and charities in ensuring homeless people received housing.

Councillor Audsley asked how community-led housing could be integrated into the Council's housing development. Councillor Butler responded that community-led housing had an important part to play in the strategy and officers were already working with such organisations in some schemes.

Councillor Audsley asked a supplementary question pertaining to how Brick by Brick could work with community-led housing projects. Councillor Butler responded that Brick by Brick could work with such schemes effectively.

Councillor Perry asked a question on protection of green spaces in the local plan. Councillor Butler responded that there was a housing crisis and more housing development was crucial to tackle issues from homelessness to access for young people onto the property ladder. However any development would be sustainable and not cause over-intensification of areas. It was the government appointed inspector whom had removed protection from some areas of Croydon, however the administration was listing additional protections for green spaces in the borough.

Councillor Perry asked a supplementary question related to an alleged lack of robust evidence submitted which caused the inspector to remove protections from green spaces. Councillor Butler responded that the submitted plan had originated with the previous administration. The current administration had committed to not develop on any green space designated by the plan.

Councillor Patsy Cummings asked how the Council could work with Crystal Palace Football Club to mitigate any potential impact of the proposed redevelopment of Selhurst Park on local district centres. Councillor Butler responded that a lot of work was required to support the development which included supporting local residents, the local economy and delivering a transport strategy. Officers from across the Council would work with the developers to ensure that when the planning application was submitted it would be the best for Croydon.

Councillor Jason Cummings asked whether there were plans for Brick by Brick to develop Ruskin House. Councillor Butler responded that no such plans were in place for the site.

Councillor Jason Cummings asked a supplementary question over allegations that Brick by Brick was ignoring concerns raised by residents. Councillor Butler confirmed that residents located near development sites had the right to raise concerns which would be considered as part of the development process.

Councillor Prince asked for updated information on the award-winning Community Connect scheme in New Addington. Councillor Ali responded that the pioneering work brought the Gateway service closer to the community and included projects such as a community food shop to provide fresh fruit and vegetables to those most in need. The scheme was well used and there were plans in the pipeline to launch it in other wards across the borough.

Councillor Creatura asked what action had been taken since the announcement that the Citiscape tower block required unsafe cladding to be removed. Councillor Butler responded that a number of actions had been taken by Council officers and it wasn't right, nor financially feasible, for Croydon tax payers' money to pay for private development re-cladding while central government was not providing support.

The Mayor then moved to the third pool of Cabinet Members.

Councillor Collins thanked enforcement officers for a spate of recent successful prosecutions for fly tipping in the borough.

Councillor Hall announced that the Council had changed payment terms with Carillion in 2017 in anticipation of financial difficulties within the company. Those changes had put the Council in a stronger position when the contractor was liquidated in January 2018. Thanks were passed on to officers in the Human Resources and Finance departments at the Council for their hard work to ensure all the Carillion employees taken in-house got paid. Councillor Hall also noted the unfair government funding proposed for Croydon for supporting the borough's UASCs. Finally, the new pay award for Council staff was announced, which recognised the hard work of officers.

Councillor Tim Pollard asked why the Council was not working pro-actively to identify fly-tips across the borough for clearing. Councillor Collins responded that the Council was very pro-active on the issue and that new vehicles purchased for street cleaning included three-way cameras which would monitor areas for fly tip clearance.

Councillor Tim Pollard asked a supplementary question on public meetings which heard many concerns from residents about the level of fly-tips in the area. Councillor Collins responded that he had attended a number of meetings with residents' associations, many of whom welcomed the Council's proactive approach and the speed of clearances once reported.

Councillor Fitzsimons asked for an update on reviewing the Council tax support system, particularly in relation to the alleged penalisation of residents' properties in Band D or above. Councillor Hall responded that the system was devolved to local government and had its budget cut. It was stated that the welfare reforms were having a devastating impact on residents and the tax support system needed reviewing to ensure it matched the welfare system.

Councillor Jason Cummings asked why a fly-tipping issue in the New Addington ward had taken months to be dealt with. Councillor Collins responded that when the issue was raised with him it was dealt with immediately.

Councillor Jason Cummings asked a supplementary question related to the New Addington incident which it was claimed had been an ongoing issue for months. Councillor Collins responded that if this had been the result of poor performance from the contractor then penalty fines would be issued.

Councillor Hall added that the issue had originally been raised with officers whom had received reassurances from the contractors.

Councillor Canning asked how many vehicles had been seized in the borough for illegally dumping waste. Councillor Collins responded that 34 vehicles had been seized, and that Croydon was leading nationally on this issue.

Councillor Canning asked a supplementary question pertaining to how this performance compared to the previous administration. Councillor Collins stated that no vehicles had been seized for illegally dumping waste under the previous administration.

Councillor Clancy asked whether the improvement in fly tipping figures was due to the re-classification of the data. Councillor Collins responded that the change in the dashboard data was purely to make the data more accessible for public consumption and that the figures provided were exactly the same.

Councillor Mann asked whether the government policies on plastic recycling were panic measures due to growing public outcry on the issues. Councillor Collins responded that he believed it was a panic policy and did not go far enough in removing plastic packaging from consumer goods.

Councillor Mann asked a supplementary question on steps taken with regards to recycling plastic bottles and coffee cups in the borough. Councillor Collins responded that the administration supported the Mayor of London's draft recycling policy. The Council had undertaken a number of steps internally to encourage staff to use reusable receptacles for water and coffee. In addition, conversations were taking place with coffee suppliers in the borough to encourage the use of reusable cups.

Councillor Neal asked whether the introduction of a free bulky waste collection service would help drive down fly-tipping in the borough. Councillor Collins responded that there may be opportunities to look into such a service however the outcomes were mixed in boroughs that had already implemented a free collection service.

Councillor Neal asked a supplementary question related to the success of such schemes in other boroughs. Councillor Collins responded that a free bulky waste collection service had not proved to be a panacea for fly-tipping where it had been introduced in other London boroughs.

Councillor Fitzsimons asked for an update on the Blackhorse Lane bridge repair works and whether pedestrians and cyclists would benefit from the investment. Councillor King responded that work on phase two of the repairs would begin in the summer of 2018 and whilst the bridge would be open for pedestrians for most of the time, there would be short periods where access would be closed for safety reasons.

6/18 **Member Petitions**

Councillor Kabir introduced the petition which read:

"We, the undersigned, call on JD Wetherspoon plc to keep the Flora Sandes open."

Councillor Watson responded that the Council's regeneration team had held discussions with JD Weatherspoon regarding the Flora Sandes, and Councillor Butler had written to them directly. Unfortunately the closing of the pub appeared to be a nationwide commercial policy, with other pubs across the country earmarked for closure. There was a commitment that the Council would do what it could, but ultimately it would be a decision for JD Weatherspoon to make.

Councillor Tim Pollard introduced the petition which read:

"We the undersigned petition Croydon Council / Parking Design to extend double yellow lines at the junction of Mitchley View and Mitchley Hill Sanderstead, to reduce the dangers of the blind spot created solely by the parked vehicles."

Councillor King responded that a similar request had been made in the summer of 2017 and had been investigated by officers. Officers were satisfied that the issue of sight lines was sufficiently dealt with by the existing double yellow lines on the road. It was also hoped that the introduction of 20mph speed limits on the road would encourage safer driving. A commitment was made to look at the issue again in six months' time.

7/18 **Council Debate Motions**

The Mayor began the item with the first debate motion, submitted by the majority party, which read as follows:

"This council commends the borough's library staff for their hard work and dedication in difficult times, as Carillion fell apart. This council believes that the decision by the previous administration to privatise the library service in Croydon was a catastrophic one and welcomes the decision of this administration to bring the service back in house."

Councillor Godfrey, moving the motion, stated that the Council had taken swift action on the borough's libraries after the liquidation of Carillion, which had marked the end of a negative experience with privatisation. It was stated that the privatisation of Croydon's libraries was an example of the previous administration's regressive policies towards promoting culture in Croydon. The key task now was to rebuild the libraries, which had been allowed to run down under Carillion. The rebuilding of the South Norwood library was a showcase of how every library in Croydon should be. Libraries played a crucial role in residents' lives and served the needs of the community – particularly young people, and it was stated that it was wrong that Croydon had the largest youth population in London but no full-time youth library worker post. The Council would make libraries vibrant spaces and encourage staff forums to support this.

Councillor Avis seconded the motion and reserved her right to speak.

Councillor Helen Pollard stated that libraries were a great resource for residents and provided access to services and benefits, as well providing a space for community cohesion and learning support. The context for the outsourcing of services to Carillion, it was stated, was the economic mismanagement of the Labour government which required the Council to look at providing the service in a more affordable way. The process went through a proper tendering process and the outcome was reducing the library costs to the Council whilst increasing the number of users in the borough. Since the new administration had come to power in 2014 there had been little change in the Council's library policy – and it was claimed little had been done to improve Library services in that time, and thus the motion was just opportunistic politics.

Councillor Tim Pollard stated that when the tendering process was being undertaken for library services, Carillion were a strong company and no one could know they would eventually collapse. Furthermore, the previous Labour government had tendered billions of pounds worth of government contracts to Carillion through the Private Finance Initiative (PFI). It was stated that the previous Labour administration had a history of outsourced services collapsing due to liquidation of the contractors.

Councillor Avis, seconding the motion, stated that the previous administration had, at the beginning of austerity measures in 2010, immediately announced the closure of six libraries in Croydon. In response, Croydon residents showed their appreciation for libraries by protesting, petitioning and holding public meetings. This was followed by cuts to opening hours for existing libraries, and then the outsourcing to Carillion. By contrast, the new administration had recently announced the opening of a new library in South Norwood and taken the borough's library staff back in house and immediately increased their wages to the London Living Wage.

The motion was put to the vote and carried.

The Mayor then moved the item to the second debate motion, submitted by the opposition, which read as follows:

"At public meetings all over the borough residents tell us that the current Council administration is losing the battle against fly tipping. The current administration made dealing with this an election pledge in 2014 but have failed.

This Council believes a much more rigorous approach to enforcement is needed, coupled with teams of officers proactively logging fly tips using GPS-equipped vehicles for follow-up teams to rapidly remove. Enforcement should extend to private land with officers taking a pragmatic approach to clearing land other than the highway. The mobile reporting teams should also monitor and report other environmental issues such as graffiti.

This Council believes that the current administration's fly tipping and environmental contract management is far too passive and a firmer grip is needed on all environmental services providers. It is wrong to sit back and wait for residents to report issues before addressing them. This Council therefore agrees to prioritise funding pro-active 'Clean Up Croydon' teams in its 2018/19 budge."

Councillor Clancy, moving the motion, stated the Croydon was the third worst borough for reported fly tips in London. The number of large tips reported in the borough almost doubled and this was a significant strain on Council budgets. What was needed was to take the fight to the fly tippers with a more pro-active and visible approach. It was proposed that bulky waste collection be made a free service and powers should be used to enforce private landowners to deal with fly tipping on their property. The proposed pro-active policies would ensure that Croydon's streets would be cleaner.

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

Councillor Collins stated that fly tips had gone down and the new street cleaning vehicles recently acquired included three-way GPS cameras installed. The number of enforcement officers had gone up significantly under the current administration and this had seen a large rise in the number of prosecutions for fly-tipping. The contract managers were increasing the standards of the service whilst saving money. It was stated that fly tipping was a national issue and needed a national awareness raising campaign to combat successfully.

Councillor Canning stated that the wording of the motion implied that the current administration had not done anything about fly tipping. Councillor Canning then listed the number of actions taken which included:

- A rise in the rate of 48-hour clean ups
- Making it easier for residents to report fly tips
- Over 300 street champions recruited
- Increase in enforcement officers and CCTV and covert surveillance in fly tipping hot spots.
- Investment in street cleaning and stronger contract negotiation for the new waste contract.

Councillor Creatura, seconding the motion, stated that it provided a pro-active vision for tackling fly-tipping. The current administration was failing on this issue, with the Evening Standard rating Croydon as one of the worst boroughs for fly-tipping in 2017. Fly tips had increased in Croydon by 64% and the borough had one of the highest clean-up costs in London. It was stated that the contract was getting out of control and residents were complaining across the borough of dirtier streets.

The motion was put to the vote and fell.

8/18 Recommendations of Cabinet or Committee referred to Council for decision

At the beginning of the item Councillor Pelling made a disclosure of a pecuniary interest in the third decision to be considered and withdrew from further participation in the meeting.

The Mayor moved to the first recommendation under paragraph 1.1 of the report, which was the adoption of the Licensing Policy Statement as recommended by the Licensing Committee.

The motion was moved by Councillor Avis and seconded by Councillor Hay-Justice.

The motion was put to the vote and carried unanimously.

Council therefore **RESOLVED** to adopt the Licensing Policy under the Licensing Act 2003 as set out at Appendix 1 to the report.

The Mayor moved to the second recommendation under paragraph 2.1 of the report, which was the proposed Admission Arrangements for Croydon's community schools for the 2019/20 academic year as recommended by Cabinet.

The motion was moved by Councillor Flemming and seconded by Councillor Shafi Khan.

The motion was put to the vote and carried unanimously.

Council therefore **RESOLVED** to adopt the Admission Arrangements for Croydon's community schools for the 2019/20 academic year.

The Mayor moved to the third recommendation under paragraph 3.1 of the report, which was for in-year appointments as recommended by the General Purposes and Audit Committee.

The motion was moved by Councillor Jewitt and seconded by Councillor Prince

The motion was put to the vote and carried unanimously.

Council therefore **RESOLVED** to:

- To appoint Councillor Trakas-Lawlor and Councillor Patricia Hay-Justice to the Pensions Collective Investment Vehicle (CIV) Sectoral Joint Committee to replace Councillor Wentworth and Councillor Pelling.
- To appoint Councillor Chowdhury to the Tenants' and Leaseholders' Panel to replace Councillor Trakas-Lawlor.

9/18 **Polling Districts and Polling Places Review**

Councillor Newman moved the recommendations as contained within the report and the motion was seconded by Councillor Tim Pollard.

The motion was put to the vote and carried unanimously.

Council therefore **RESOLVED** to:

1.1 Note that the London Borough of Croydon (Electoral Changes) Order 2017 to implement the recommendations made by the Local

Government Boundary Commission for England (LGBCE) for new ward boundaries within Croydon was made on 20 November 2017 and will be in effect from the local government elections on Thursday 3 May 2018.

1.2 Approve the revised schedule of polling districts set out in Appendix A.

1.3 Approve the revised schedule of polling places set out in Appendix A.

1.4 Delegate to the (Acting) Returning Officer authority to approve an alternative polling place in the event that any polling place becomes unavailable or found to be unsuitable in the run up to an election and to make this change on a permanent basis following the election

10/18 **Exclusion of the Press and Public**

Not required

The meeting ended at 9.37 pm

Signed: ....

Date: ....

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REPORT TO:	**COUNCIL** **27 February 2018**
SUBJECT:	**COUNCIL TAX AND BUDGET REPORT**
LEAD OFFICER:	**JACQUELINE HARRIS-BAKER,** **DIRECTOR OF LAW AND MONITORING OFFICER**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council Tax and Budget Report is prepared in keeping with the Council Procedure Rules at Part 4A of the Constitution.

1. RECOMMENDATIONS:

Subject to decision at the Cabinet meeting to be held on 26 February 2108, the Council is expected to be asked to approve the following recommendations:

1.1 A 2.99% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation);

1.2 A 2.0% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).

1.3 To welcome the GLA increase of 5.07%, where over 81% of which is being used for the Police and 16% being used for the Fire service.

With reference to the principles for 2018/19 determined by the Secretary of State under Section52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are not excessive in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 7.12 of report 6.1.

1.4 The calculation of budget requirement and council tax as set out in Appendix D and E of report 6.1. Including the GLA increase will result in a total increase of 5.01% in the overall council tax bill for Croydon.

1.5 The two year revenue budget assumptions as detailed in report 6.1 and the associated appendices :-
- The programme of revenue savings and growth by department for 2018/20 (Appendix A of report 6.1).
- The Council's detailed budget book for 2018/19 (Appendix B of report 6.1).

1.6 The Capital Programme as set out in section 13, table 18 and 19 of report 6.1.

1.7 That it note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2018/19.

1.8 The adoption of the Pay Policy statement at Appendix H of report 6.1.

2. EXECUTIVE SUMMARY

2.1 This Council Tax and Budget Report comprises a summary of the process and matters of business relating to the Council Tax and Budget Setting as required by Part 4A of the Constitution. The report also includes recommendations that are anticipated to be made to Council by Cabinet at its meeting on 26 February 2018.

3. GENERAL FUND AND HRA BUDGET PROPOSALS

3.1 The General Fund and HRA Budgets are appended to this report as **report 6.1**.

3.2 At its meeting on 26 February 2018, Cabinet is anticipated to recommend to Council the recommendations detailed in 1.1 to 1.8 above. Those recommendations will be put to the vote at the conclusion of this item of business.

3.3 In accordance with paragraph 4.12 of part 4A of the Constitution, recommendations 1.1, 1.2 and 1.3 will be taken as recorded votes.

4. QUESTIONS TO THE LEADER AND CABINET MEMBER FOR FINANCE

4.1 At the outset of consideration of this item, Members will have the opportunity to ask questions of the Leader of the Council on any matter related to the Council Tax or draft budget.

4.2 Following the above session, Members will have an opportunity to ask questions of the Cabinet Member for Finance & Treasury on any matter related to the Council Tax or draft budget.

4.3 Both of these question and answer sessions will last for fifteen minutes and the first three minutes of each session may be used by the Leader or Cabinet Member to make any announcements. Both sessions will be conducted in accordance with paragraphs 4.3 to 4.6 of Part 4A of the Council's Constitution.

4.4 In case of doubt, the Mayor shall decide whether it is appropriate for any matter to be considered at a Council Tax Meeting and shall disallow any questions considered inappropriate. Each Member asking a question will also be allowed to ask a supplementary question.

5. BUSINESS REPORT OF THE SCRUTINY AND OVERVIEW COMMITTEE

5.1 Part 4C of the Constitution outlines the process for developing the Council's annual budget and makes provision for the Scrutiny & Overview Committee to comment on proposals. It also requires Cabinet to take into account any formal response from the Scrutiny & Overview Committee.

5.2 Paragraph 4.8 of part 4A of the Constitution allows a period of ten minutes for Councillors to question the Chair of the Overview and Scrutiny Committee, the first two minutes of which are available to the Chair to make any announcements.

5.3 In accordance with the above requirements, the Scrutiny & Overview Committee considered all non-education elements of the proposed 2018/19 budget at its meeting on 12 December 2017. Education elements of the proposed budget were considered by the Children and Young People Scrutiny Sub-Committee at its meeting on 6 February 2018.

Council Tax and Budget Scrutiny

5.4 At its meeting on 12 December 2017, the Scrutiny and Overview Committee considered an item on the draft budget from the Leader and Cabinet Member for Finance and Treasury.

5.5 A presentation from the Cabinet Member for Finance and Treasury spoke of the current status of the financial position, the growth pressures and saving options.

5.6 The Committee learned that the growth pressures are having a massive impact on the local authority and the current underfunding in Croydon is having an impact. The overall position of the level of funding was highlighted in the presentation. The Committee was reminded that Croydon is an outer London borough with inner London needs and would have had an additional £28 million more to spend on Council services if funded at inner London rates.

5.7 The Committee heard that there was a lot of budget pressures within Adults and Children's Social Care and Children with Special Educational Needs (SEN).

5.8 The Committee learned that there was a growing pressure on demand in Children's Services following the recent Ofsted inspection. With investment being made to enable the delivery of the Improvement Plan.

5.9 The Committee learned that there had been a recruitment freeze within the borough for all but essential roles.

5.10 The Committee learned of the 2018/19 financial budget plans and growth pressure. Officers shared that £10 million pounds had been allocated to Children's Services were the biggest pressure currently resides. The Committee learned that Adults of all age and disability group was a growing population where the service had a duty to deliver and support.

5.11 The Committee learned that complexity was increasing and staffing in SEN had increased to deal with demand. There was an improved service in out of hospital care and this was improving lives of residences.

5.12 The Committee learned of the savings and what the local authority could do to save money. These were all listed in detail in the appendix to the report.

5.13 The Committee learned that there had been options considered and discarded as savings by officers and members as part of the budget preparation process.

5.14 Members of the Committee learned that some spending was on things the Council could not control, for example concessionary fares, and would not change the overall funding in Croydon.

5.15 Members of the Committee noted the presentation. They learned that Croydon was doing more to promote commercialisation, for example, Brick by Brick.

Education Budget 2018/19

5.16 At its meeting on 6 February 2018, the Children and Young People Scrutiny Sub-Committee considered an item on the draft education budget from the Cabinet Member for Children, Young People & Learning and Head of Finance (People).

5.17 An overview of the three areas that the Education Budget would be split into was provided to the sub-committee, namely:

- The Dedicated Schools Grant(DSG)
- Capital Expenditure
- Council Services Provision

5.18 The sub-committee was informed that the DSG allocation funding had now been split to one rate for primary schools and one rate for secondary schools. The detailed schools budgets would be issued to schools in March 2018 once agreed and finalised by the DFE.

5.19 The sub-committee was further informed that the DSG allocation for the forthcoming year 2018/2019 was £337.82m, a £10.3m increase compared to 2017/2018 funding. This included additional funding for the Early Years, High Needs and Schools Block due to an increase in the number of pupils.

5.20 The Schools Forum had agreed an hourly rate increase for 3/4 year old funding, with continuous work in that area. There was also ongoing work to address issues of overspend in high needs areas, where there had been significant overspend over the years by many local authorities due to an ongoing increase in demand.

5.21 To manage overspend in Special Education Needs (SEN), the Council had explored actions to be taken to address issues relating to costs including the following:

- Early provision of vital resources
- Post 16 provision within the borough
- In borough provision of Autistic Spectrum services

5.22 Members expressed their dissatisfaction regarding the low funding allocated to Croydon, which, although an outer London borough, shared many of the challenging characteristics of an inner London borough. Officers responded that the ranking and allocations were based on historical formula of outer and inner London rates. This was an important issue and lobbying had taken place over a number of years in an attempt to get the government to address the issues and to deliver a fairer funding settlement.

5.23 In response to Member concerns regarding the impact of exclusion of pupils on the budget and in particular the exclusion of pupils attending Academy schools, officers advised that exclusions were being monitored very closely and that both the Council and schools worked hard to avoid permanent exclusions, with negotiations between schools to ensure that pupils at risk retained a place in full time education.

5.24 There had however been an increase in exclusions, mainly for children without an Education, Health and Care Plan (EHCP), concerns had been raised with the Schools Commissioner where it had been identified that particular schools had excluded a high number of pupils with SEN to ensure that there were no underlying issues of disparity and unfairness.

5.25 Members sought detail on the support being afforded to pupils with SEN by colleges. Officers responded that work was being undertaken with colleges to ensure good provision for pupils, there were however challenges with provision for pupils with significant disabilities and needs.

5.26 Members commented that more work needed to be done to promote the specialists schools in the Borough which were providing outstanding services. Officers informed the sub-committee that the specialist schools were oversubscribed and this was a testament to high level of quality of provision of the establishments.

Officers were thanked for their responses to Members' questions.

Conclusions:

i) That the sub-committee noted the impact of pupil exclusions on the budget;
ii) The continued disparity between allocation of funding for inner and outer London boroughs be noted; and
iii) The sub-committee held concerns on the lack of per pupil funding allocation increase to the High Needs Block despite the continuous increase in demand faced.

6. COUNCIL TAX DEBATE

6.1 The Council Tax Debate will proceed in accordance with paragraphs 4.9 to 4.12 of part 4A of the Constitution.

6.2 The order of speakers shall be as follows:

i) Leader or other Cabinet Member (10 mins)
ii) Leader of the Opposition (10 mins)
iii) Administration Speaker (3 mins)
iv) Opposition Speaker (3 mins)
v) Administration Speaker (3 mins)
vi) Opposition Speaker (3 mins)
vii) Administration Speaker (3 mins)
viii) Opposition Speaker (3 mins)
ix) Administration Speaker (3 mins)

x) Opposition Speaker (3 mins)
xi) Administration Speaker (3 mins)
xii) Opposition Speaker (3 mins)
xiii) Leader or other Cabinet Member exercising a right of reply (5 mins).

6.3 At the conclusion of the debate, the recommendations shall immediately be put to the vote as detailed in 1.1 to 1.8 above.

CONTACT OFFICER: Stephen Rowan, Head of Democratic Services and Scrutiny

BACKGROUND DOCUMENTS: None

APPENDICES: **Report 6.1 -** General Fund & HRA Budget 2018/20 report to 26 February Cabinet
Appendix A – Budget Options
Appendix B – Revenue Budget and Capital Programme
Appendix C – Summary of Revenue Estimates
Appendix D – Council Tax Bands
Appendix E – Recommendations for Council Tax Requirement
Appendix F – Response to the Local Government settlement
Appendix G – Dedicated Schools Grant
Appendix H – Pay Policy Statement

APPENDIX 6.1

REPORT TO:	**CABINET 26 FEBRUARY 2018**
SUBJECT:	**GENERAL FUND & HRA BUDGET 2018/20**
LEAD OFFICER:	**RICHARD SIMPSON** **EXECUTIVE DIRECTOR OF RESOURCES (SECTION 151 OFFICER)**
CABINET MEMBER:	**COUNCILLOR TONY NEWMAN, LEADER OF THE COUNCIL** **COUNCILLOR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY** **COUNCILLOR ALISON BUTLER, CABINET MEMBER FOR HOMES AND REGENERATION**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2018/19 and also proposals around the delivery of the budget for 2019/20.

FINANCIAL SUMMARY:

The report details the revenue and capital budgets for the General Fund for 2018/19, including the Council Tax increase of 2.99% and the 2% increase for the Adult Social Care precept, the budget for the Housing Revenue Account and the 1% decrease in Housing Rents for 2018/19.

FORWARD PLAN KEY DECISION REFERENCE

The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 27th February 2018.
The recommendations in section 1.2 I, II and III are key executive decisions (reference no.03/17/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

1.0 RECOMMENDATIONS

1.1 The Cabinet recommend to full Council:

I. A **2.99**% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).

II. A **2.0**% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).

III. Welcomes the GLA increase of **5.07%,** where over 81% of which is being used for the Police and 16% being used for the Fire service.

With reference to the principles for 2018/19 determined by the Secretary of State under Section52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 7.12 of this report.

IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 5.01**%** in the overall council tax bill for Croydon.

V. The two year revenue budget assumptions as detailed in this report and the associated appendices :-
- The programme of revenue savings and growth by department for 2018/20 (Appendix A).
- The Council's detailed budget book for 2018/19 (Appendix B).

VI. The Capital Programme as set out in section 13, table 18 and 19 of this report.

VII. That it note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2018/19 .

VIII. The adoption of the Pay Policy statement at Appendix H;

1.2 That Cabinet agree:

I. A rent decrease for all Council tenants for 2018/19, in line with the Government's social rent policy which has legislated to reduce social rents by 1%.

II. No increase to Garage and Parking space rents.

III. No increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 14.

IV. The Discretionary Council tax relief scheme pursuant to S13A(1)(c) of the Local Government Finance Act 1992 which sets out the Council's approach for reducing the council tax liability for Care Leavers as detailed in paragraph 12 of the report.

1.3 That Cabinet note:-

I. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.

II. The progress being made towards balancing the Council's financial position for 2017/18 as at Quarter 3 and the current projected outturn forecast of £5.861m as set out in the report at item 3.b on this agenda.

III. The response to the draft local government settlement which is attached at Appendix F.

IV. That pre-decision scrutiny of the proposed budget 2018/20 took place at the Scrutiny and Overview Committee on the 12th December 2017 with no recommendations being made by the Scrutiny and Overview Committee.

V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2.0 EXECUTIVE SUMMARY

2.1 The report sets out the context and challenges faced by the council in setting a balanced budget for 2018/20. The report also sets out the current savings plans and approach to transformation of the council over the next 2 years.

2.2 This administration has been determined to deliver on the priorities it set out in its Ambitious For Croydon manifesto, notwithstanding the pressures that come, directly or indirectly, from Central Government. This budget reflects the continued delivery of those priorities.

2.3 Funding and grant reductions are expected from national government based on the Spending Review and Local Government Financial Settlement, over the medium term with a funding gap before the identification of savings of just over £38m projected over the period 2018/20. To address previous and this funding gap the Council initiated and completed a number of programmes aimed at transforming services and reducing cost. These programmes have focused on making the council more efficient but critically more effective, through a focus on the right outcomes, and delivering services to the public that changes people's lives for the better. During the last year the Council has focused more on managing demand and changing behaviours of both residents and staff to enable the budget challenges to be met, and while the

Council continues to focus on managing this challenge, it will also be continuing to seek immediate action from national government to deliver a Fair Funding Share for the People of Croydon.

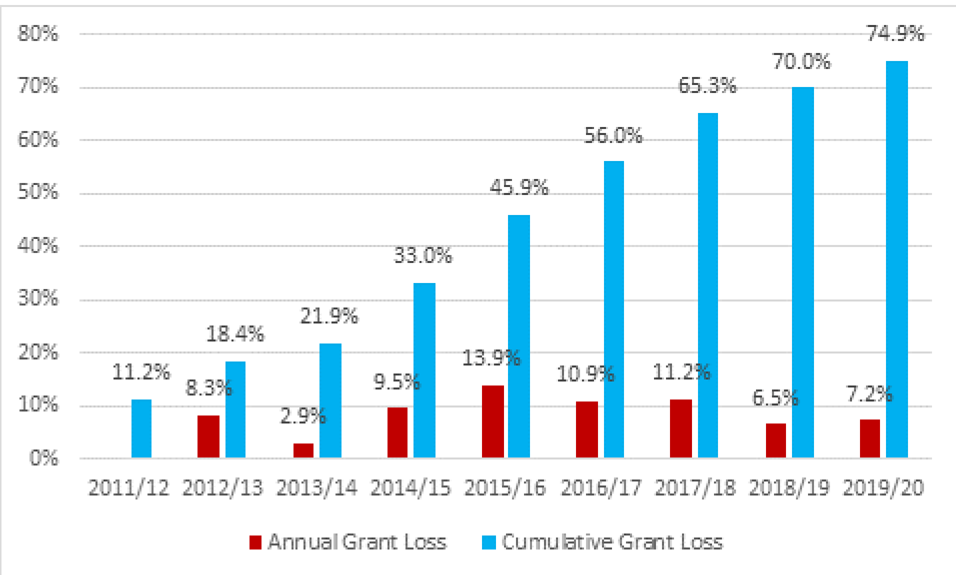
2.4 The choices made in this budget reflect the clear priorities of the administration. This is particularly clear in the focus on reducing back office costs and protecting the front line and those services that matter most to residents. This is reflected in table 3 and 4 which show the investment and savings by department.

2.5 The 2018/19 budget includes £19m of investment into Children's and Adults social care. This reflects both the demographic and demand changes impacting those services and also investment in ensuring children's services has the resources required to support its improvement.

2.6 The Capital Programme set out in section 13 shows the continued focus on both investing in key priorities across the borough including the delivery of additional school places, new youth facilities, affordable housing, and leisure and culture, as well as massive improvements in infrastructure thanks to the Growth Zone.

2.7 The Government that took office after the 2015 general election has continued to follow a policy aimed at reducing the public sector deficit, principally through reductions in public expenditure. One of the main areas to be cut has been local government. As a result councils have had significant reductions in their funding from Government funding (made up of grants and retained business rates) and further reductions are expected over the medium term (Croydon's Grant loss over the period is shown in graph 1 below). At the same time the Council has faced increasing demand for some services due to demographic pressure (population growth due to natural increases and migration, growth in the numbers with significant need such as the number of older people) and the consequences of other government policies such as universal credit.

Graph 1: Croydon's Grant Reductions 2011/20



2.8 As in previous years, there continues to be a number of key changes to Local Government Funding contained within the 2018/19 settlement that have had a significant impact both nationally and in Croydon. Cabinet has received reports previously showing the scale of the reductions in funding that the Council is facing and the way that inflation and the growing demand for services from population growth, demographic changes and legislative changes are not being reflected in the funding that Croydon receives. The Settlement announcement, together with associated announcements around the same time, have exacerbated this position.

2.10 The offer of a four year funding settlement made by Government as part of the Spending Review was to help local authorities plan their finances and prepare for the move to a more self-sufficient resource base by 2020. The multiyear settlement was aimed at providing certainty and stability to help local authorities strengthen financial management and efficiency, including maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents. However, the reality is that year-on-year variations in funding have been seen.

2.11 The Provisional Finance Settlement was announced on the 19th December 2017, and the Final Settlement was published on the 6th February 2018 by the Ministry of Communities, Housing and Local Government. The final settlement contained two changes from the provisional settlement as detailed below:-

2.11.1 £150m of additional funding to be allocated through Adult Social Care Support Grant. This is to be funded from anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government. This funding is distributed according to the adult social care relative needs formula, with £23m being allocated to London and £0.876m directly allocated to Croydon.

2.11.2 £16m of additional one off funding through Rural Services Delivery Grant (taking funding from £65m to £81m in 2018/19. This is in addition to the increase of £15m that was made at the Provisional Settlement in December. The additional funding is distributed in line with the existing methodology, and Croydon does not benefit from this funding stream.

2.12 It is incredibly disappointing that the government did not announced additional money to reflect the national pressure being faced by local government in respect of children's care in the settlement. The additional funding for Adult Social Care is welcome although it is massively less than current need. The national pressures faced in adult social care are estimated by the LGA to reach some £2bn by 19/20, are well documented and this additional funding plus short term funding through the council tax precept and IBCF show government has acknowledged these pressures in part. The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2015/16 councils surpassed their children's social care budgets by £605m in order to protect children at immediate risk of harm. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16. Indeed the LGA has estimated that Children's Social care pressures will reach some £2bn. by 19/20. The pressures on local authorities are shown by the recent decision by Northamptonshire County Council.

2.13 This reduction in funding will result in the need for a greater level of funding to be raised from local tax payers via council tax and adult social care precept which will mean that there is a greater burden on our local tax payers as we struggle to manage demand within the funding available. The Secretary of State was explicit about this shift and the Ministry of Housing, Communities and Local Government's spending power calculation assume that council tax is increased by the maximum level allowed without a referendum and that the government's adult social care precept is applied at the maximum level.

2.14 While, the London Borough of Croydon is no different from other councils. In order to balance its budget the Council has already delivered over £100m in efficiency savings and cuts so far with a 70% cumulative reduction in government funding up to 2018/19 in cash terms.

2.15 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2018. This report supports the enablement of that duty to be fulfilled, subject to agreement of the recommendations in this report by Full Council on the 27th February 2018.

2.16 It is recommended that there is a 2.99% increase in council tax for the Croydon element of the charge and a 2% increase based on the Adult Social Care Levy as set by the Chancellor. The GLA are proposing a 5.07% increase in their element of the charge and that is due to be agreed by the GLA on the 20th February 2018. The overall headline increase is 5.01%. The effect of this increase on Band D is set out in table 1 below.

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

Band D	**2018/19 £**	**Increase %**	**Annual Increase £**	**Weekly Increase £**
Croydon	1,257.18	2.99%	38.24	0.74
Adult Social Care Levy	85.55	2.00%	25.58	0.49
Greater London Authority	294.23	5.07%	14.21	0.27
Total	**1,636.96**	**5.01%**	**78.03**	**1.50**

3 2018/20 General Fund Revenue Budget

3.1 2018/19 is the third year of the four year funding agreement and to coincide with this we have set a budget for the next two years (the remainder of the settlement period) based on known funding levels. The budget for 2018/19 is balanced and there remains the need for ongoing work to balance the budget for 2019/20.

3.2 The next section sets out the key areas of change in the Croydon budget for 2018/20, with a key focus on the next financial year (2018/19). Table 2 below gives a summary of the high level budget movements and the current gap in 2019/20.

Table 2 – Budget Gap

	2018/19 £m	2019/20 £m	2018/20 £m
Cut in Grant	6.567	6.862	13.429
Core Grant Changes and Growth	18.783	17.063	35.846
Inflation	4.403	5.200	9.603
Gross Budget Gap	**29.753**	**29.125**	**58.878**
Council tax	(7.986)	(5.000)	(12.986)
CT Base Increases	(4.250)	(3.000)	(7.250)
Savings Options	(17.517)	(14.794)	(32.311)
Net Budget Gap	**0.000**	**6.331**	**6.331**

3.3 **Grants: -** Table 2 above shows that grants are continuing to be reduced and the expectation is that these will reduce further over the next two years. With the main change being the reduction in the Settlement Funding Assessment and the allocation of additional Improved Better Care funding in 2018/19 which will be used to fund the increasing cost of adult social care.

3.4 The budget also contains assumptions regarding expected levels of growth, inflation increases, savings and Council Tax income. These are listed below in more detail.

3.5 **Departmental Growth: -** The Council continues to experience budgetary pressures on services, with many of the pressures being demand led. Table 3 below shows a summary of the growth assumptions included in the budget by department and Appendix A sets out in detail all the departmental growth included in the budget assumptions. The approach has been to ensure that the significant recurring departmental pressures identified in the 2017/18 Financial Performance reports to Cabinet are included as growth in 2018/19 to ensure there is an accurate baseline. There are also some items which reflect the priorities of the administration.

Table 3 – Summary of Growth Options by Department

Department	2018/19 £m	2019/20 £m	2018/20 Total £m
People	19.763	13.748	33.511
Place	1.471	0.026	1.497
Resources and Chief Executives	4.939	0	4.939
TOTAL	**26.173**	**13.774**	**39.947**

3.6 The People Department specifically children's services has seen a substantial increase in growth required. In the summer of 2017 an Ofsted inspection of Croydon's services for children in need of help and protection, children looked after and care leavers took place. The outcome of the inspection judged services to be inadequate; with poor quality social work practice and weak managerial oversight leaving too many children at risk of harm.

3.7 A corporate improvement programme led by the Chief Executive was developed which included an improvement team bringing together the Executive Leadership Team and senior officers across the council to drive the improvements needed.

3.8 The outcomes of the review have highlighted investment is required through in Children's Services in 2018/19 to cover costs associated with placements, additional staff resources for social work and for legal costs. £10m has been allocated in the budget for 2018/19 in the People Department, as well as £0.7m growth in business support which sits in the Resources Department.

3.9 Additional funding has also been allocated for Children with Disabilities to fund the increase in demand and Adult Social Care to manage growth in demand for social care packages across all ages and mental health.

3.10 Growth in the Place department is primarily for the increase in waste disposal costs, arising from a combination of increased landfill costs and increased waste volumes.

3.11 Growth in the Resources Department relates mainly to SEN transport costs which have been increasing due to increased demand for the service and the rising costs of utility bills for the whole Council estate.

3.12 **Corporate Growth: -** The budget also contains a number of corporate growth items, including the cost of borrowing and concessionary fares.

3.13 The budget also contains a number of inflation assumptions with the main ones being for pay and contracts.

3.14 **Inflation Assumption for Pay**: - At the time of writing this report and setting the budget the pay award for 2018/19 has not been agreed. The Greater London Provincial Council has made an offer to the Unions on the London Pay scales for the 2 year period 2018/2020.

3.15 The offer is based around applying the spirit of the agreed national employer offer, but with relevant and appropriate reflection of the specific London position around having its own pay spines. A key principle is that the impact on the London paybill should be comparable with the overall percentage increase agreed nationally.

3.16 The unions' timetable for consultation is January to February with an expectation of a formal response to the offer in mid-March 2018.

3.17 We have assumed a 2% pay increase for 2018/19 and the same for 2019/20. **This has a cost of £2.579m.**

3.18 **Contract Inflation**: – A large element of the council spend is through third party providers. Longer term contracts have in-built indices to calculate annual changes whilst other contracts can be negotiated on an annual basis. Appropriate provision has been made based on detailed work on a contract by contract basis. **This has a cost of £1.950m.**

3.19 A large percentage of contract spend relates to Adult Social care and to ensure decisions made regarding inflation increases for third party providers of Adult Social Care are fair and lawful, Croydon Council must ensure that it balances budget considerations with the following:

- The actual cost of good quality care when deciding a personal budget
- Risks in terms of quality of care and provider financial stability
- Consultation with the Care Market
- Local factors

3.20 The Inflation Strategy has considered these factors and sets out the Council's approach to setting inflation for the next 2 years 2018/2020.

3.21 The approach for Older People (Over 65's) will reflect the Financial model set out in the Croydon Health and Care Alliance Agreement and for 2018/19 inflation has been set at 1.5% for Third Party Services and at 1% for Council Delivered Services and Teams.

3.22 Inflation for Learning Disability, Mental Health, and Physical Disability services will be made on a case by case basis, reflecting the wide variation in individual needs and circumstances. An inflation holding account and exceptional fee increase request process has been developed to support this approach, and has been successfully used in 2017/18.

3.23 **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase in 2018/19 by RPI where it is felt the market can sustain this level of growth. **This will generate additional income of £0.135m**

3.24 The current figures for Inflation for December were 2.7% for CPI and 4.3% for RPI. Local Government will continue to face pressures on inflation mainly through pay pressures and existing contracts. The management of these inflationary pressures will be a crucial factor in balancing the future budgets of the Council.

3.25 **Pensions** the tri-annual actuarial review was completed last year and commenced in April 2017. Figures assumed in the budget model are for the employer's contribution rate to increase by 0% per annum in 2018/19 and by 1% in 2019/20 which will see it increase from 15.1% to 16.1% of pensionable pay. **This has an estimated cost of £1m.**

3.26 **Interest Payable** – the size of the capital programme drives the changes in the interest budget. The capital programme is set out in section 13. As a result of the borrowing planned for 2018/20 the interest payable budget will increase by £1.0m in 2018/19, and £2.0m in 2019/20.

3.27 As previously reported to this Cabinet the Council has a separate credit facility with the European Investment Bank (EIB) to fund capital schemes within the Council's Education Capital Strategy. This facility allows the Council to access up to £102m in loans from the EIB for these capital projects in tranches up to 2018. To date two have been drawn down. A maturity loan of £25.745m was taken on 1 December 2015 over 15 years at a rate of 2.292% - the comparable PWLB loan interest rate on the day was 3.14%. A second loan, in two tranches, was drawn down for £19m at a similar discount to the PWLB rate. The Council is therefore expected to make substantial savings of interest on this and future loans taken from the EIB. The balance of the facility, £57m, will be drawn down before the end of 2017/2018. It is not expected that this facility will be impacted by the UK Government invoking Article 50 to leave the European Union.

3.28 **Concessionary Fares** – London Councils' Transport and Environment committee agreed in December 2012 that there should be a transition for the introduction of usage apportionment for the National Rail and London Overground elements of the Freedom Pass settlement from 2014/15 onwards when the 2 years of usage data became available for these journeys. Owing to the significant distributional effects of moving these elements to usage apportionment the approach that was adopted is identical to that of the implementation of the original 2008 Arbitration Award, where it was phased in over three years. The total cost to Croydon of the scheme for 2018/19 is £15.698m. **This is an increase of £0.100m.**

3.29 **Savings: -** In order to present a balanced budget for 2018/20 significant savings of over **£38m** are required. In excess of £32m has been identified, including sufficient savings to balance the 2018/19 budget. The approach to delivering savings continues to be underpinned by the efficiency strategy that was approved by cabinet in October 2016 (A101/16).

3.30 The savings in the 2018/20 budget are summarised by department in table 4 below and detailed in full in appendix A of this report.

These savings were also presented to Scrutiny and Overview Committee on the 12th December 2017.

Table 4 – Summary of Savings Options by Department

Department	2018/19 £m	2019/20 £m	2018/20 Total £m
People	(7.209)	(5.992)	(13.201)
Place	(5.974)	(4.431)	(10.405)
Resources and Chief Executives	(4.334)	(4.371)	(8.705)

TOTAL	(17.517)	(14.794)	(32.311)

3.31 The efficiency strategy sets out the key principles and programmes that will be targeted to deliver these savings. These key principle and areas of focus continue to be:-

- Getting the most out of our assets
- Better commissioning and contract management
- Managing Demand
- Prevention and early intervention
- Integration of Health and Social care
- Delivering Growth
- Commercial Approach
- Digital

The key savings items in the 2018/19 budget are as follows:-

Getting the most out of our assets

3.32 Savings well in excess of £2m have already been delivered from making better use of our assets (in addition to the reduced costs coming from the new approach to facilities management which has saved over £2m).

3.33 There will be continued focus over the next 18 months in identifying further asset opportunities this will include;

3.34 Further opportunities to lease parts of BWH including the completion of the letting to DWP for the relocation of the Job Centre Plus to part of the ground and first floors which will generate £500k per annum as well as further space release within the building.

Better Commissioning and Contract Management

3.35 The council continues to use third parties to deliver a number of our services. Therefore getting best value both in terms of delivery and cost is crucial.

3.36 The introduction of the 'Make or Buy' framework continues to take place, to ensure that we have services delivered by the right parties (i.e. split between in-house, partnerships and third party). The in-housing of a number of services have resulted in improved service to residents at lower cost.

3.37 Enhanced contract management focus, including the professionalisation of contract management, notably on the major contracts and the separation between operational management and contract management. Over the last three years, we have seen some £1.5m of penalties and credits from main suppliers, compared to almost no such penalties in 2010-14.

3.38 Savings are anticipated from a number of future commissioning opportunities over the next 2 years. There are a number of commissioning initiatives concluded recently, where the benefits will be seen in the next two years are;

- Waste Collection and Street Cleansing
- Leisure
- Internal and external audit
- Legal Services

Managing Demand and Early Intervention and Prevention

3.39 Managing demand and early intervention is key to reducing and managing costs within all areas of the People Department.
The focus is to look at what drives demand for adults and children's social care services and housing services and then look at ways that the demand, notably for expensive services, can be reduced, whilst maintaining or enhancing the outcomes for residents.

3.40 The application of the successful Gateway approach to the 'front door' of adult social care and the Think Family approach and Family Link service has been part of this process and will continue in 2018/19 in an expanded form.

3.41 The transformation of adult social care continues, which includes detailed reviews of high cost care packages to ensure individual needs are being met in the most effective way. This includes looking at maximising reablement and looking at step-down, where clients can have an enhanced quality of life through supported living rather than in being in a residential setting. A review of the work force and service delivery will also be taking place to ensure services are delivered in the most effective and efficient manner.

3.42 Early Intervention is key to managing demand in Children's Services too and there will continue to be the use of analytics to understand what support is required in the community, to commission this support and to direct families appropriately. Work with partners to agree a shared risk-based operating model which makes full use of the community support available. Optimise processes across re-modelled pathways, and implement a new model of provision for care leavers and fostering.

3.43 Continued development of housing initiatives to target prevention and early intervention, and the continued implementation of a supply strategy based on cost modelling and supported by process redesign.

3.44 Provision of Public Health Services are key to managing demand and costs and the successful Live Well programme will continue in 2018/19 along with the more traditional public health services including sexual health, health visiting , weight management, drug and alcohol support and smoking cessation. There will be a continued use of behaviour change approaches across the council to deliver improved public health outcomes for residents.

3.45 Back Office Support Services will continue to be a key focus to enabling effective service delivery and additional investment is being made in Children's Social Care services to support front line social workers and enable them to deliver social care services more effectively.

Integration of Health and Social Care

3.46 As previously reported to cabinet, 2017/18 has been the first year (transition) of the One Croydon Alliance ("the Alliance") an Integrated Health and Social Care system. The key purpose of the One Croydon Alliance is to improve the lives of Croydon residents and deliver more effective health and social care outcomes. The transition year programme has demonstrated significant achievements and progress in what can be achieved when the whole system works together in an integrated and focused approach.

3.47 The year one transformation components of Living Independently For Everyone (LIFE) service and the Integrated Community Networks (ICN) programme have delivered significant successful outcomes that include 80% of reablement package ceased within 6 weeks compared to 18% prior to the changes and pre-Christmas admission avoidance and length of hospital stay reductions enabling the closure of 56 escalation beds. Intervention at the earliest stage with 180 people through multi-disciplinary working has prevented further escalation of needs and new life opportunities and an additional 200 people seen through the LIFE service since its commencement in October. All of these changes improve the quality and independence of service users.

3.48 The Alliance vision has always been to extend the model of care and approach adopted for over 65s if successful to other areas of the social care and health economy. There has been significant investment in establishing the Alliance and transition year has completed a number of workstreams and proceeded through three checkpoints at given points in May, August and October to provide assurance of progress. The Alliance members are agreed on its governance and have developed a range of appropriate commercial options to support the journey to a mature accountable care system.

3.49 The Alliance provides an ideal vehicle to further extend social and Health care integration, ensuring person centred care that is multi-disciplinary in nature and supports a more sustainable set of public services in Croydon. However it is recognised that any extension of programme scope needs further work to evidence return on investment. Each sovereign organisation needs to use its own governance to make individual decisions about scope and service area. In the Council therefore the decision would follow our usual democratic decision making process. In addition if the Alliance scope grew it is recognised that new partners particularly from the Voluntary and Community Sector would need to be involved and there will be a requirement in the Alliance Agreement to review membership when programme scope changes.

3.50 The signing of the original Alliance Agreement was for a single Transition year with the option to extend for a further 9 years. The purpose for the Transition year was to provide assurance that the chosen overall health and care model would effect a transformation in services to meet the outcomes identified by our over 65's as crucial to delivery of quality health and care services.

3.51 The transitional transformation programme of LIFE and ICN has demonstrated how an integrated whole system approach to health and social care can improve the lives of Croydon residents and achieve more effective health and social care outcomes proving the concept that health and social care systems integration and the One Croydon model.

3.52 Cabinet in January therefore agreed to extend The One Croydon Alliance Agreement term for a further 9 years, commencing 1 April 2018. It also agreed to expand the remit of the Alliance Agreement to ensure the potential for whole system transformation for health and social care, and any decisions to materially increase programme scope will be taken as part of the Council's decision making process.

Delivering Growth

3.53 The delivery of economic growth remains a key part of our efficiency strategy, to ensure increased prosperity and reduce dependency on the council and its services.

3.54 It will lead to increased income whether from business rates or from service income such as planning and parking or increased council tax income from the delivery of new homes.

3.55 As previously reported to the Cabinet the Council has successfully agreed the 'Growth Zone' with Central Government. This will see very substantial investment in the Borough, which will benefit the residents and businesses in the borough and improve the finances, through increased income and reduced costs.

3.56 The council approach to regeneration and major projects has been set out a number of times to Cabinet. These projects improve the lives of the community, generate employment, as well as supporting the delivery of revenue savings. Two examples are:

3.57 Fairfield Halls – provide a focal point for culture in the borough, with all the benefits that will bring, as well as reducing subsidy from capital investment of £30m.

3.58 New Addington Leisure Centre – provide enhanced facilities for a community with substantial need, whilst allowing the removal of the subsidy from the new centre, through a gross capital investment in the order of £30m.

3.59 The capital Programme is detailed in full in section 13 of this report provides full details of all capital investment, of which many schemes will result in growth in the borough which will directly benefit both the Council and our residents.

Commercial approach

3.60 We are continuing to embrace a commercial approach to service delivery where it is feasible to do so. The objective remains 'To become an innovative and entrepreneurial authority by generating extra revenue through trading and business improvement."

3.61 Our three current traded services are continuing to deliver services in Croydon.

- Traded services with schools – Octavo is continuing to provide a range of traded services to local authority and academy schools.

- Housing development company – Brick by Brick is now on site and has commenced on its ambitious building programme
- Croydon Equipment Solutions – is now trading commercially providing social care equipment.

Digital

3.62 Embracing digital technology remains a key transformation priority for the Council and we are continuing to build on our digital by design approach, wherever possible providing services on-line to improve access whilst reducing service costs. To date, this has generated some £6m. of annual savings and there is clearly further potential.

Flexibility to Use Capital Receipts for Transformation Projects

3.63 In March 2016 the DCLG issued guidance allowing a more flexible approach to using capital receipts. This guidance enabled local authorities to have the flexibility to use capital receipts from the disposal of property, plant or equipment assets for expenditure on projects that will generate ongoing savings and efficiencies. With such expenditure being incurred between 1 April 2016 and 31 March 2019.

3.64 In July 2016 (Minute ref A76/16) it was reported to this Cabinet that the Council would be taking advantage of this new flexibility, with and update in December 2017 on the strategy for the use of capital receipts in 2017/18, and an update on the programmes and projects to be funded.

3.65 To enable the continued delivery of our transformation programme we will continue to use this approach to the flexible use of Capital Receipts in 2018/19.

4 Local Taxation / Collection Fund

Local Taxation Charge for 2018/19

4.1 The council tax change for the Croydon element of the charge for 2018/19 is recommended to be **4.99%** in accordance with Appendix E of the report.

4.2 This decision includes a 2.0% increase for the Chancellor' adult social care levy that was approved as part of the Local Government Finance Settlement. This is contained in Appendix D, with the Band D effect shown in table 5 below.

Table 5– Local Taxation for 2018/19

	2018/19 £	**Increase £**
Croydon Band D per year	1,257.18	38.24
Adult Social Care Levy per year	85.55	25.58
Band D per year	**1,342.83**	

		63.82

4.3 Table 6 gives details of the increases to the Croydon element of the council tax over the last 3 years and the increase being recommended for 2018/19. With collection rates assumed at 97.25%.

Table 6 – Croydon Council percentage increase since 2015/16

	2015/16	2016/17	2017/18	2018/19
Croydon Council Percentage change	0%	1.99%	1.99%	2.99%

4.4 Alongside grant income, local taxation is the other major income stream that impacts on the budget setting of the council. The Collection Fund accounts for taxation from Council Tax and Business rates. Further detail can be found in appendix C.

4.5 **Council Tax base**: the number of domestic properties in the borough is described as the Council tax base, and the number is converted into Band D equivalent units. An increase in council tax base will enable a higher level of general fund budget to be supported from any given level of Band D equivalent Council Tax. The Council tax funding available to the Council is the number of base units multiplied by the Band D rate. It is anticipated that there will be an increases in the Council tax base of 2.5% compared to the 2017-18 base, which will enable a further £4.346m of expenditure to be supported in the 2018-19 general fund budget as shown in table 7 below. The Council tax base is adjusted for collection rates, which are proposed to increase by 0.25% to 97.25% for 2018-19.

Table 7 - Increase in Council Tax Base

Year	Council Tax Base (Units)	Band D equivalent* £	Council Tax Funding £m
2017/18	121,243	1,278.91	155,059
2018/19	124,641	1,278.91	159,405
Change	**3,398**		**4,346**

*for the purpose of demonstrating the tax base increase, the Band D Council tax rate used in table 7 is the 2017/18 amount.

Projected Collection Fund Surplus

4.6 It is anticipated that a surplus of £8.768m will be available for release into the 2018/19 general fund budget. With an existing budget of £3.650m, this can yield an additional £5.118m of spending power to the Council in 2018-19. This figure is now a combination of the forecast surplus / deficit position for both Council Tax and Business Rates, as set out below. £4.7m of this surplus has not been included in the budget projections and is being held to offset the current projected overspend for 2017/18.

4.7 Council Tax - Croydon's share of the anticipated council tax surplus available in 2018/19 is £4.842m. There has been a council tax surplus in the last 4 years as a result of tax base growth and improved collection rates.

4.8 Business rate localisation in 2013/14 resulted in the Council retaining 30% of business rates. A surplus of £3.926m is projected to be available at the end of the financial year. This is a result of appeals against rateable value costing less than previously anticipated, allowing the provision held to be released into the Collection Fund.

4.9 Any difference between the projected surplus and final surplus for 2018/19 will be carried forward within the collection fund, for consideration in 2019/20's general fund budget.

Greater London Authority Precept 2018/19

4.10 On 21 December 2017 The Mayor of London, Sadiq Khan, announced proposals to increase his share of council tax from April 2018 by an average of 27p a week – the maximum amount allowed by the Government.

4.11 Almost all of the additional money raised will be used to fund the Metropolitan Police (Met Police) and London Fire Brigade.

4.12 Keeping Londoners safe is the Mayor's top priority. With the Government refusing to give the Met Police and Fire Brigade the resources they need to do their jobs, The Mayors proposal would see the share of council tax increase overall by 5.01% or £14.21 a year in cash terms.

4.13 Despite the four terror attacks on London - the country's capital - and the devastating fire at Grenfell Tower in the last year, the Government confirmed that it is proposing another year of real-term cuts to the funding of the Met. The Met has had to make more than £600 million of savings over recent years, and must find several hundreds of millions more of savings by 2021/22.

4.14 The Mayor's share of council tax is split into two – money that goes to the Metropolitan Police, known as the Policing Precept, and money that goes to fund other services, known as the non-Policing Precept.

4.15 The Government announced that they would not increase funding for the Metropolitan Police, but that the Mayor could increase his Policing Precept by a maximum of £12 a year before having to hold a council tax referendum.

4.16 Reluctantly, as a result of Government cuts, the Mayor is inclined to increase his share of council tax that goes to the Police by the maximum amount that does not require a referendum. This is the equivalent of 23p a week, a 5.8% Policing Precept increase.

4.17 The Mayor also intends to increase his non-Policing Precept by 2.99%, again the maximum permitted by the Government. This is the equivalent of £2.21 a year or just over 4p a week.

4.18 Overall, this means that the Mayor's overall precept for an average Band D taxpayer will increase from £280.02 to £294.23.

4.19 The draft 2018/2019 budget will cover the entire Greater London Authority Group – including Transport for London, the London Legacy Development Corporation, the Metropolitan Police service and the London Fire Brigade. Its plans include:

- A freeze on all TfL fares during the Mayor's first administration, while protecting concessions and extending the new Hopper bus fare.
- Continuing investment in skills, and supporting new and innovative businesses to invest in London.
- Further investment in London's cultural and creative offering, and in particular the Cultural and Educational District (CED) in the Queen Elizabeth Olympic Park.
- Tackling London's filthy air, amongst other measures, the Mayor has introduced in central London the Toxicity-Charge (T-Charge), will introduce the Ultra-Low Emission Zone (ULEZ) in 2019 and is consulting on expanding the ULEZ up to the North and South circular roads in 2021.
- Measures to turn around London's housing crisis from the dreadful situation Sadiq Khan inherited from his predecessor. He is investing £3.15 billion to support 90,000 new genuinely affordable homes in the capital and ripping up old planning rules to get London building, while protecting the Green Belt.
- Record investment in modernizing our transport infrastructure, with the new Elizabeth line scheduled to begin operating through central London by the end of 2018.
- Continuing to work with London's businesses, investors and innovators to ensure London's key sectors are protected and Londoners' economic opportunities are maximized during the negotiations to leave the European Union.
- Building on the existing budget for the Mayor's environment programme, which includes £10m earmarked for energy efficiency activity and measures to tackle fuel poverty. Over the next three years, £750k is being allocated to help reduce plastic bottle waste and increase access to tap water.

4.20 The Mayors consolidated budget is set out in table 8 below and the budget will be agreed on 22 February 2018.

Table 8 – Mayors Consolidated Budget

Component council tax requirements	Approved	Proposed	Plan	Plan	Plan
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	£m	**£m**	**£m**	**£m**	**£m**
GLA (Mayor)*	65.9	67.4	68.9	70.5	72.0
GLA (Assembly)	2.6	2.6	2.6	2.6	2.6
MOPAC	592.0	639.0	664.8	691.7	719.6
LFEPA/LFC	138.2	147.5	154.9	162.7	170.9
TfL	6.0	6.0	6.0	6.0	6.0
LLDC	0.0	0.0	0.0	0.0	0.0
OPDC	0.0	0.0	0.0	0.0	0.0
Consolidated council tax requirement	**804.8**	**862.5**	**897.3**	**933.5**	**971.1**
Total Band D council tax payable in:					
32 London Boroughs	**£280.02**	**£294.23**	**£300.09**	**£306.07**	**£312.16**

4.21 This overall resultant council tax increase is set out in table 9 below.

Table 9– Local Taxation increase and the GLA Tax increase

Band D	2018/19 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,257.18	2.99%	38.24	0.74
Adult Social Care Levy	85.55	2.00%	25.58	0.49
Greater London Authority	294.23	5.07%	14.21	0.27
Total	**1,636.96**	**5.01%**	**78.03**	**1.50**

4.22 The overall increase on the total bill for the residents of Croydon is **5.01%.**

5 External Financial Environment

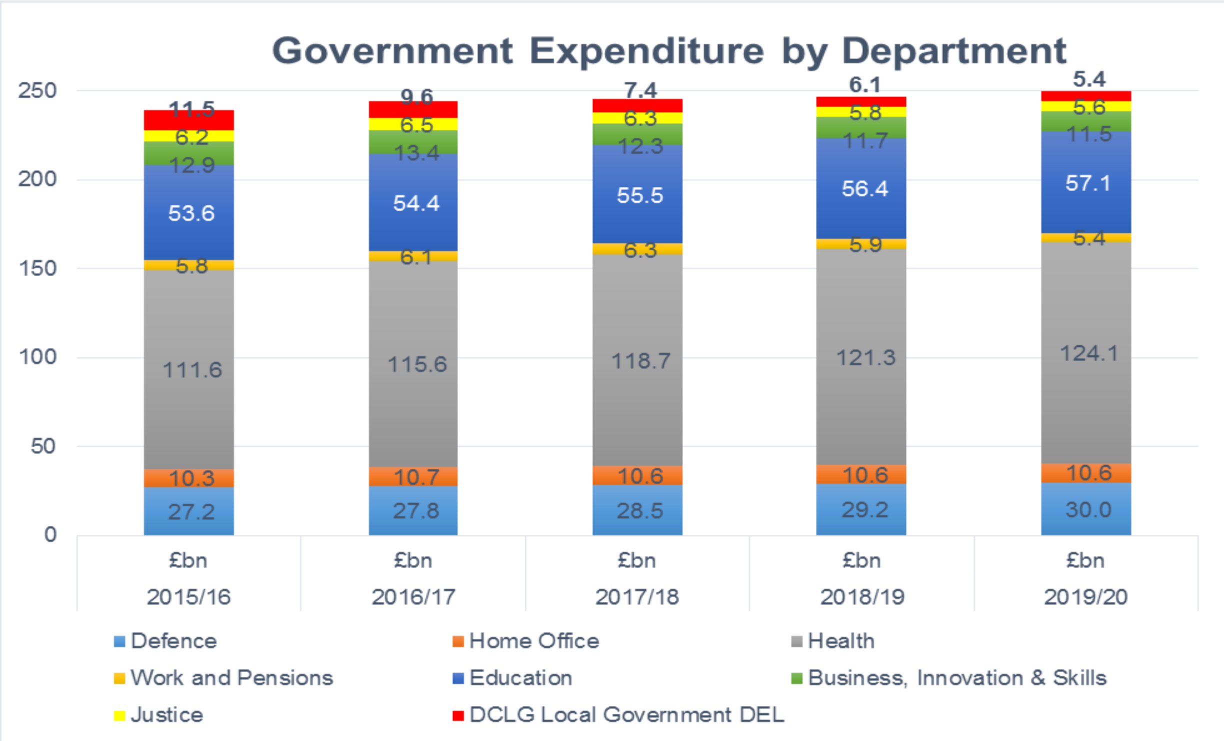
Spending Review 2015 and settlement 2018/19

5.1 The Chancellor of the Exchequer published the government's Spending Review 2015 on 25 November 2015, setting out public expenditure plans for 2016/17 to 2019/20. This was the first four year settlement and was designed to give authorities more certainty on their funding levels and the ability to undertake longer term financial planning.

5.2 The key announcements made at the Provisional Finance Settlement in December 2017 and confirmed in the final settlement published in February 2018 are listed in paragraph 7.2 later in the report.

5.3 Graph 2 below shows the funding amounts for the main government departments. It is important to note that the figures for local government do not include the business rates element of funding and are therefore not a true reflection of the change in funding.

Graph 2 Published Funding Amounts for Selected Government Departments



6 Economic Projections – Autumn Budget 2017

6.1 The Office of Budget Responsibility (OBR) updated its economic projections for the 2017 Autumn Budget. The projections for inflation (CPI & RPI), council tax receipts and business rates income are set out below.

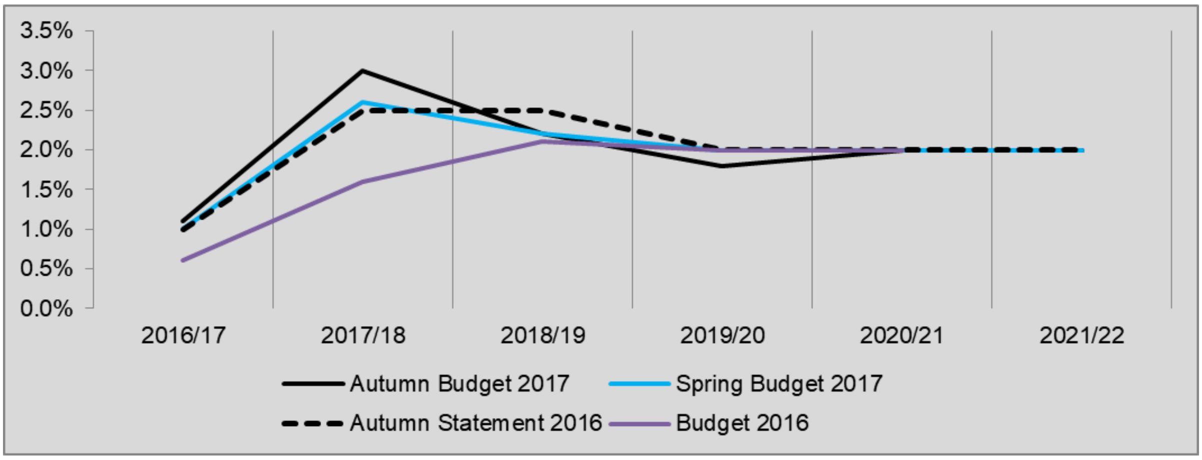
Inflation - CPI

6.2 Table 10 below shows the Budget 2017 forecasts for CPI against those published in previous announcements. Figures show very little overall change, with an increase of 0.4% in projected CPI in 2017/18 and then unchanged CPI for three of the next four years.

Table 10 CPI Inflation Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	1.1%	3.0%	2.2%	1.8%	2.0%	2.0%
Spring Budget 2017	1.0%	2.6%	2.2%	2.0%	2.0%	2.0%
Autumn Statement 2016	1.0%	2.5%	2.5%	2.0%	2.0%	2.0%
Budget 2016	0.6%	1.6%	2.1%	2.0%	2.0%	-

Graph 3 - CPI Inflation Forecasts



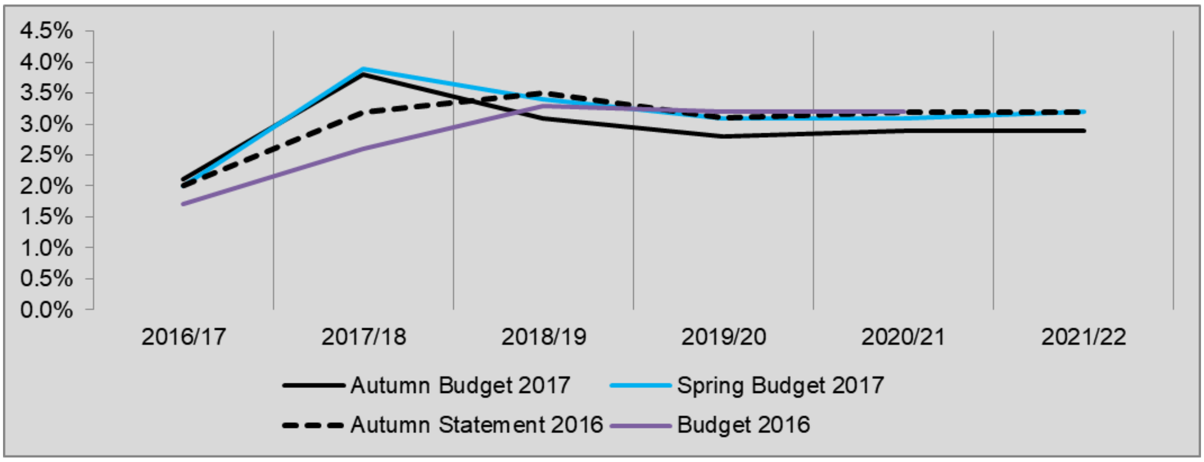
Inflation - RPI

6.3 The table 11 below shows the Budget 2017 forecasts for RPI against those published in previous announcements. The table shows a decrease in the level of RPI projected for 2017/18, from 3.9% to 3.8%; and, subsequently, projections reduced by between 0.2% and 0.3% for the period up to 2021/22.

Table 11 RPI Inflation Forecasts

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	2.1%	3.8%	3.1%	2.8%	2.9%	2.9%
Spring Budget 2017	2.0%	3.9%	3.4%	3.1%	3.1%	3.2%
Autumn Statement 2016	2.0%	3.2%	3.5%	3.1%	3.2%	3.2%
Budget 2016	1.7%	2.6%	3.3%	3.2%	3.2%	-

<u>Graph 4 RPI Inflation Forecasts</u>



Projected receipts from council tax

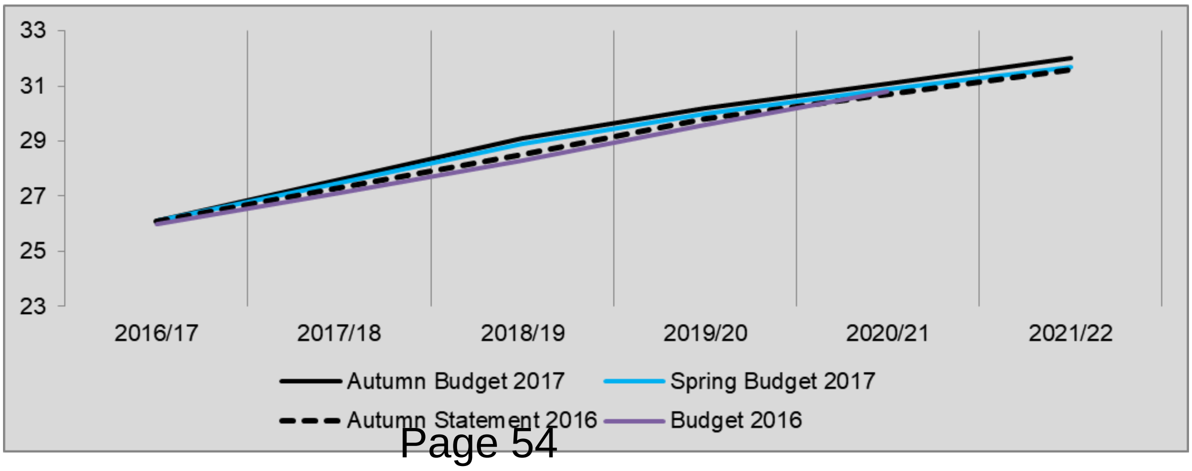
6.4 Table 12 below shows the forecast projected receipts from Council Tax for England. For Autumn Budget 2017, the updated figures show increases of between £0.1bn and £0.3bn per annum between 2017/18 and 2021/22 compared to the Budget in March.

6.5 The assumed level of increase in the tax base falls from 1.8% in 2017/18 to 1.0% in 2021/22. This compares to an estimated assumed growth of 2.1% per annum made by DCLG at Final Settlement 2017/18 in February 2017. Increases in council tax are assumed at 2.4% for 2019/20 and 1.9% in 2020/21 and 1.9% in 2021/22.

<u>Table 12 Projected receipts from Council Tax (£bn)</u>

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	26.1	27.6	29.1	30.2	31.1	32.0
Spring Budget 2017	26.1	27.5	28.9	30.0	30.9	31.7
Autumn Statement 2016	26.1	27.3	28.5	29.8	30.7	31.6
Budget 2016	26.0	27.1	28.3	29.6	30.8	-

<u>Graph 5 - Projected Receipts from Council Tax (£bn)</u>



Projected receipts from business rates

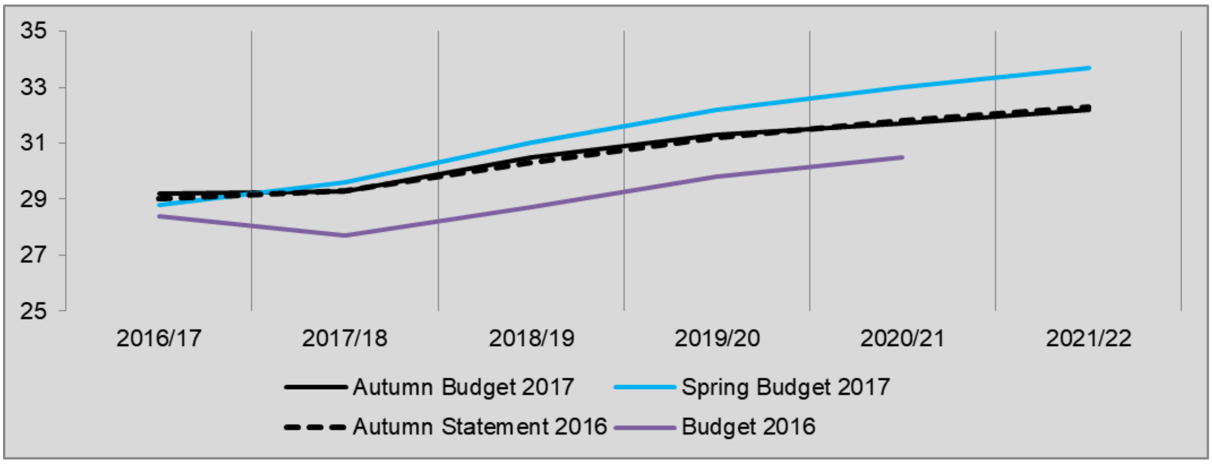
6.6 The table 13 below shows the Budget 2017 forecast projected receipts from business rates against those published in previous announcements. For Autumn Budget 2017, income for 2016/17 is shown to be £0.4bn higher. However, there are decreases in receipts for business rates projected by between £0.3bn in 2017/18 to £1.5bn in 2021/22.

6.7 The OBR explained that the use of CPI instead of RPI could reduce income by up to £0.3bn in 2018/19 and by £0.5bn per annum from 2019/20 onwards. The OBR also stated that their forecast allows for the erosion of income from reductions to the 2017 Valuations, but added that they will need to update assumptions on the impact of this over the coming years.

Table 13 Projected receipts from business rates (£bn)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Autumn Budget 2017	29.2	29.3	30.5	31.3	31.7	32.2
Spring Budget 2017	28.8	29.6	31.0	32.2	33.0	33.7
Autumn Statement 2016	29.0	29.3	30.3	31.2	31.8	32.3
Budget 2016	28.4	27.7	28.7	29.8	30.5	-

Graph 6 - Projected receipts from business rates (£bn)



7 Local Government Finance Settlement 2018/19 – Nationally

7.1 The Local Government Finance Settlement was published on 6 February 2018. The settlement provided allocations for 2018/19 and indicative allocations for 2019/20.

7.2 The main announcements were:

- The publication of the consultation paper "Fair funding review: a review of relative needs and resources", a technical consultation on relative need, with the intention being that the new needs formulae will be introduced in 2020/21.
- The roll out of 75% business rates retention across all areas in 2020/21, alongside a reset of the business rates baseline.
- An increase to the referendum limit for Council Tax from 2% to 3% for 2018/19.
- A further ten business rate pilot areas were announced for 2018/19; there were in addition to the London pilot that was previously announced at the 2017 Autumn Budget.
- Inclusion of the additional Improved Better Care Funding, previously announced at the March 2017 Budget.
- An additional £31m in Rural Services Delivery Grant for 2018/19
- Additional funding of £150m for Adult Social Care

Overall Funding: Core Spending Power

7.3 The Core Spending Power figures include the SFA; Council Tax; the Improved Better Care Fund; NHB; Transitional Grant; Rural Services Delivery Grant; and the Adult Social Care Support Grant. Table 14 below shows the national changes to Core Spending Power between 2015/16 and 2019/20. It shows an increase of 1.9% for 2018/19 and an overall increase for the period 2015/16 to 2019/20 of 1.8 %.

Table 14 Core Spending Power figures for England 2015/16 to 2019/20

	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m
Settlement Funding Assessment	21,415	18,767	16,782	15,824	14,773
Council Tax	22,036	23,247	24,666	26,600	28,047
Improved Better Care Fund			1,115	1,499	1,837
New Homes Bonus	1,200	1,485	1,252	946	900
Rural Services Delivery Grant	16	81	65	81	65
Transition Grant		150	150		
Adult Social Care Support Grant			241	150	
Core Spending Power	**44,666**	**43,729**	**44,271**	**45,100**	**45,623**
Change %		**-2.1%**	**1.2%**	**1.9%**	**1.2%**
Cumulative change %		**-2.1%**	**-0.9%**	**1.0%**	**1.8%**

7.4 Table 15 below shows the change in figures from those published at the 2017/18 final settlement.

Table 15 Change in Core Spending Power figures for England 2018/19 to 2019/20

	2018-19	2019-20
	£m	£m
Settlement Funding Assessment	225.2	189.1
Council Tax	518.2	418.4
Improved Better Care Fund	674.0	337.0
New Homes Bonus	8.2	
Rural Services Delivery Grant	31.0	
Adult Social Care Support Grant	150.0	
Core Spending Power	**1,606.6**	**944.6**

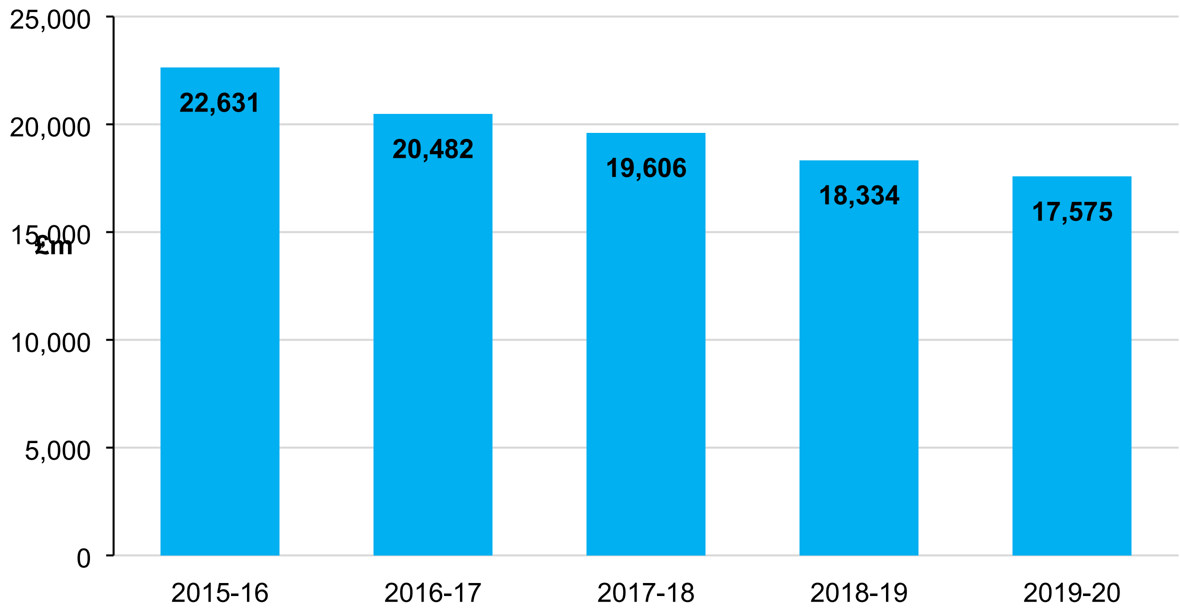
7.5 The table above shows:

- The increase in the Settlement Funding Assessment compared to the assumptions made at the start of the four year settlement period, due to the higher actual and forecast inflationary increases, and the inclusion of funding amounts previously not included within the Core Spending Power figures. These amounts related to funding to compensate authorities for previous years' capped business rate increases and the £153m in negative RSG (2019/20) that affects 168 authorities (not Croydon).
- An increase to Council Tax amounts due to the higher referendum limit of 3% for 2018/19 and 2019/20.
- The inclusion of the previously announced (March 2017) additional Improved Better Care Funding.
- Minor increases to the RSDG (+£31m) and New Homes Bonus (+£8m) for 2018/19.
- Increase to Rural Services Grant and the one year Adult Social Care Support Grant.

Core Spending Power: Excluding Council Tax

7.6 The graph below shows the level of central government funding to local government between 2015/16 and 2019/20 excluding Council Tax. It shows a reduction of £5.1bn from £22.6bn to £17.6bn, a reduction of 22%.

Graph 7 – Local Government Funding 2015/16 to 2019/20



Social Care Precept

7.7 The introduction of a social care precept was originally announced at SR2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20.

7.8 The provisional 2017/18 local government finance settlement amended the use of this additional precept. It was announced that it could be applied at 3% per annum for 2017/18 and 2018/19, but maintains a maximum additional precept of 6% for the period 2017/18 to 2019/20. Therefore if an authority chose to use the higher 3% threshold in each of 2017/18 and 2018/19, then it would not be able to have an additional precept in 2019/20.

7.9 To ensure that councils are using income from the precept for adult social care, councils are required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer (section 151 officer).

7.10 In 2017/18 Croydon increased its Social Care Precept by 3% and the recommendation for 2018/19 is to increase it by 2%, leaving a balance of 1% to be levied next year.

Council Tax

7.11 For 2018/19, there will continue to be differential limits that will trigger the need for a council tax referendum.

7.12 For upper tier authorities wishing to use the social care precept at the maximum, a referendum will be triggered where council tax is increased by 3% (plus the planned Social Care Precept) or more above the authority's relevant basic amount of council tax for 2017/18.

7.13 Police and Crime Commissioners will be allowed increases of less than 3% or up to and including £12, whichever is higher.

7.14 For the Greater London Authority, a referendum will be triggered where council tax is increased by 3% or more above the authority's relevant basic amount of council tax for 2017/18.

New Homes Bonus

7.15 In December 2016 a number of changes were announced to the New Homes Bonus Scheme, these included:

Funding reduced from 6 years to 5 years' worth of payments in 2017/18

Funding will then reduce to 4 years' worth for 2018/19 onwards

A reduction in funding for the scheme over the period 2017/18 to 2019/20, with the amounts being:

- 2017/18 £1,493m
- 2018/19 £938m
- 2019/20 £900m

A deadweight (initially set for individuals authorities at 0.4% growth) with only growth above this level rewarded

The potential for further restrictions on the scheme, including limiting the properties that are eligible to be counted within the scheme and increases the level of the deadweight.

7.16 For 2018/19, there was an £8m increase in funding to £946m, the deadweight remained at 0.4% and no further restrictions on property eligibility were introduced.

Four Year Settlements

7.17 As announced at the 2017/18 local government finance settlement, 97% of authorities (including Croydon) accepted the government's four-year fixed settlement offer. In response to a question in Parliament, the Minister said that those authorities not accepting the offer would therefore still be subject to an annual settlement.

Fair Funding Review

7.18 The government has published the consultation paper "Fair funding review: a review of relative needs and resources", technical consultation on relative need. The consultation closes on 12 March 2018 and Croydon will be submitting a response.

7.19 The paper is at a high level and only discusses the principles of the design of the system. It does not include any exemplifications, showing potential funding allocations. The paper only discusses the relative need aspect of the funding formulae. Future papers concerning transitional arrangements (damping) and how the system will take into account the resources that can be raised locally are promised within the paper.

Business Rates Retention: Future Changes

7.20 The Secretary of State announced that local business rates retention would move from 50% to 75% in 2020/21. This is understood to mean all authorities would be at 75%, rather than the 75% being an average.

7.21 The Secretary of State also confirmed that a reset of the business rates retention system will take place in 2020/21. This will see NNDR Baselines adjusted to better reflect how much local authorities are actually collecting in business rates (the current ones are based on the amount collected in 2010/11 and 2011/12). It remains to be seen (i) how DCLG will determine the new baselines i.e. what data and which years are chosen and (ii) how much of the growth since 2013/14 is taken i.e. Full vs. Partial Reset (although this could of course be put back within Baseline Need – but even then it would cause a significant re-distribution of resources).

Business Rates Pilots

7.22 The following Business Rates Pilot areas were confirmed for 2017/18:

- London (GLA)
- Liverpool City Region
- Greater Manchester
- West of England
- Cornwall
- West Midlands

7.23 In September 2017, the government invited all the remaining 50% Business Rates Retention areas to apply for pilot status in 2018/19. Following a competitive process (with particular focus on two tier and rural areas), the following 10 areas were announced as being successful in their application:

- Berkshire
- Derbyshire
- Devon
- Gloucestershire
- Kent & Medway
- Leeds City Region
- Lincolnshire
- Solent
- Suffolk
- Surrey

7.24 These areas are in addition to London (London Boroughs, including Croydon), which was previously announced at the 2017 Autumn Budget.

7.25 Whilst the initial offer for the new pilot areas was for one year only, it remains to be seen if pilot status will be allowed to continue for 2019/20. Although a change back to 50% would potentially mean a new pilot area would move from 50% in 2017/18, to 100% in 2018/19, back to 50% in 2019/20 and then to 75% in 2020/21. Therefore, allowing them to remain at 100% for 2019/20, whilst having a cost attached for DCLG/ the Treasury (in terms of government losing a share of any growth), would seem a more sensible/stable approach.

8 Local Government Finance Settlement 2018/19 – Croydon

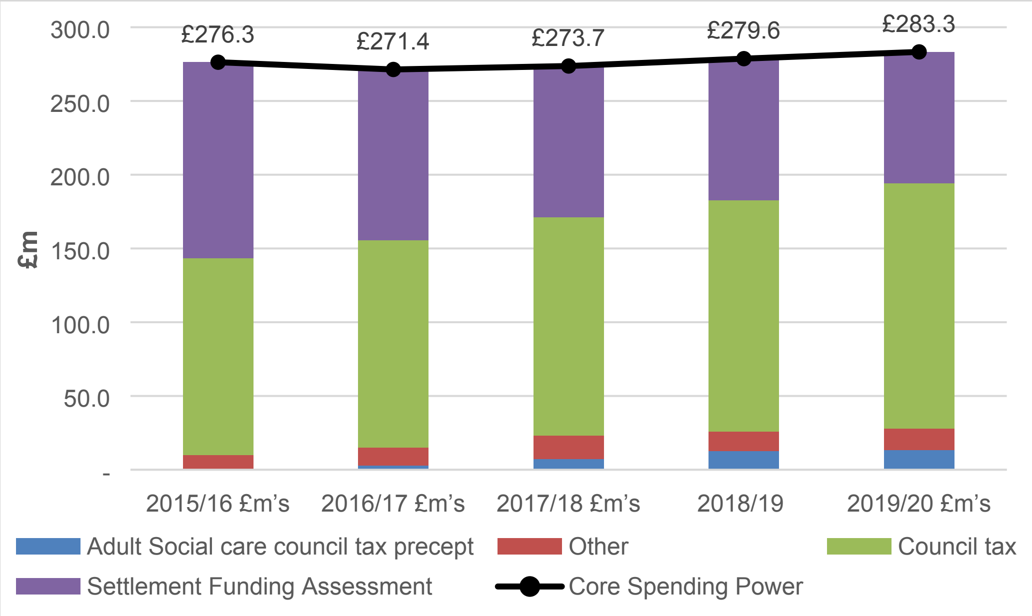
8.1 The published Core Spending Power figures for Croydon are shown in the table and graph below. The funding per head reduces in real terms from £726 per person in 2015 to £631 in 2020. This is a reduction of 13% or £95 per head.

8.2 If funding rates were held at the same rate per head from 2015/16 to 2019/20 then Croydon would receive an additional £6.9m of funding in 2019/20. If funding was held at the same rate per head in real terms over the period Croydon would an extra £40m in 2019/20.

Table 16 Croydon's Settlement Funding Assessment allocations 2015/16 to 2019/20

	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m	2019/20 £m's
Settlement Funding Assessment	133.00	115.54	102.61	96.01	88.93
Council tax	133.41	140.73	147.73	156.77	166.36
Adult Social care council tax precept	-	2.76	7.33	12.57	13.34
Improved Better Care Fund	-	-	5.51	7.09	8.28
Transition Grant	-	0.42	0.42	-	-
Adult Social Care Support Grant		-	1.41	0.90	-
NHB	9.87	11.91	8.68	6.25	6.36
Core Spending Power	276.27	271.36	273.69	279.59	283.27
Population	380,368				399,552
Core funding per Head	726.34				708.97
Core spending power real terms		266.44	260.11	256.53	252.29
Core funding per Head - real terms	723.77				631.42

Graph 8 Croydon's Core Spending Power 2015/16 to 2019/20



8.3 Table 16 above shows an increase in funding for Croydon over the period of £7m in cash terms or 2.5% (a real terms decline). However, it is important to note that this includes assumptions by Ministry of Housing Communities and Local Government (MHCLG), including forecast increased council tax revenues over the period of £46.3m. Excluding Council Tax revenues see a cash reduction in funding over the period of £39.3m or 27.5%.

Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the MHCLG's figures are relevant to Croydon is discussed below.

Council Tax

8.4 The Council Tax referendum limit has now increased to 3% for 2018/19 and potentially 2019/20. Croydon's Core Spending Power amounts for Council Tax income include MHCLG's assumptions on base growth and maximum increases in the rate (i.e. the allowed 3.0% increase per annum plus the 3% per for the social care precept in 2018/19).

New Homes Bonus

8.5 The 2017/18 settlement included a number of planned changes to the New Homes Bonus scheme which will see authorities seeing a reduction in New Homes Bonus allocations.

8.6 For Croydon, this means a significant reduction in grant income. The amount received through the scheme in 2016/17 was £11.9m. This fell to £8.7m in 2017/18 and has fallen again to £6.3m for 2018/19. A reduction of £5.6m over two years.

Improved Better Care Fund

8.7 The additional funding announced at the March 2017 Budget has seen an increase to Croydon's allocation over the period 2017/18 to 2019/20. For 2018/19, Croydon's allocation increased from £3.1m to £7.1m. For 2019/20, the allocation increased from £6.3m to £8.3m.

London Pilot

8.8 The pan-London Business Rates Pilot should provide an opportunity for all London authorities to gain from the business rates growth across the region. Pilot status will remove the levy on growth paid by high taxbase authorities and allow a greater proportion of any local growth to be retained. As the gains from the pilot are dependent on the business rates collected across all of the boroughs during 2018/19, it is difficult to predict the outcome for Croydon at this stage. Once 2018/19 NNDR1 forms have been completed and collated, a forecast level of gain for each of the boroughs should be possible. However, this will only be a forecast and the final amount will not be known until the actual business rates collected in 2018/19 is determined (summer 2019).

Business Rates Retention Changes

8.9 The move to 100% business rates retention was intended to be revenue neutral for local authorities (at the outset), with increased business rates revenues equalling lost revenue grants. Therefore, the intention to move to 75% business rates retention in 2020/21 (instead of the original plan to move to 100% business rates by 2020) does not have an adverse impact on Croydon's resources projection. However, should Croydon experience a period of business rates growth post 2020, the reduced share of the growth that will be retained (compared to 100% scheme) would see lower resources received locally (although this also applies to Croydon receiving a lower proportion of any reduction to its business rates income).

8.10 The planned Reset of the business rates retention scheme in 2020/21 could be to the benefit of Croydon through:

(i) A reduced business rates baseline for Croydon, therefore allowing it to retain higher amounts of business rates income and / or

(ii) An increase to Baseline Need, as existing national business rates growth is fed back into the system across all authorities.

8.11 There are a number of variables that will ultimately determine if (and to what extent) Croydon will gain from the Reset. However, given there is the potential even for Croydon to lose, forecasts are based on it being revenue neutral at this stage.

Fair Funding Review

8.12 On 19 December 2017, the MHCLG published a technical consultation on relative need - Fair Funding Review

8.13 Currently Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

8.14 Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Government last year announced a review to address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

8.15 Over the past year, the Department for Communities and Local Government (DCLG) now MHCLG has worked in close collaboration with local authorities and their representatives on the design of the review, including through a joint Local Government Association (LGA) and DCLG chaired technical working group.

8.16 The consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities and looks at three areas:

- The structure of formulas for service specific cost drivers
- The assessment of relative resources
- Transitioning to the new funding distribution

8.17 The review will:

- **set new baseline funding allocations** for local authorities,
- deliver an **up-to-date assessment of the relative needs of local authorities**. The Government has been clear that there will continue to be redistribution of business rates between local authorities to take account of relative needs; the review will determine what the redistribution should be,
- **examine the relative resources of local authorities**. The Government will take a fresh look at how council tax income should be taken into account when redistributing business rates at local government finance settlements, and will also consider other potential sources of income available to councils,
- focus initially on the **services currently funded through the local government finance settlement**, and
- be **developed through close collaboration with local government** to seek views on the right approach. Alongside on-going engagement with the sector and formal consultation, we plan to publish a series of technical papers to ensure that local authorities are well sighted on our progress, as outlined in

- This will include careful consideration of transitional arrangements to ensure any changes in funding are introduced in a manageable way.

8.18 The focus of the review can broadly be divided into three closely related strands of work:

i) relative needs,
ii) relative resources, and
iii) transitional arrangements.

8.19 The Government proposes to base the assessment of local authorities' relative needs on a relatively small number of forward looking cost drivers with a transparent process for establishing the weightings between them.

8.20 The consultation closes on 12 March 2018 and Croydon will be submitting a response

8.21 The government is working towards an implementation date of 2020/21

8.22 Table 17 below shows the settlement funding assessment per head for each London Borough and shows Croydon ranked as 21st lowest, receiving £247.25 per head in 2018/19 compared to neighbouring Lambeth who will receive £457.57 per head. The inner London average funding per head is £394.93. If Croydon were funded at the inner London average per head we would receive an additional £56m (these average figures exclude the City of London due to their uniqueness).

Table 17 – Settlement Funding Assessment per Head

	Estimated population 2016	SFA (£ per resident) 2015/16 adj. £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	Rank Average £	Rank of Average 2016/20
City of London	9,401	2,970.00	2,754.75	2,595.95	2,508.29	2,400.91	2,645.98	1
Hackney	273,526	684.82	624.29	579.83	554.95	526.35	594.05	2
Southwark	313,223	631.87	573.14	529.96	505.84	478.23	543.81	3
Westminster	247,614	622.38	567.69	527.32	504.98	478.59	540.19	4
Tower Hamlets	304,854	616.29	560.03	518.62	495.55	468.87	531.87	5
Islington	232,865	623.65	562.30	517.18	491.98	463.33	531.69	6
Camden	246,181	628.84	562.76	514.06	486.95	456.06	529.73	7
Hammersmith & Fulham	179,654	588.02	529.14	485.73	461.60	433.90	499.68	8
Lambeth	327,910	579.59	522.74	480.95	457.57	431.07	494.39	9
Newham	340,978	555.17	506.42	470.63	450.58	427.60	482.08	10
Kensington & Chelsea	156,726	580.31	509.20	456.55	427.48	394.27	473.56	11
Lewisham	301,867	538.62	485.95	447.28	425.59	401.19	459.72	12
Greenwich	279,766	512.51	462.98	426.64	406.24	383.31	438.34	13
Haringey	278,451	505.68	452.59	413.56	391.70	367.24	426.15	14
Barking & Dagenham	206,460	478.71	433.47	400.29	381.64	360.67	410.96	15
Brent	328,254	465.11	416.84	381.36	361.49	339.21	392.80	16
Waltham Forest	275,843	441.91	394.03	358.82	339.10	317.15	370.20	17
Wandsworth	316,096	399.29	362.55	335.46	320.42	302.91	344.12	18
Ealing	343,196	393.78	346.55	311.81	292.36	270.93	323.09	19
Enfield	331,395	390.93	345.29	311.74	292.92	272.22	322.62	20
Croydon	382,304	345.32	299.67	266.08	247.25	226.80	277.02	21
Sutton	202,220	335.81	287.21	251.41	231.36	209.76	263.11	22
Hounslow	271,139	323.08	281.04	250.09	232.76	213.81	260.16	23
Redbridge	299,249	313.95	273.87	244.38	227.85	209.79	253.97	24
Merton	205,029	316.69	270.69	236.77	217.83	197.22	247.84	25
Hillingdon	302,471	280.76	240.18	210.31	193.56	175.51	220.06	26
Barnet	386,083	278.01	234.66	202.70	184.83	165.59	213.16	27
Harrow	248,752	278.75	234.15	201.29	182.90	163.10	212.04	28
Bexley	244,760	268.12	226.59	196.02	178.88	160.52	206.03	29
Havering	252,783	250.52	207.75	176.26	158.59	139.86	186.60	30
Kingston upon Thames	176,107	228.87	182.57	148.36	129.30	108.93	159.61	31
Bromley	326,889	213.14	172.85	143.12	126.51	108.81	152.88	32
Richmond upon Thames	195,846	225.95	168.46	125.27	110.87	75.19	141.15	33

8.23 Alongside the response to the Fair Funding Review detailed above we are continuing to lobby the Government for fair funding in Croydon in relation to two specific service areas. These are Universal Credit and UASC funding.

8.24 As a result of work undertaken by Croydon, changes to the national policy for Universal Credit have been announced. However, these changes only take effect from 1 April 2018. As a pilot authority we have incurred costs in excess of **£3m** and will be seeing reimbursement from Government for these costs we have incurred. We are awaiting a response from government of this issue.

8.25 The Home Office are continuing to fund UASC at a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored. The Home office are committed to reviewing rates of funding before April but we are not aware of the impact on Croydon at this stage and we are continuing to work with the Home Office to agree a fair funding rate for Croydon.

9 Homelessness Reduction Act

9.1 The Homelessness Reduction Act 2017 comes into force from April 2018. It introduces a number of new statutory duties on local authorities to assist people who are homeless or threatened with homelessness. These new duties will significantly increase demand on housing and support services within the Gateway and Welfare directorate, parts of which will have to be redesigned in order to meet the new duties. It will require ICT development to report outcomes, pathways and personal housing plans. Whilst implementation of these changes are statutory requirements, it does give the Council an opportunity to strengthen the offer to residents currently assisted by the Gateway and Welfare directorate with regard to increasing independence, financial resilience/stability, reducing homelessness, access to training, employment and customers taking ownership of their housing outcomes. The report elsewhere on this agenda provides further details.

9.2 The new Act means that local authorities now have a statutory responsibility to prevent and relieve homelessness for anyone who is eligible (i.e. has a legal right to remain in the UK) and is homeless or threatened with homelessness. The Homelessness Reduction Act commences on 1 April 2018. From 2017/18, Croydon has been allocated £1.2 million over 3 years by central government in order to tackle the change in legislation. This is less than the £2.2 million we estimate is required for implementation and service delivery. We will seek to use the Flexible Homelessness Grant to cover the gap in insufficient funding for the Homelessness Reduction Act.

10.0 Public Health grant

10.1 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015. Funding for 2018/19 has been cut by £0.563m to £21.349m and is expected to reduce by a further £0.5m by the end of the current spending review period (2019/20). This is in spite of a growing population and growing need, e.g. a significant increase in the birth rate over the last few years.

10.2 The ring-fence grant is used to commission a range of mandated service from external and internal provider's e.g. Health visiting, Substance misuse services, sexual health services etc. as well as providing resources for services within Croydon council that improve the health and wellbeing of the people in Croydon

10.3 The savings will be realised through a combination of a reduction in the public health staffing budget, service efficiencies, and reductions in the value of a number of contracts.

11.0 Dedicated Schools Grant (DSG)

11.1 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. In March 2016 the DfE announced Fair Funding proposals and in the two consultations that followed set out the intentions for funding going forward. The intention was to implement the National Funding Formula (NFF) by December 2016 however it has been delayed with the government announcing in May 2017 that the NFF would be in place from April 2018. The NFF has created an additional block to the funding Central Services School Block. The grant is now therefore made up of 4 blocks: a Schools block, a High Needs block, an Early Years block and the Central Services Schools Block (CSSB).

11.2 The DSG allocation for Croydon for 2018/19 is **£337.82m** of which £6.18m relates to the new CSSB. The DSG allocation has increased by £10.03m compared to 2017/18 allocation of £327.79m. The allocation will be reduced by recoupment for academy funding. This is currently estimated to be in excess of £150m but will be subject to change throughout the financial year if more schools convert to academies. The education budget for 2018/19 was presented at Children and Young Peoples Scrutiny Committee on the 6th February 2018.

11.3 The CSSB is made up of two parts. Historic commitments and central services carried out by the local authority. The statutory element of these services was previously funded through the retained duties element of the Education Services Grant (ESG). Funding for the retained duties element is protected for 2018-19 and 2019-20.

11.4 Full details of the DSG breakdown for 2018/19 are contained in Appendix G.

Schools Block

11.5 The Schools Block 2018/19 allocation is £243.87m (before recoupment), which is an increase of £2.1m since 2017/18 due to an increase in pupil numbers of 240 to 50,777.

11.6 The minimum funding guarantee (MFG) will continue to be applied, hence no school or academy will see a reduction of more than minus 1.5% per pupil compared to its 2017/18 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.

11.7 In 2017/18 Croydon's funding rate for the Schools block was £4,794.79 per pupil. In 2018/19 the NFF has used a similar allocation methodology, but rather than one rate for all pupils funding has been split to be one rate for primary pupils and one for secondary pupils. The rates per pupil are £4,238.50 for primary pupils and £5,317.93 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 24th out of 32 London boroughs. This is the same ranking position as 2017/18. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of the gap between how much extra a pupil in one of our nearest neighbours is funded compared to Croydon.

High Needs

11.8 The High Needs 2018/19 allocation is £58.97m, which is an increase of £0.15m since 2017/18. This allocation is based on the October 2017 census, with further adjustments to be made for January 2018 census.

11.9 At Q1 2017/18, the High needs block forecast overspend was £7.8m (including previous years overspends). Based on the Q1 forecast, on the 6th November 2017, Schools Forum agreed to transfer funding of 0.5% in 2018/19 from the Schools Block to fund the 2017/18 High Needs forecast overspend. 0.5% equates to £1.137m. With a Q3 2017/18 High Needs forecast cumulative overspend of £7.992m, the schools block £1.137m transfer reduces the forecast to £6.855m (this is cumulative and includes previous years overspends).

11.10 The High Needs Block continues to face increased demand without any corresponding increase in per pupil funding. Despite Croydon's strong response to the NFF consultation the funding for High Needs in 2018/19 continues to be funded based on 45% historic spend. The allocation does not factor in that Croydon has seen the number of EHCP's increase from 1800 to 2500 in 2017/18.

11.11 Work is ongoing to review the High Needs provision within the borough, reduce costs and ensure council systems and processes are fit for purpose. This includes the creation of more in borough places, with a focus on targeting funds so children and families are supported earlier, resulting in their needs being met more effectively.

Early Years

11.12 The Early Years 2018/19 indicative allocation is £28.8m an increase of £1.6m since 2017/18 due to an increase in pupil numbers. The final allocation will be adjusted following the January census. The Early years block 2018/19 allocation for Croydon is based on a rate of £5.13 per child hour. Based on the indicative 2018/19 allocation, the following components of the draft budget for 2018/19 was agreed by schools forum on 15th January 2018:

- The nationally set hourly basic rate for 2 and 3 year olds of £5.66
- Increase in rate for 3 and 4 year olds in 2018/19 to £4.50 (£4.30 in 2017/18)

11.13 The 2018/19 draft budget for Schools Block, High Needs Block and Early Years was agreed by schools forum on the 15th January 2018. The Schools Block funding formula was submitted to the DfE on the 19th January 2018 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2018.

12 The Council Tax Support Scheme and discretionary council tax reduction for Care Leavers

12.1 The Council Tax support (CTS) scheme offers support to residents with the payment of their Council Tax and no amendments are proposed to the current CouncilTax Support Scheme for 2018/19. Separate from the Council Tax Support Scheme and pursuant to S13A(1(c) fo the Local Government Finance Act 1992, the Council has agreed that in 2018/19 discretionary council tax relief will be offered to a new class of residents, and will be reducing the council tax bill for Care leavers and their households to zero until the Care Leavers' 25th birthday. The Council was responding to a Children's Society campaign that has identified a range of disadvantages care leavers uniquely experience. In particular care leavers are a vulnerable group for council tax debt. The Council agrees with the campaign's principal sentiments that young people's transition out of care and into adulthood is extremely difficult and that managing money for the first time without support from family leaves care leavers at real risk of falling into debt.

12.2 Care Leavers Relief will be available from the start of the 2018/2019 financial year. The discretionary scheme is proposed to cover all care leavers and their household within the Borough who have a liability for council tax, not just those who have been supported by Croydon Council. We understand that our scheme will be the most generous scheme in England and shows Croydon Council's commitment. The implications of CTS expenditure are built into the Council's Council tax base for 2018/19.

12.3 Demand continues to be monitored in both Revenues and Benefits although it is not possible to be able to identify how many contacts directly relate to the Council's council Tax Support Scheme (CTS), discretionary council tax relief or any of the other benefit changes under welfare reform. The value of CTS discounts provided to residents remains broadly unchanged between years, with the value of CTS as a percentage of the total value of council tax collectable reducing from 15.4% to 14.3% between December 2016 to December 2017. This reduction is as a result of more up to date earnings data being made available to the Council.

13.0 Capital Budget 2018/21

13.1 The Capital Programme for 2018/21 reflects the investment priorities of the administration. It remains focused on supporting the delivery of our statutory responsibility in relation to school places whilst also investing in district centres and community facilities across Croydon.

13.2 Tables 18 and 19 show the draft capital budget by programme and funding streams. The potential slippage from 2017/18 will be reviewed at the end of the financial year and reported to Cabinet in July.

Table 18 – Capital Programme

Description	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total 2018/19 to 2020/21
	£000's	£000's	£000's	£000's
Disabled Facilities Grant	2,400	2,400	2,400	7,200
Education - Major Maintenance	3,020	2,000	2,000	7,020
Education - Fire Safety Works	2,000	1,000		3,000
Education - Other education schemes	2,118	6,833		8,951
Education - Primary Permanent Expansion	11,639	896		12,535
Education - SEN	16,750	8,612	969	26,331
Bereavement services	1,360			1,360
People sub total	**39,287**	**21,741**	**5,369**	**66,397**
Fiveways junction		3,000	2,000	5,000
Highways	6,407	5,816	13,464	25,687
Leisure centres equipment upgrade	1,315	1,004		2,319
South Norwood regeneration	500			500
Libraries investment	685			685
New Addington wellbeing centre	200	6,500	6,500	13,200
Walking and cycling strategy	1,381	750	750	2,881
Parking investment	600	153		753
Safety - digital upgrade of CCTV	500	500		1,000
Fieldway Cluster	4,000			4,000
Affordable Housing LLP	30,090	7,273		37,363
Brick by Brick programme including Fairfield Halls	164,839	30,000	20,000	214,839
Feasibility - district centres and regeneration	330	330	330	990
Waste and recycling services	9,766			9,766
Blackhorse Rd Bridge	1,755			1,755
New Addington Leisure Centre	24,386		-	24,386
Growth Zone Programme	4,000	27,000	90,000	121,000
TFL - LIP	2,462	2,462	2,000	6,924
Community ward budgets	576	576	576	1,728
Devolution initiatives	782	912	912	2,606
Empty Homes Grants	500	500	500	1,500
Place sub total	**255,074**	**86,776**	**137,032**	**478,882**
Asset strategy	2,150			2,150
Corporate Property Maintenance Programme	2,000	2,000	2,000	6,000
ICT - People	3,400			3,400
ICT - Infrastructure and transformation	7,500	4,500	1,500	13,500
ICT - Finance and HR system	4,055	412		4,467
Resources sub - total	**19,105**	**6,912**	**3,500**	**29,517**

Description	Budget 2018/19 £000's	Budget 2019/20 £000's	Budget 2020/21 £000's	Total 2018/19 to 2020/21 £000's
General Fund Total	**313,466**	**115,429**	**145,901**	**574,796**
Special Transfer Payments	180	180	180	540
Asset management ICT database	434			434
Fire safety programme	5,000	5,000		10000
Repair and Improvements	26,771	26,771	26,771	80313
HRA Total	**32,385**	**31,951**	**26,951**	**91,287**
TOTAL CAPITAL EXPENDITURE	**345,851**	**147,380**	**172,852**	**666,083**

Table 19: Funding for the capital programme

Funding	Budget 2018/19 £000's	Budget 2019/20 £000's	Budget 2020/21 £000's	Total 2018/19 to 2020/21 £000's
Capital receipts		2,500		2,500
School Condition Funding (Education)	3,770		-	3,770
Basic Needs (Education)		6,833		6,833
EFA Invest to Save (Education)	969	969	969	2,907
TFL LIP and other funding	2,663	2,462	2,000	7,125
NHS		5,000		5,000
CIL	6,800	6,800	6,800	20,400
CIL local meaningful proportion	1,200	1,200	1,200	3,600
Disabled Facilities Grants	2,400	2,400		4,800
S106	260			260
Borrowing - Revolving Investment Fund	194,929	37,273	20,000	252,202
Borrowing - Growth Zone	4,000	27,000	90,000	121,000
Borrowing – General	96,475	22,992	24,932	144,399
GENERAL FUND	**313,466**	**115,429**	**145,901**	**574,796**
Major Repairs Allowance	21,209	21,209	21,209	63,627
HRA - Revenue Contribution	3,718	3,718	3,718	11,154
HRA - Use Of Reserves	7,458	7,024	2,024	16,506
HRA FUNDING	**32,385**	**31,951**	**26,951**	91,287
TOTAL FUNDING	**345,851**	**147,380**	**172,852**	**666,083**
UNDER/OVER FUNDING OF PROGRAMME	**0**	**0**	**0**	**0**

13.3 Schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of council borrowing shown are indicative.

13.4 There are a number of key projects supported in the 2018/19 programme, including:

13.4.1 Continued investment in the primary school estate to provide additional places to meet the growing demand and carry out fire safety works of **£57.8m** from 2018/19 to 2020/21. We will be receiving £6.833m funding from the DfE to contribute towards the need to increase the number of places in secondary schools from 19/20.

13.4.2 Investment in Croydon's libraries, including fit out costs for South Norwood library. The programme includes an indicative investment into libraries following the termination of the libraries' service provider, Carillion.

Significant investment in Public Realm and Highways Infrastructure. This scheme will enable investment in the public realm and highways to ensure that the infrastructure is fit-for-purpose and achieves our vision making use of the opportunities presented by the Croydon Growth Zone. Following cuts to TFL funding, the council will need to increase its borrowing to maintain the highways network. We have included additional borrowing to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.

13.4.3 Significant investment in a new well-being centre in New Addington, which includes £5m of funding from the NHS. This will provide much needed investment to the area, alongside the New Addington Leisure Centre. This, together with the Leisure Centre, the Fieldway Cluster, public realm and other expenditure, will mean that, since 2014 and through to 2021, there will have invested nearly £50 million in New Addington (added to which there is the capital expenditure from the HRA).

13.4.4 Improvements to the Council's ICT infrastructure to provide a fit for purpose service to staff and residents. This includes a £3.4m upgrade of the ICT software to support and drive efficiencies in the Housing, Adults and Children's' services.

13.4.5 A commitment to transforming the cultural offer of the borough, with the £30m investment in Fairfield Halls. This is being funded by £14m Coast to Capital funding in 2017/18 and by using the Revolving Investment Fund as detailed below and a small amount of direct council borrowing. The C2C funding is included in the 2017/18 capital programme, with the development costs reflected within the overall Brick by Brick programme and an additional amount funded directly by the Council.

13.4.6 Onside Youth Zone project has been reprofiled, with the council expecting to spend £3m completing this work by January 2019.

Revolving Investment Funding (RIF) for Housing and other development

13.5 Cabinet previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder both to the development company Brick by Brick and the Housing LLPs. The figures shown in the table above are shown on a net basis; the Housing LLPs will also use income strip sales to refinance debt and Brick by Brick development costs exceed the borrowing requirements as the company will increasingly recover its costs through sales receipts.

13.6 The RIF lends at commercial rates whilst borrowing at the lower rates which are available to the council. The net returns estimated over the next 3 years are £2m per annum and are included in the revenue budget.

Growth Zone

13.7 The Croydon Growth Zone, which is a tax increment funded model to harness business rates growth to fund borrowing, will allow for a loan to be taken out fund a series of key infrastructure projects. The loan will take out from April 2018, which will enable the council to undertake a series of projects to enable growth by providing an improved public realm and better transport facilities within the Growth Zone. In order to maximise the impact for Croydon residents and compliment the Growth Zone, a small number of strategic additional capital projects are included in the programme which expand beyond the Growth Zone. Table 19 above sets out the indicative cash flow profile of the Growth Zone, which broadly speaking will be broken down into the following projects. Table 20 below provides more information on the nature of the projects which will be funded; this was reported to Cabinet in more detail in December 2017. This breakdown is indicative and will be updated and approved by Cabinet at the appropriate stages:

Table 20 Indicative breakdown of Growth Zone projects

Project	2018/19 (£'000s)	2019/20 (£'000s)	2020/21 (£'000s)
Buses	100	3,000	4,000
Cycling	460	3,000	4,000
Corridors	230	5,000	10,000
Energy	50	1,000	15,000
Highways	895	3,000	20,000
Public Realm	1,200	5,000	15,000
Rail	90	2,000	5,000
Social Infrastructure	250	1,000	5,000
Smart City	700	2,000	2,000
Trams	25	2,000	10,000
TOTAL	**4,000**	**27,000**	**90,000**

Section 106 and Community Infrastructure Levy (CIL)

APPENDIX 6.1

13.8 The Council, as Local Planning Authority, when required secures Section 106 Agreements as a requirement of the grant of planning permission to secure the mitigation measures necessary to make a development acceptable in planning terms. This includes securing financial contributions towards infrastructure types and projects.

13.9 The Council manages, monitors and recovers Section 106 income. In the 2017/18 year up to quarter 3, a total income of £744,061 has been received.

13.10 The Council's Section 106 balance as at 31/12/2017 was £9.599m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement. Set out below in table 21 is the Council's detailed Section 106 balance sheet.

Table 21 – S106 breakdown of funds

Section 106	Balance £'000
Housing	3,135
Transport	2,349
Education	1,035
Open Spaces	1,362
Other	1,718
TOTAL	**9,599**

13.11 In terms of future Section 106 assignment, our affordable housing income will be assigned to align with the Council's emerging housing funding strategy. The Council is actively working on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon

13.12 The Council introduced the borough's CIL in April 2013. The Council has been collecting the borough's CIL since this date. As a consequence of requiring the grant of planning permission and commencement of development post April 2013 for the CIL to be liable for payment, the income received since the introduction has gradually increased.

13.13 At the end of 2016/17 the borough's CIL closing balance was £7.587m. This is a combined total for the borough's CIL, Local Meaningful Proportion and the 5% administration fee deducted to cover the costs associated with operating as a collecting authority. The current balance for 2017/18 as at 31/12/17 was £9.599m, including the 5% administration fee.

13.14 Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of CIL to ensure no duplication between CIL and planning obligations (Section 106).

13.15 The Council's Regulation 123 list indicates the infrastructure projects or types that will, or may be, wholly or partly funded by CIL. This broadly covers all infrastructure projects and types, except for sustainable transport and highway that are secured through Section 106 and / or Section 278 highway agreements.

13.16 In addition to allocations in 2017/18, and based on current CIL balances and forecast CIL receipts, it has been assumed that £6.8m of CIL money will be available to fund the capital programme. The specific projects to enjoy borough CIL funding will be defined through consultation with lead Cabinet Members. The specific project assignment will occur post the approval of this report.

13.17 The Community Infrastructure Levy (Amendment) Regulations 2013 allow for up to 15% to be spent on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on Croydon. This is commonly referred to as the Locally Meaningful Proportion.

13.18 The CIL Local Meaningful Proportion as at 31/12/17 was £2.517m. The capital programme has assigned the Local Meaningful Proportion will be detailed in due course. However, this has not been included in the Capital Programme or its funding at this stage.

Housing Programme

13.19 In the past housing investment has been undertaken using HRA funds and Council borrowing. Future housing new builds will now be undertaken by Brick by Brick, the Council's independent development company. Brick by Brick is expected to deliver a total of 189 affordable rent units by 2020, which will transfer to the Croydon Affordable Homes LLP. Brick by Brick will be investing more than £400m over the next 2-3 years to deliver a total of 1,320 new homes in Croydon. Alongside this housing building programme, we will be continuing to invest in housing improvements.

13.20 To enable the increase of the provision of affordable housing in the borough, the Council intends to enter in to three separate limited liability partnerships (LLPs) with a local charity to develop units across the borough and street purchased properties as affordable rented homes. The LLPs will be able to utilise the Council's retained right to buy receipts, which it is unable to due to the limited resources in the housing revenue account, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. These proposals will, as a result of the Council's initiative and support, enable 340 affordable rent properties to be created in the borough without public subsidy.

Repair and Improvement of council stock

13.21 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard, and this was achieved in the Council's own stock by 31 March 2011. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, and the council will need to continue to invest in the stock to keep homes up to standard over time. Indeed, the social housing regulator has proposed a revised home standard which will reflect the government's direction that social landlords should comply with the decent home standard with ongoing effect. The council must also invest in other maintenance and improvement works in order to maximise the life of the assets.

13.22 The proposed repair and improvement programme for 2017/18 will remain at circa £27m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. Additional works of £10m to respond to the need for fire safety works after the tragic events of Grenfell have been included in the 2017/18 and 2018/19 capital programme. The costs of this is being funded out of reserves and we continue to lobby central government for the funding.

Capital Allowance (HRA)

13.23 Local authorities are required to establish a 'Capital Allowance'. This is a notional amount set by the Council. The main considerations in setting the allowance are to ensure that it will exceed the anticipated receipts during the year and that total investment in affordable housing needed within the borough exceeds the allowance. This is in order to justify 100% use of the receipts.

13.24 The Capital Allowance for 2017/18 was set at £10m. It is recommended that the Capital Allowance for 2018/19 is set again at £10m. This will enable the Council to keep 100% of the receipts of any HRA disposals of land or property during the year for housing investment purposes. The Capital Allowance will continue to be reviewed annually as part of the process for approval of the Council's Housing Investment Programme and will include a report back on the previous year's activity.

14 Housing Revenue Account (HRA)

14.1 The Housing Revenue Account (HRA) is the main business account for the housing service. It remains a ring-fenced account funded primarily from tenants' rents. The services provided to tenants, including responsive repairs, management services and caretaking as examples, are resourced from this account.

14.2 Long-term financial planning is undertaken through the HRA 30-year business plan which is updated annually to reflect actual expenditure and refresh the assumptions which underpin the financial projections.

14.3 The Welfare Reform and Work Bill legislates that council's must reduce rents by 1% per annum from 2016/17 for 4 years. The reduction in rents has meant that the HRA needs to make corresponding reductions in expenditure of at least £13m over this period. The budget for 2018/2019 has been balanced, and was reported to the Tenants and Leaseholders Panel on the 17th January

2018.

14.4 A draft budget for the HRA for 2018/2019 can be found in the Budget Book in Appendix B.

14.5 Changes have had to be made to the planned levels of investment included on the capital programme, most notably the removal of HRA resources committed to building new social housing. All investment in new-build is now to be undertaken by the council's Development Company, Brick by Brick, which is planning new affordable housing as part of its proposed schemes. It is anticipated that additional borrowing of £11.4m will need to take place over the next 10 years to continue to fund planned capital works and maintain a balanced position.

14.6 There is a national borrowing cap for the HRA. The 2017 autumn budget announced that this cap is expected to be lifted for areas of high need. Local authorities will be invited to bid for increases in their caps from 2019-20, up to a total of £1 billion by the end of 2021-22. The council expects to reach its borrowing cap in the next 12/18 months on the delivery of the core stock investment programme. Depending on the government's criteria for "high need", this opportunity to bid for an increase in the head room could support the delivery of additional new affordable housing above that already planned.

14.7 The budget position of the HRA is subject to continued uncertainty in light of further policy proposals that have been issued by the government. The Council is awaiting the final outcome of the legislative process followed by detailed guidance still to be issued by government.

14.8 However, assumptions about these policy changes and the current legislation, % reduction in rental income, have been incorporated into the 30 year business plan. These are explained below:

Disposal of "high value" properties

14.9 The government's policy to fund its extension of the right to buy scheme to housing association tenants by requiring councils to its sell "higher value" housing stock is yet to be introduced; the "high value void levy". The government has announced, in the 2017 autumn budget, a £200 million largescale regional pilot of the Right to Buy for housing association tenants in the Midlands. If the policy were introduced, councils would be required to make levy payments to central government, based on assumptions about receipts from void sales. It is therefore possible that actual receipts will fall short of the payments due. Where this is the case, local authorities would need to fund the payments from the HRA. The previous Secretary of State for Communities and Local Government has confirmed that the high value void levy will not be introduced until at least April 2019, which has removed any financial impact for 2018/2019. In addition to the above, councils in London would have to replace the loss of its high value social housing on a two for one basis. It is assumed that this requirement could be met by activity undertaken by 'Brick by Brick', the council's Development company.

Right to Buy

14.20 The government has set out that Local Authorities can only retain the receipts from right to buy (RTB) sales if they use them to create new stock by match funding the purchase of this new supply on a 70:30 basis. Therefore for every £30 retained the council needs to source a further £70 from elsewhere. If these criteria cannot be met, the receipts will need to be repaid to Government with interest. The current HRA business plan assumes there will be 130 right to buy sales per year. As well as the loss of an asset to the HRA, this impacts on the level of rents collected year on year and therefore the availability of funds to match the 70:30 requirement. Section 12 on the Capital Budget 2018/21 sets out how the council's plans to invest in social housing using the retained RTB receipts.

Changes in Rent

14.21 The Welfare Reform and Work Act requires all registered providers of social housing in England to reduce rents by 1% a year for four years. This commenced in 2016/17, making 2018/19 year 3 of the 4 year cycle. Rents for new tenants must also reflect the 1% per annum reduction. Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap. The introduction of Universal Credit in Croydon has begun to have an impact on rent collection rates. Rates are likely to continue to drop as tenants move from receiving housing benefit to universal credit when they experience a change in circumstances, impacting on the levels of bad debt that the Council must provide for.

14.22 Social rents in Croydon are currently approximately 35-40% of the private sector equivalent. New build council properties are let at an affordable rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent. In the last 12 months, average market rents for Croydon have increased by 9% for 1 bed properties, 2.5% for 2 beds, and just 0.3% for properties with 3 bedrooms. The affordability of council rents in comparison to the private sector has therefore improved in the last year, as shown in table 22 below.

Table 22 – Comparison of rents in Croydon

Property Type	Average weekly Council rent 2017/18	Average weekly Council rent 2018/19	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£86	£85	£219	39%
2 bed	£104	£103	£293	35%
3 bed	£126	£125	£356	35%

Service Charges

14.23 It is proposed that service charges remain at 2017/18 levels in 2018/19, with the intention that a review of the costs of provision and the allocation of those costs across Croydon properties to be reviewed in relation to the costs of providing these services before any changes are made to 2019/20 charges.

14.24 The charges for 2018/19 will therefore be:

Table 23 –2018/19 Tenant Service Charges

	2017/18	2018/19	Change
Tenant Service Charges			
Caretaking	£10.27pw	£10.27pw	£0.00pw
Grounds Maintenance	£2.05pw	£2.05pw	£0.00pw

Heating charges

14.25 Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate, all other schemes are retirement housing schemes for older people. Heating charges will remain the same as 2017/18 in line with RPI.

Garages and parking spaces

14.26 Rents for garages and parking spaces were increased by 2% in 2017/18 and it is proposed that no increase will be applied for 2018/19:

Table 24 – 2018/19 Parking and Garage Charges

	2017/18	2018/19	Change
Parking Spaces			
Tenants	£7.18pw	£7.18pw	£0.00pw
Non-Tenants	£10.25pw	£10.25pw	£0.00pw
Garages			
Avg. Rent*	£13.10pw	£13.10pw	£0.00pw

HRA Savings

14.27 In order to balance the HRA budget position in the medium-term (particularly the impact of the 1% rent reduction), the council has identified a range of management savings to ensure that it continues to drive value for money from the services that it provides. A summary of these savings is shown in table 25 below:-

Table 25 – 2018/19 HRA Savings Proposals

2018/19 Management Savings	£000s
Staff Savings - restructuring to standardise service	443
Cost Efficiencies	454
Responsive Repairs	200
Central budget review and consolidation	381
TOTAL	**1,478**

14.28 The cost efficiencies identified above include savings made from restructuring to make savings on staff costs as well as identifying where efficiencies can be made on running costs. A new compliance team has be created, funded from part of the savings made, to ensure that Croydon complies with recommendations made by the London Fire Brigade in the wake of the fire at Grenfell Tower.

15 Treasury Management

15.1 The Executive Director of Resources (S151 Officer) is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy. The details are set out in the Treasury Management Strategy which is recommended to Cabinet for approval as a separate item on this agenda.

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

16.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to his advice throughout the year in the preparation of the budget for 2017/18. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Executive Director for Resources. This is his statement which meets the Section 25 requirement of the Act.

16.2 All Members of the Council have been advised of the financial challenges the Council faces over the medium and longer term indicated clearly to the Council through the spending review reductions for the Council and more recently in the Provisional local government settlement from the Chancellor of the Exchequer. This clearly forecasts further and deeper reductions to Local Government and to the Council's funding until at least 2019/20. These further reductions are going to require a further review of the way we work and the way we deliver services. In taking decisions on any budget all Members must first and foremost understand the underlying funding changes which the Council faces and set these associated decisions within the context of the overall financial environment the Council faces.

16.3 These are very challenging times for local government and therefore it is certain that further difficult choices will be required over the coming budget cycles if the Council is to maintain a continued solid financial foundation and achieve a balanced budget position in future years. Continuous improvements have been made in the Council's overall financial standing demonstrated through progress towards targeted levels of general fund balances and the Council's ability to manage the significant in-year risks in a corporate and planned way. The revised financial strategy has been written to help us navigate through these difficult times and Members will need to fully support this strategy if the Council is to maintain a solid financial foundation. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves I have reviewed this position in detail and have reported my conclusions and assumptions to the Cabinet on a continued on-going basis as part of the Council's overall governance and financial stewardship arrangements.

16.4 All Members must be aware that the calculation of the budget is, in its simplest form, dependent on three key factors, which are set in the context of the reducing level of support from central government, these are:

a) The structural growth and savings in service expenditure or income;
b) The level of increase in local taxation (council tax); and
c) The level of reserves and balances.

16.5 With regard to the Housing Revenue Account, It is important for Members to understand that the continued 1% reduction for the next 2 years through government legislation would result in a significant reduction in income to the Housing Revenue Account and would make the 30 year business plan unsustainable based on the current expenditure plans. There is a great deal of uncertainty around other changes covered in the report that will impact on the HRA and therefore the focus has been on ensuring the 2018/19 budget is balanced and working on options within the control of the council to reduce expenditure in future years.

Growth and Savings in service expenditure

16.6 Proposals for growth and savings in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough with the available resources from Government and that which can be raised locally through taxation and income. In balancing such decisions Members must have regard to the professional advice of officers in such matters as service need, statutory responsibility, changes to Government legislation, demographic factors (particularly in respect of demand-led services), unavoidable cost pressures and future levels of Government funding support. This report forms part of the advice.

Local Taxation

16.7 The level of change in council tax is similarly a matter of political judgment, again having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the budget, the level of reserves and balances, prudent financial management, the current and future financial risks the Council may face over the medium to longer term such as the localisation of business rates and council tax benefit support and the future forecast of Government funding support. The recent local government settlement saw a major shift in the government's approach to Council tax. There has been the creation of the option to increase council tax by up to 3% without the requirement for a referendum. It is important for Members of the Council to understand that this reflects a long term pressure that the council faces as a result of demographic and population change and any decision made now also has a long term impact on the council's financial strategy.

The Level of Reserves and Balances

16.8 The level of reserves and balances are principally the responsibility of the s151 officer and are key to ensure the financial sustainability of the Council. The Members of the Council are not automatically obliged to accept my advice in every particular, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from my advice.

16.9 In the context of the current financial climate and the financial risks which the Council faces my formal advice to all Member is that an appropriate level of General Fund Balances is between 3 and 5% for the medium term which is cash terms is between £8m and £13.3m. The current level of General Fund Balances is £10.7m although based on the current forecast outturn for 2017/18 this is expected to fall by £1.2m, it still fits within an acceptable range. In determining the level of reserves and balances key factors include:

- The risks inherent in the budget;
- The level of specific reserves and associated provisions;
- The identified efficiencies to be achieved;
- The future financial risks the Council may be exposed to both quantifiable and unquantifiable; and
- The Authority's history of delivering services within the budgetary provision set.

16.10 Earmarked reserves are also relevant in supporting the budget and objectives of the council. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes can be a political decision based on priorities and also needs to reflect the financial strategy objectives of the council. Earmarked reserves have reduced over the last 3 years and are expected to be in the region of £20m at the end of 2017/18. This is a position that needs to be kept under review. The increased flexibility on the use of capital receipts allows the authority to use these to support transformation projects and therefore provides capacity that would previously have to be funded from earmarked reserves.

16.11 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of efficiencies delivery as well as demand led pressures. The Council has set plans to deliver efficiencies of £32m. Whilst the financial environment remains volatile I believe that the budget takes account of that environment and is therefore prudent for the 2018/20 financial period.

16.12 Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding and there has been overspends in social care each year since 2010. Despite this the council has managed to maintain balances at an appropriate level. This remains challenging and this outcome is only achieved through the constant focus of the organisation's officers and the leadership of its Members. I recommend for 2018/19 the contingency budget is increased to £2m to reflect both the track record and significant challenges being faced going forward. I am pleased to say that this has been incorporated into the budget with a general £1m contingency and a £1m contingency specifically for the People Department, given its pressures. At £2m., this is still less than 1% of the council's budget.

16.13 HRA reserves are currently at their target of 3% and expected to remain at that level in the medium term in line with the Financial strategy.

16.14 Table 26 shows the schools reserves position.

Table 26 Reserves (Schools)

Reserves	Balances as at 31/03/17 £m	Estimated 31/3/18 £m
Local Maintained School balances	3.305	2.100
Total	**3.305**	**2.100**

16.15 The Council does not currently set or control balance levels for Schools although it is open to local authorities to amend these with the agreement of their Schools Forum. Croydon's Schools Forum has agreed a threshold level of balances for schools, which are 4% of annual expenditure for secondary schools and 6% for primary schools. If maintained schools have balances greater than these sums and do not have plans meeting approved criteria that explain the reasons for additional balances, the additional balances may be redistributed between Croydon's maintained schools.

16.16 The Section 151 officer has a responsibility to ensure Croydon's maintained schools have sound financial management. Where a school has set a deficit budget (one where anticipated expenditure will exceed anticipated income), or is heading towards a deficit position in year, the Section 151 officer requires the school to submit a pro forma, setting out their action plan to show how the deficit position will be managed. The pro forma is signed by the School Governors and submitted to the Section 151 officer for agreement. We are currently working with four schools on their deficit position and recovery plan.

17.0 Summary and Conclusions

17.1 As all Members are aware, setting a budget for 2018/19 that is robust, balanced and deliverable has been challenging and has involved a number of difficult decisions for the Council. The Council faces increasingly challenging choices over the medium term period within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.

17.2 This budget report is based on the current financial outturn projections for 2017/18. If any of the projections change significantly, this will have to be taken account of in setting the budgets for future years.

17.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2018/19.**

18.0 Financial Considerations

18.1 The report contains the financial implications of the options to deliver a balanced budget for 2018/19, the current position for the following financial year 2019/20 and the draft capital programme for 2018/21.

19.0 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

Budget and Council Tax Setting

19.1 The Solicitor to the Council comments that the Council is under a statutory duty to set a balanced budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report. The Council is required to set the amount of the Council Tax before 11th March 2018 but it may not be set before the GLA has issued the precep.

19.2 The Local Government Finance Act 1992 (as amended), requires the Council as billing authority to determine whether its relevant basic amount of council tax for a financial year is excessive. If it is excessive then there is a duty under s.52ZF - s.52ZI to hold a referendum.

19.3 Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Proposed Thresholds for 2018-19 have been published and provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if the Council tax is to be increased by 6% or more. This consists of a 3% threshold for general spending purposes plus a maximum 3% “social care precept”. The expressed intention is that these local authorities would then be able to raise council tax by a total of 6% over and above the “standard” threshold of 2% by 2019/20. However, those that raise the social care precept by 3% in 2017/18 and in 2018/19 will be unable to raise it further in 2019/20.

19.4 For the coming financial year, and for which this Council Tax is being set, such principles have not yet been approved. However, as noted in the recommendations, in accordance with the statutory requirements, the Council Tax recommended is not considered excessive such that no referendum is required.

19.5 The procedure followed in developing the budget proposals as detailed in the report meets the requirements of the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council’s Constitution.

19.6 When considering the budget proposals the Cabinet and Council will be mindful of their fiduciary duty to ensure that the Council’s resources are used in a prudent and proportionate manner. Members are required to have regard to their statutory duties whilst bearing in mind the requirement to act reasonably when taking in to account the interests of the Council Tax payers and Croydon’s communities.

19.7 To deliver some of the budget proposals action may be required which should be undertaken in accordance with statutory requirements including any legal requirements for consultation and equality impact assessments. Members will be aware of the requirement to consider the Council's obligations under the Equality Act 2010.

Discretionary Council tax reduction for Care Leavers Scheme:

19.8 The Local Government Finance Act 2012 introduced a new section 13A into the 1992 Act covering both the new council tax reduction schemes and the former discretionary power to grant relief. Section 13A(1)(c) provides that the amount of council tax which a person is liable to pay in respect of any chargeable dwelling may be reduced to such extent as the billing authority for the area in which the dwelling is situated thinks fit. This may include the power to reduce an amount to nil. Whilst the power under 13A (1)(c) may be exercised in relation to particular cases or by determining a class of case in which liability is to be reduced to an extent provided by the determination, where it does apply to a class of case there must be a scheme governing the application of this discretionary reduction.

19.9 In addition, S13A(2) which requires authorities to make a scheme referred to in subsection 13A(1)(a)- namely a Council Tax Reduction Scheme – also requires, by virtue of para. 2(7) of Sched. 1A to the 1992 Act (inserted by Schedule. 4 to the 2012 Act) that a council tax reduction scheme "must state the procedure by which a person can apply to the authority for a reduction under section 13A(1)(c)".

19.10 Discretionary relief is applicable both to those who have been awarded a reduction under a council tax reduction scheme and those who have not ("may be reduced to such extent (or if the amount has been reduced under paragraph(a) . . ., such further extent)": s.13A(1)(c)). However, as Council tax reduction schemes must stipulate the procedure for applying for a reduction (or further reduction) under section 13A(1)(c), it follows that authorities must consider every such application on its merits.

Approved by Sandra Herbert, Head of Litigation and Corporate Law for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer

20.0 HUMAN RESOURCES IMPACT

20.1 The implementation of the efficiency and cuts programme will in a number of instances necessitate a change of structure and skill mix of staff and/or change of working practices. Where a redundancy is being 'contemplated' the unions must be informed. If subsequently a redundancy is actually 'proposed' then the employer is immediately obliged to consult with the unions and staff for a minimum statutory period before any decisions and formal notification of redundancy is issued. The organisation will take these considerations into account in planning for the implementation of any structural reform.

20.2 Table 27 below indicates the indicative net level of reduction in full time equivalent posts by departments in the period 01 April 2017 to 31 March 2020 (excluding any TUPE transfer proposals where redundancies do not apply). Many of these proposals are still subject to consultation and the actual numbers of redundancies will not necessarily correlate identically because (a) vacant posts may be deleted instead if staff turnover allows reducing the impact on our permanent workforce whilst reducing the cost to taxpayers of any potential redundancy and, (b) some staff will be redeployed to newly created posts during the same time period to mitigate the risk of compulsory.

Table 27 – Indicative net reduction on posts per department

INDICATIVE NET REDUCTION IN POSTS PER DEPARTMENT	FTE
People	(0.00)
Place	(0.00)
Resources	(11.3)
Chief Executives Department	**(8.00)**
TOTAL	**(19.3)**

20.3 Where restructures or transfers are proposed the Council's existing policies and procedures must be observed.

Pay Policy Statement

20.4 The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.

20.5 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2018/19 on:

20.5.1 The remuneration of its senior staff including chief officers

20.5.2 The remuneration of its lowest paid employees

20.5.3 The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers

20.6 The pay policy statement is at **Appendix H**. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 27th February 2018.

(Approved by: Sue Moorman – Director of Human Resources)

21 EQUALITIES CONSIDERATIONS

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

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

22.2 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these “protected characteristics” will all be of relevance in all circumstances.

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

22.4 In developing its detailed budget proposals for 2018/20 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavour to ensure that it best meets the specific needs of all residents, including those groups that share a “protected characteristic”.

22.5 Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.

22.6 An equality analysis has been completed in respect of the overall Council Tax increase which will apply to all households in the borough. While this increase is relatively modest it will nonetheless impact on those on low and fixed incomes and in particular those that may have been adversely affected by changes to the benefit system and who do not qualify for Council Tax Support. This segment of the population is more likely to live in the most deprived areas in the borough where there is a greater proportion of BAME residents. This has to be balanced against the additional amount raised through the Adult Social Care charge which will contribute to meeting the expected increase in demand for these services. This will benefit Croydon’s most vulnerable adults and families. In addition the Council will continue, through the Council Tax Support scheme to provide financial relief for vulnerable households including:

- Pensioners on low incomes.
- People that are in receipt of disability living allowance or employment support allowance.
- People that are in receipt of income support.
- Single parents with a child or children aged under five.

22.7 As part of the overall welfare support provided, customers having difficulties with their payments are also offered wider budgeting advice and support and help in finding work is also available where applicable through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

22.8 In respect of specific proposals as outline in Appendix A that may result in new policies or policy or service changes an equality analysis will inform the final proposal and its implementation and will be available at the time of decision.

23.0 ENVIRONMENTAL IMPACT

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

24.0 CRIME AND DISORDER REDUCTION IMPACT

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

25.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

26.0 OPTIONS CONSIDERED AND REJECTED

26.1 Various other options were considered in terms of council tax levels, investments and savings. These are ultimately decisions of policy and political choice.

REPORT AUTHOR AND CONTACT: RICHARD SIMPSON, EXECUTIVE DIRECTOR OF RESOURCES (S151 OFFICER)

Background documents: none

People Department Budget Options **Appendix A**

Director	Division	Description	Growth/ (Saving)	FTE Impact	2018/19 (£m)	2019/20 (£m)
Guy Van Dichele	Adults and All Age Disability	Workforce reform and transformation. Creating a permanent workforce with less agency cover and costs, reducing management costs and creating more holistic team structures around our residents.	Saving	tbc	(1.000)	(1.000)
Guy Van Dichele	Adults and All Age Disability	All age disability day opportunities - Reconfiguring our offer to people, enhancing life and well-being opportunities through more efficient use of our contracts.	Saving	0.00	(0.125)	(0.100)
Guy Van Dichele	Adults and All Age Disability	Commissioning - Creating savings through efficiency in contracts.	Saving	0.00	(0.095)	0.000
Guy Van Dichele	Adults and All Age Disability	25-65 disability transformation - creating efficiency through better outcomes for people reducing expensive care packages	Saving	0.00	(0.750)	(1.500)
Guy Van Dichele	Adults and All Age Disability	Mental Health Transformation - Creating efficiency through better outcomes for people reducing expensive care packages.	Saving	0.00	(0.125)	(0.100)
Guy Van Dichele	Adults and All Age Disability	One Croydon Alliance - Managing the increased demand through better partnership working within the Alliance.	Saving	0.00	(2.283)	(2.445)
Guy Van Dichele	Adults and All Age Disability	25-65 Disability Demand - To manage growth in demand for care and support.	Growth	0.00	1.552	0.965
Guy Van Dichele	Adults and All Age Disability	Mental health Demand - To manage growth in demand for care and support.	Growth	0.00	0.438	0.300
Guy Van Dichele	Adults and All Age Disability	SEN - service growth - To accommodate current increase in demand and high case loads	Growth	0.00	0.377	0.000
Guy Van Dichele	Adults and All Age Disability	CWD - service growth - To accommodate current increase in demand and high case loads	Growth	0.00	1.623	0.000
Guy Van Dichele	Adults and All Age Disability	SEND post 19 - To continue the pilot for alternative provision on the Post 19 Transition Programme for the year 2018/19 and 2019/20.	Growth	0.00	0.175	0.000
Guy Van Dichele	Adults and All Age Disability	Out of Hospital Business Cases - Council contribution to the wider One Croydon Partnership Alliance	Growth	0.00	2.000	0.000
Guy Van Dichele	Adults and All Age Disability	DOLS Adults - To manage growth in demand and meet statutory requirements.	Growth	0.00	0.123	0.000
Guy Van Dichele	Adults and All Age Disability	Council contribution to the wider One Croydon Partnership Alliance	Growth	0.00	2.300	2.483
Guy Van Dichele	Adults and All Age Disability	Implications of new HMRC rules in relation to the costs for Sleeping nights workers	Growth	0.00	0.500	0.000
Guy Van Dichele	Adults and All Age Disability	DOLS Children's - To manage growth under new legislation.	Growth	0.00	0.113	0.000
David Butler	Education and Youth Engagement	Child Friendly Community	Growth	0.00	0.025	0.000
Julia Pitt	Enablement & Welfare	Restructure of four teams to align functions with future legislative changes in Universal Credit, Discretionary Support, Employment Support and Debt.	Saving	0.00	(0.149)	(0.273)
Julia Pitt	Enablement & Welfare	NRPF cases to be closed in an efficient and timely manner, and tighter management of court cases	Saving	0.00	(0.090)	0.000
Mark Meehan	Service Development	Decommission domestic violence accommodation with support; retain some funding for floating support in Private Rented Sector.	Saving	0.00	0.000	(0.130)
Julia Pitt	Enablement & Welfare	Review of the travel service to identify errors and duplication in the provision Blue Badges	Saving	0.00	0.000	(0.200)
Julia Pitt	Enablement & Welfare	Fundamental review of commissioned services for young people	Saving	0.00	(0.112)	(0.130)
Julia Pitt	Service Development	NRPF - introduction of new immigration regulations	Saving	0.00	(0.050)	0.000
Mark Meehan	Housing Solutions	Savings to be delivered by managing vacancies; reviewing recharges and minimising void periods	Saving	0.00	(0.093)	(0.047)
Julia Pitt	Emergency Accommodation	Additional empty property officer who will generate savings through reducing void periods	Saving	0.00	(0.137)	(0.067)
Julia Pitt	Emergency Accommodation	Saving from Emergency accommodation budget offset by receipt of Flexible Homelessness Support Grant	Saving	0.00	(2.200)	0.000
Julia Putt	Enablement & Welfare	Additional empty property officer who will generate savings through reducing void periods	Growth	0.00	0.048	0.000
Julia Putt	Enablement & Welfare	Increased requirement for concessionary fares	Growth	0.00	0.150	0.000
Julia Putt	Enablement & Welfare	Restructure identified a need for an additional manager post within Housing Renewal to standardise service delivery	Growth	0.00	0.055	0.000
Phillip Segurola	Early Help and Childrens Social Care	Increase in Legal Fees	Growth	0.00	0.500	0.000
Phillip Segurola	Early Help and Childrens Social Care	Increase demand in staffing	Growth	0.00	2.926	0.000
Phillip Segurola	Early Help and Childrens Social Care	Increase in demand for commissioning contracts	Growth	0.00	0.175	0.000
Phillip Segurola	Early Help and Childrens Social Care	NRPF pressure due to delays in Central Government to implement the provisions of the Immigration Act	Growth	0.00	1.000	0.000
Phillip Segurola	Early Help and Childrens Social Care	Increased demand in Looked After Children placements	Growth	0.00	3.900	0.000
Phillip Segurola	Early Help and Childrens Social Care	Increased demand in commissioning contracts	Growth	0.00	0.640	0.000
Phillip Segurola	Early Help and Childrens Social Care	Asylum Recharges	Growth	0.00	1.143	0.000
		Total		**0.00**	**12.554**	**(2.244)**

PLACE DEPARTMENT BUDGET OPTIONS

Director	Division	Description	FTE Impact	Growth/ (Saving)	2018/19 (£m)	2019/20 (£m)
Steve Iles	Waste	SLWP Contract Saving - Environmental Services (Street Cleansing and Refuse Collection Service)	0.00	Saving	(5.170)	0.000
Steve Iles	Waste	Year-on-year landfill disposal tonnages increase (c.2.5% pa)	0.00	Growth	1.000	0.000
Steve Iles	Leisure	Re-procurement of Leisure Services Contract	0.00	Saving	0.000	(0.450)
Steve Iles	Highways Network Management	Co-Ordination and Management of Utility Companies on the Highway to minimise disruption/congestion. This will include Coring, Traffic Management and New Roads and Streets Works Act (NWSRA) inspections.	0.00	Saving	(0.192)	0.000
Steve Iles	Highways Network Management	Traffic signals - Savings on charges from TFL for Signal Maintenance and Operational Costs	0.00	Saving	(0.050)	0.000
Steve Iles	Leisure	Increasing income from parks events	0.00	Saving	0.000	(0.050)
Andy Opie	Parking	Review of Commercial Suspension Charges	0.00	Saving	(0.060)	0.000
Andy Opie	Parking	ANPR Traffic Controls	0.00	Saving	(0.162)	(0.162)
Andy Opie	Parking	Increase in street P & D charges	0.00	Saving	(0.100)	(0.149)
Andy Opie	Parking	Footway parking enforcement	0.00	Saving	0.000	(0.062)
Andy Opie	Partnership & Intelligence	Crossfire contribution to become grant funded	0.00	Saving	(0.008)	0.000
Andy Opie	Partnership & Intelligence	Youth Prevention Project (YPP)	0.00	Saving	(0.007)	0.000
Andy Opie	Public Protection	Fixed Penalty Notices (FPN's) for Housing Enforcement	0.00	Saving	(0.010)	0.000
Andy Opie	Public Protection	Statutory notices - introduce charge per hazard	0.00	Saving	(0.005)	0.000
Andy Opie	Public Protection	Cease cost subsidy rat treatments	0.00	Saving	(0.005)	0.000
Andy Opie	Public Protection	Introduce charge for Food hygiene re-visits	0.00	Saving	(0.003)	0.000
Andy Opie	Partnership & Intelligence	Review Safer Croydon Radio provision	0.00	Saving	(0.005)	0.000
Heather Cheesbrough	Strategic Transport	Supplies & Services Savings	0.00	Saving	(0.013)	(0.012)
Heather Cheesbrough	Development Control	Increased Planning Fee recovery	0.00	Saving	(0.009)	(0.008)
Heather Cheesbrough	Spatial Planning	Additional income recovery	0.00	Saving	(0.018)	(0.019)
Heather Cheesbrough	Spatial Planning	Supplies & Services Savings	0.00	Saving	(0.018)	(0.019)
Heather Cheesbrough	Building Control	Increased Building Control fee income	0.00	Saving	(0.005)	(0.005)
Emma Lindsell	CALAT	Increased Apprenticeship Levy income	0.00	Saving	(0.080)	(0.080)
Paula Murray	Culture	Reduction in Cultural Fund (reduce % of LBC contribution to partnership activity)	0.00	Saving	(0.026)	(0.025)
All	Regeneration	Reduction in various budgets (including contractors, consultancy, memberships and training)	0.00	Saving	(0.017)	(0.018)
Colm Lacey	Homes & School Improvement	Efficiency savings (incl. capitalisation opportunities)	0.00	Saving	(0.006)	0.000
Colm Lacey	Development	Dividend paid to the Council by BxB Ltd based on operational profit	0.00	Saving	0.000	(3.370)
Colm Lacey	Development	Increased overheads charged to BXB	0.00	Saving	(0.005)	(0.002)
Andy Opie	Safety	Brick By Brick Car Park Closures	0.00	Growth	0.471	0.026
		TOTAL	**0.00**		**(4.503)**	**(4.405)**

RESOURCES DEPARTMENT BUDGET OPTIONS

Director	Division	Description	Growth/ (Saving)	FTE Impact	2018/19 (£m)	2019/20 (£m)
Vacant	Customer and Corporate Services	Further automation and self serve for business support services, including PA support and improvements from business process reengineering	Saving	TBC	(0.145)	(0.235)
Vacant	Customer and Corporate Services	Customer contact centre reduction in customer contact from further channel shift across a number of services.	Saving	TBC	(0.132)	0.000
Vacant	Customer and Corporate Services	Revenues & Benefits - Process review and introduction of automation technology	Saving	0.00	(0.044)	0.000
Vacant	Customer and Corporate Services	ICT Services - consolidation and reduction in licencing and software costs.	Saving	0.00	(0.075)	0.000
Vacant	Customer and Corporate Services	Business Efficiency through implementation of Oracle Cloud	Saving	1.00	(0.030)	(0.230)
Vacant	Customer and Corporate Services	Payroll insourcing	Saving	0.00	(0.030)	0.000
Vacant	Customer and Corporate Services	Reduced frequency of cleaning across corporate estate including windows and general cleaning.	Saving	0.00	(0.110)	(0.140)
Vacant	Customer and Corporate Services	Restructure of the Energy and Sustainable Development Team in FM to include the outsourcing to a data bureau specialist.	Saving	TBC	(0.049)	(0.081)
Vacant	Customer and Corporate Services	Develop commercial offer for Facilities Management services traded to schools	Saving	0.00	(0.030)	(0.033)
Vacant	Customer and Corporate Services	Reduced costs from further channel shift in revenues services	Saving	0.00	0.000	(0.029)
Vacant	Customer and Corporate Services	Reduced costs from further channel shift in benefits services	Saving	0.00	0.000	(0.029)
Vacant	Customer and Corporate Services	Reduction in corporate resources through reduction in complaint and process automation	Saving	0.00	0.000	(0.029)
Vacant	Customer and Corporate Services	Reduced training costs aligned to reduction in staffing levels	Saving	0.00	0.000	(0.032)
Vacant	Customer and Corporate Services	Reduction in basic capita contract price due to rebaselining and service credit.	Saving	0.00	(0.400)	0.000
Vacant	Customer and Corporate Services	Capitalisation of client staff costs where supporting capital projects	Saving	0.00	(0.835)	0.000
Vacant	Customer and Corporate Services	A review and reduction in the number of mobile phones provided to staff across organisation	Saving	0.00	(0.100)	0.000
Vacant	Customer and Corporate Services	Leasing of BWH data centre - initially agreed with LB Brent	Saving	0.00	(0.100)	0.000
Vacant	Customer and Corporate Services	Savings from ongoing review and renewal of systems and software contracts	Saving	0.00	(0.050)	(0.100)

Vacant	Facilities Management	Further reduction in LBC use of BWH - releasing one further mid size floor for rental income	Saving	0.00	TBC	(0.600)
Vacant	Business Support	Increase Demand for Business Support Staff	Growth	0.00	0.700	0.000
Vacant	Customer and Corporate Services	ICT - CRM support and Maintenance	Growth	0.00	0.210	0.000
Vacant	Customer and Corporate Services	ICT - laptops due to organisational growth	Growth	0.00	0.100	0.000
Vacant	Customer and Corporate Services	increased costs pressures for utilities	Growth	0.00	1.000	0.000
Jacqueline Harris Baker	Legal	Managing Demand of legal expenditure via the new Legal Services strategy, and appointment of the new contractor to deliver services from January 2018.	Saving	0.00	(0.300)	(0.300)
Simon Maddocks	Governance	New Internal audit contract	Saving	0.00	(0.047)	(0.009)
Simon Maddocks	Governance	Reshaping election services	Saving	(1.00)	(0.038)	(0.037)
Simon Maddocks	Governance	Restructure resulting in the deletion of the division and the services merging into other divisions, accompanied by a reduction in the corporate governance support to the organisation.	Saving	(2.30)	(0.075)	(0.077)
Simon Maddocks	Governance	Planned national efficiencies by the External Auditor and a local reduction in the cost of validating key grants.	Saving	0.00	(0.020)	(0.040)
Lisa Taylor	Finance Investment and Risk	Further transformation of team and processes.	Saving	(6.00)	(0.216)	0.000
Lisa Taylor	Finance Investment and Risk	Management of estate - various options inc. surrendering leases, lettings and different use of assets.	Saving	0.00	(0.362)	(0.628)
Sue Moorman	Human Resources	Redesigned Occupational Health Service	Saving	0.00	(0.050)	0.000
Sue Moorman	Human Resources	Delete Vacant post	Saving	0.00	(0.021)	(0.010)
Sue Moorman	Human Resources	Review of HR model	Saving	(1.00)	0.000	(0.057)
Vacant	Commissioning and Improvement	Additional income from trading travel training model	Saving	0.00	0.000	(0.050)
Vacant	Commissioning and Improvement	Additional income from trading - equipment services	Saving	0.00	(0.150)	(0.250)
Vacant	Commissioning and Improvement	Review of the Travel Policy to maximise use of Personal Travel Budgets & Independent Travel Opportunities	Saving	0.00	(0.350)	(0.750)
Vacant	Commissioning and Improvement	Maximising Use of In-house bus service including using double shifting approaches	Saving	0.00	0.000	(0.150)
Vacant	Commissioning and Improvement	Developing new model of travel service delivery for a range of special schools	Saving	0.00	(0.300)	(0.200)
Vacant	Commissioning and Improvement	Growth in transport service for Adults	Growth	0.00	2.500	0.000
Vacant	Commissioning and Improvement	C4C FM - contractual needs to meet appropriate costs above the unitary charge.	Growth	0.00	0.300	0.000
		Total		**(9.30)**	**0.751**	**(4.096)**

Chief Executives Office Budget Options **Appendix A**

Director	Division	Description	Growth/ (Saving)	FTE Impact	2018/19 (£m)	2019/20 (£m)
Julian Ellerby	Chief Executives Office	Review the efficiency of the team and increase income.	Saving	(8.00)	(0.275)	(0.275)
Julian Ellerby	Chief Executives Office	Learning and Development	Growth	0.00	0.088	0.000
Julian Ellerby	Chief Executives Office	Policy Funding shortfall	Growth	0.00	0.041	0.000
		Total		**(8.00)**	**(0.146)**	**(0.275)**

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SUMMARY OF REVENUE ESTIMATES - FINANCIAL STRATEGY PLANNING MODEL

SERVICE DEPARTMENT	2018/19 Budget £'m	Estimated 2019/20 Budget £'m
People	207.851	218.425
Place	48.133	44.971
Resources	25.530	22.513
Chief Executives	0.558	0.343
Corporate Items	7.602	8.602
NET EXPENDITURE	**289.674**	**294.854**
Contribution to provisions for Doubtful Debts	0.180	0.180
Interest (Net)	15.083	17.083
Deferred Charges	(2.682)	(2.682)
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	(2.100)	(2.100)
Capital Asset Charges Adjustment	(13.772)	(13.772)
Risk Contingencies	2.000	2.000
Core Grants	(27.586)	(27.297)
Levies	1.401	1.401
Contribution to / (from) General Balances	4.700	4.700
Budget Gap Carried Forward	0.000	0.000
Budget Gap	0.000	(6.331)
TOTAL ADJUSTED BUDGET REQUIREMENT	**266.898**	**268.036**
Financed by:		
Revenue Support Grant	0.000	0.000
Business Rates Top Up Grant	12.746	5.884
Business Rates Income	78.025	78.025
Collection Fund Surplus/Deficit	8.768	8.768
Croydon Tax Element	**167.359**	**175.359**
Greater London Authority Precept Element	36.673	36.673
TOTAL COUNCIL TAX REQUIREMENT	**204.032**	**212.032**

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COUNCIL TAX 2018/19 INCREASES

Band	2017/18 Croydon Council Tax £	2017/18 Croydon Adult Social Care Levy £	2017/18 Croydon Tax £	2017/18 GLA Precept £	2017/18 Overall Tax £
A	812.63	39.98	852.61	186.68	1,039.29
B	948.06	46.64	994.70	217.79	1,212.49
C	1,083.50	53.31	1,136.81	248.91	1,385.72
D	**1,218.94**	**59.97**	**1,278.91**	**280.02**	**1,558.93**
E	1,489.82	73.30	1,563.12	342.25	1,905.37
F	1,760.69	86.62	1,847.31	404.47	2,251.78
G	2,031.57	99.95	2,131.52	466.70	2,598.22
H	2,437.88	119.94	2,557.82	560.04	3,117.86

2018/19 Croydon Council Tax £	2018/19 Croydon Adult Social Care Levy £	2018/19 Croydon Tax £	2018/19 GLA Precept Draft £	2018/19 Overall Tax £
838.12	57.03	895.15	196.15	1,091.30
977.81	66.54	1,044.35	228.85	1,273.20
1,117.49	76.04	1,193.53	261.54	1,455.07
1,257.18	**85.55**	**1,342.73**	**294.23**	**1,636.96**
1,536.55	104.56	1,641.11	359.61	2,000.72
1,815.93	123.57	1,939.50	425.00	2,364.50
2,095.30	142.58	2,237.88	490.38	2,728.26
2,514.36	171.10	2,685.46	588.46	3,273.92

Band D % Change			
Croydon Council Tax	**Croydon Adult Social Care Levy**	**GLA Precept**	**Overall Increase**
2.99%	2.00%	5.07%	5.01%
£38.24	£25.58	£14.21	£78.03

2018/19 BAND	Annual increase £	Weekly Increase £
A	52.02	1.00
B	60.70	1.17
C	69.35	1.33
D	78.03	1.50
E	95.36	1.83
F	112.72	2.17
G	130.05	2.50
H	156.06	3.00

OVERALL CHANGE
5.01%

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RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2018/19

The Cabinet has considered a report in respect of the level of Council Tax for 2018/19 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. The Cabinet also had copies of the draft Budget Book for 2018/19.

In summary, the Cabinet recommends to the Council a 2018/19 Council Tax at Band D for Croydon purposes of £1,257.18, in addition a 2.0% increase for the Adult Social Care Levy £85.55, GLA Precept of £294.23, giving an overall Band D charge, £1,636.96, a 2.99% increase for Croydon Council, a 2.0% increase for the adult social care levy and a 5.07% increase for the GLA.

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

(1) Approve the 2018/19 Revenue Budget of £266.898m, an increase in budget requirement of 3.23%

(2) Approve the 2018/19 Council Tax Requirement of £167.359m.

Calculation of Council Tax Requirement		**£'000**	**£'000**	**£'000**
(A)	Expenditure and other charges (as set out in section 31A(2) (a) to (f) of the Act)			
(i)	expenditure on Croydon's services, local precepts and levies		875,101	
(ii)	allowance for contingencies		2,000	
(iii)	transfer to General Reserves		4,700	
(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	881,801
	Less			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		587,317	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,		8,768	
(iii)	Income from Government			
	Core Grants	27,586		
	Business Rates Top Up Grant	12,746		
	Business Rates Income	78,025		
	Revenue Support Grant	0	118,357	714,442
	Equals			
(C)	The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.*			167,359
	This is (A) above less(B) above (as per Section 31A(4) of the Act)			
Calculation of basic amount of council tax				
(C)	Council Tax Requirement			167,359
	Divided by			
(D)	The Council's Tax base			124,641
	Equals			
(E)	The Basic amount of Council Tax (i.e., the Council Tax for a Band D property to which no relief or exemption is applicable) for services charged to Croydon's General Fund (This is (C) above divided by the tax base at (D) as per Section 31(B) of the Act)			£1,342.73
	*** The exact figure is**	**£167,359,209.93**		

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

Council Tax for Croydon for 2018/19	
Band A	6/9 x £1,342.73 = £895.15
Band B	7/9 x £1,342.73 = £1,044.35
Band C	8/9 x £1,342.73 = £1,193.53
Band D	**9/9 x £1,342.73 = £1,342.73**
Band E	11/9 x £1,342.73 = £1,641.11
Band F	13/9 x £1,342.73 = £1,939.50
Band G	15/9 x £1,342.73 = £2,237.88
Band H	18/9 x £1,342.73 = £2,685.46

(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")

GLA Precept for 2018/19	
Band A	196.15
Band B	228.85
Band C	261.54
Band D	**294.23**
Band E	359.61
Band F	425.00
Band G	490.38
Band H	588.46

(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 2018/19 for each of the categories of dwellings shown below:-

Total Council Tax For 2018/19	
Band A	1,091.30
Band B	1,273.20
Band C	1,455.07
Band D	**1,636.96**
Band E	2,000.72
Band F	2,364.50
Band G	2,728.26
Band H	3,273.92

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Roger Palmer
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Our Ref:025/RS/MG
Date: 16th January 2018

Dear Roger,

Response to the Provisional 2018/19 Local Government Finance Settlement.

The London Borough of Croydon welcomes the opportunity to comment on the provisional Local Government Finance Settlement (LGFS) 2018-19.

1. We are disappointed that the provisional settlement fails to provide new funding for local government, in the context of acute and growing pressures on key local government services. The 1% increase to the council tax referendum threshold will have a limited impact on the financial position of our Borough when compared to the £1.6 billion of savings London is required to make between 2017-18 and 2019-20.

2. In particular, we believe the settlement fails to recognise the scale of the financial challenge currently experienced by London boroughs across three key demand-led services: adult social care, children's services and temporary accommodation.

3. This response outlines a number of specific concerns we have regarding the provisional settlement including the:
   - Timing of the settlement
   - Disproportionate cuts to local government funding
   - Acute funding pressures facing London local government
   - Council Tax principles
   - Reductions in New Homes Bonus funding
   - Continued lack of transparency
   - Future of the local government finance system

4. This response firstly sets out our general comments about the settlement, followed by direct responses to the questions posed in the consultation.

Delivering for Croydon

General comments

Timing of the Settlement

5. The London Borough of Croydon is disappointed that this year's settlement has again been published at the latest possible time before the parliamentary recess. Local authorities typically begin preparations for the financial year during the preceding summer. While much of this preparation can be undertaken in advance of the settlement, final budget setting cannot be completed until the final figures are published by central government. The timing of the settlement is particularly challenging when unexpected policy decisions materially alter funding allocations, for example the cut to New Homes Bonus in 2017-18.

6. Especially at a time of rapidly reducing resources, it is essential that confirmed funding allocations are available to local authorities as early as possible. The London Borough of Croydon believes that the provisional LGFS should be published by no later than the end of November each year, which would provide local authorities with much greater certainty when formulating budgets and setting council tax levels for the next financial year.

7. We recognise that some of the content of the settlement relies on announcements made in the Budget – which was not announced until 22 November. However, there is no reason why provisional settlement figures could not in future be published prior to the Budget and adjusted accordingly in the final settlement for any relevant changes announced in the Budget.

Disproportionate cuts to local government

8. The London Borough of Croydon believes that local government continues to face a disproportionate level of austerity compared to other parts of the public sector. The provisional settlement confirms real terms cuts to Settlement Funding Assessment (SFA) of 12% over the next two years, on top of a cumulative cut to core funding of 57% in real terms between 2010-11 and 2017-18. Over the decade to 2019-20, core funding from central government will have fallen by 63% in real terms.

9. In London alone, funding cuts and rising demand for services mean that at least £1.6 billion of savings will be required between 2017-18 and 2019-20. If anything, this figure, based on our and the other boroughs' own financial strategies, understates the full extent of the challenge, as it does not take full account of the likely financial impact of the pay offer reflecting the impact of the National Living Wage, which is likely to increase costs in the next two years, Nor does it take account of more direct cost shunts to the general fund that have compounded the financial challenge for London local government, including: the underfunding of homelessness and Temporary Accommodation (at least £170 million per annum); the hidden cost of supporting people with No Recourse to Public Funds (at least £50 million per annum); and the growing pressure caused by a £100 million funding shortfall in the High Needs block of the Dedicated Schools Grant.

10. Rapid population growth in the capital will continue to put significant pressure on key local government services. Between 2010 and 2020 London's population will have risen from 8.2 million to 9.3 million (13%) compared with less than 6% for the rest of England. Since no recognition of population growth has been factored into the calculation of RSG, this is once again an even tougher settlement for London boroughs than may first appear.

Acute funding pressures facing London local government

11. Three service areas are facing particularly acute funding pressures in London: Housing (specifically homelessness and temporary accommodation); adult social care; and children's services.

12. In the context of London needing around 70,000 new homes to be built per annum to keep pace with demand, the current cost shunt to the general fund resulting from the shortfall in funding for homelessness is at least £170 million per annum. Significant additional costs of at least £400 million have arisen from remedial fire safety works following the Grenfell Tower fire, that government has indicated it will not fund, with Croydon funding £10m of works from our own resources. The implementation of the Homelessness Reduction Act 2017 is estimated to cost at least £77 million across London in 2018-19 alone, while only £72 million has been allocated in new burdens funding *nationally* over three years.

13. Within Adult Social Care the structural problems in funding this service area have required three central government interventions in two years, which has only been sufficient to stabilise the situation for a short period. The cumulative funding gap of between £300-400 million will have to be closed in London over the three years to 2020. Longer term funding solutions are required to put the care sector on a stable footing and meet the expected growth in demand over the next 20 years.

14. London boroughs are overspending by around £100 million per annum in children's social care, and a similar funding shortfall of £100 million within high needs funding of the Dedicated Schools Grant (DSG) suggests a funding crisis in children's services is imminent. With no additional funding in the settlement for these acute pressures, the Government has missed an opportunity to prevent these pressures from developing into fully blown crises. Croydon is no different and is forecasting overspends in all these areas with increasing costs and investment associated with Children's Social Care following our recent Ofsted inspection results.

Council tax principles

15. London Borough of Croydon believes that the 1% increase to the council tax referendum threshold is wholly inadequate in the context of these acute funding pressures. A 1% increase will have an especially limited impact in areas with low council tax bases, which means that the distribution of additional resource will not necessarily correspond with relative need. Even if every London borough raised council tax by an additional 1% in each of the next two years,

this would only generate an additional £32 million in 2018-19 and a further £35 million in 2019-20. This compares to a collective funding gap for London boroughs of at least £1.6 billion p.a. by 2019-20.

16. London Borough of Croydon fully supports the recommendations of the London Finance Commission, including devolving the operation and setting of all property taxes to London local government. We are therefore opposed to the principle of capping council tax increases, which represents central government control over the only locally determined tax. We believe the referendum limit should be lifted completely, allowing councils to address spending pressures in the ways that most affect them locally.

17. For the same reason, London Borough of Croydon remains concerned that the Adult Social Care Precept represents unnecessary central government control over local policy-making and urge the Government to ensure that the precept is a one-off policy change, rather than a precedent for the permanent hypothecation of council tax.

Reductions in New Homes Bonus funding

18. With regard to the proposed changes to New Homes Bonus (NHB), London Borough of Croydon welcomes the decision not to introduce a penalty system for appeals and to keep the housing growth baseline unchanged. As set out in our response to the technical consultation in September 2017, we firmly disagree with the proposed changes to the national baseline for housing growth and plans to withhold NHB based on planning appeals data. We are pleased that the Government has listened to the sector following that consultation.

19. However, we are concerned about the continuing reduction in the Government’s contribution to the New Homes Bonus, which has now fallen 78% from £210 million in 2016-17 to just £46 million in 2018-19. This fall in government contribution means that a disproportionate amount of funding is effectively being top-sliced from the Revenue Support Grant.

20. More generally, we believe that a series of adjustments to the New Homes Bonus since its introduction in 2011 have added complexity and disrupted medium term financial plans, without leading to a meaningful improvement in the incentive for housebuilding. There are a range of further policies the Government could introduce to enable housing delivery in the capital and London Borough of Croydon urges Government to:

- reverse the 1% cut to social rents now rather than waiting until 2020-21;
- allow councils the flexibility to fully retain and reinvest Right to Buy receipts; and
- go further than the limited plans to raise the HRA borrowing cap for some councils from 2019-20 (set out in the Budget) and lift the borrowing cap for all councils immediately.

The continued lack of transparency

21. London Borough of Croydon believes the local government finance system should be underpinned by the principles of stability, certainty and transparency. Local authorities should be able to understand clearly how much funding is available, and where it comes from, for the services they are required to deliver. We continue to be concerned that the current system remains incredibly complex and opaque, enabling changes to be made to the distribution of funding allocations which are extremely difficult to understand and assess accurately. For example, it is not possible to trace which departmental budgets are used to fund the Government’s falling contribution to the New Homes Bonus, or understand how this contribution is ultimately derived from overall Local Government DEL.

22. We have repeatedly called for the publication of a full reconciliation between the funding made available through the local government finance settlement and the Local Government DEL figures published in Spending Review 2015. Without this, it is not clear how the overall cut to RSG has been calculated, how the overall control totals for the tiers within SFA/RSG have been derived, or how the central share of business rates is used to fund local government grants outside of settlement. We also believe that there should be much greater visibility regarding the process for determining the LG DEL at the Spending Review, which currently takes place through private negotiations between HM Treasury and DCLG.

23. The use of the term “Core Spending power” further undermines transparency regarding the real financial position councils are faced with, as this measure understates the level of funding reductions for many local authorities.

24. In particular, the assumed increase in the council tax base is unrealistically high because it is based on average annual growth over the relatively short period between 2013-14 and 2017-18. A longer trend period going back to 2010 would better smooth out anomalies arising from measures such as the localisation of Council Tax Support.

25. We also believe it is unrealistic to assume that all councils will raise council tax by the maximum in every year and that all eligible authorities raise the social care precept to its maximum in 2018-19 and 2019-20.

26. Furthermore, both NHB allocations and retained business rates depend on the number of homes built and the amount of business rates collected, respectively, by each local authority. The estimates for NHB within CSP assume that the historic share of the national housing growth continues and SFA only reflects what the Government’s expects the “target” retained rates will be. For councils collecting less than their target level (such as those requiring “safety net” payments), the retained rates plus RSG will be lower than their assessed level of SFA.

Future of the local government finance system

27. Finally, London Borough of Croydon is concerned about the future of the local government finance system. It is disappointing that the Government has reigned back from its previous commitment to 100% business rates retention for the sector, with the confirmation in the settlement consultation that the sector will retain just 75% from 2020-21. London has long called for not only 100% retention for the sector, but full control over the setting and proceeds of business rates within the capital. In this context, and the recommendations of the London Finance Commission, 75% retention doesn't go far enough, and will create less of an incentive for authorities to grow their economies over the medium term.

28. More immediately, having settled on 75% retention, the Government must urgently clarify a number of technical issues regarding the design of the scheme to provide as much certainty to the sector as possible. Firstly, it is not clear what will happen in areas currently piloting, or about to pilot, 100% retention such as us in London. Moving to 75% retention would be a step backwards in these areas and we ask that the Government provides clarity about this issue as soon as possible.

29. Secondly, having spent much time deliberating on which grants and new responsibilities would be funded by business rates under the 100% plans, the Government must clarify what the remaining 25% of business rates will fund and how. Much of the opaqueness of the current system would be resolved if the Government set out how the central share of business rates currently funds local government, including which grants it funds.

30. Thirdly, the Government must set out what incentives there will be to pool under the new 75% scheme to ensure that there is a genuine benefit to groups of local authorities coming together to pool rates.

31. Fourthly, it must confirm as soon as possible the overarching architecture and parameters of the scheme, such as: the length of the reset period; the length of time growth is retained for (which do not necessarily need to be the same); how reset periods will be affected by the proposed changes to the 3 year valuation period; how the proposed changes to the method of valuation (i.e. the forthcoming consultation on what appears to be a greater level of self-assessment by ratepayers); how it will ensure against volatility in funding allocations from year to year; and how the scheme will maintain a strong growth incentive if only 75% of growth is retained. Perhaps most importantly, the Government must set out how business rates appeals will be treated and accounted for, and how the performance of the Valuation Office Agency will be improved. Arguably, this has been the major inherent weakness in the current 50% system. It goes a long way to explaining why it has failed to deliver the growth incentive previously anticipated at the outset of the scheme.

32. Having made relatively good progress under the previous plans for 100% retention, it is important that the Government does not lose that momentum and the consensus it has built across the sector. It must, therefore, have a twin-

pronged approach to setting out the future of the retention system in tandem with the ongoing Fair Funding Review.

33. With regard to the latter, London Borough of Croydon welcomes the belated publication of the technical consultation in relation to relative need announced alongside the provisional settlement. It is imperative that this review is not only thorough but involves proper consultation with the sector and the publication of exemplifications that demonstrate the scale of the impact of the proposals on funding allocations. We understand that the final funding baselines for 2020-21 will not be published until December 2019, which will leave local authorities with a great deal of uncertainty in setting their medium term financial plans for the years beyond 2020. This uncertainty will continue to grow, the closer we get to 2020.

34. We believe the new funding formula must be simpler, more transparent and more responsive to changing levels of demand than the current one. London's population has grown at twice the rate of the rest of the country since the last reset of the funding formula: it is forecast to continue to do so over the next 20 years. Any new formula must, therefore, reflect this through incorporating future projections not simply relying on static outturn population data.

35. London Borough of Croydon believes the formula must accurately reflect the innate characteristics of urban areas as well as those of rural areas. The increase in funding for Rural Services Grant in 2018-19, which London Borough of Croydon is opposed to (see question 3 below), does not reflect the proper balance of different needs and costs. It is imperative that the new formula reflects the characteristics of urban areas such as London which have, in general, higher funding per head than other areas because of the significantly higher costs associated with delivering services. Levels of demand led services, driven by higher levels of relative deprivation and higher growth in population, also impact on London and urban areas far more than rural areas.

36. London Borough of Croydon will respond to the Fair Funding Review consultation, published alongside the settlement, and will continue to make the case for a fair funding distribution that adequately reflects these factors over the course of the review.

Consultation Questions

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

37. London Borough of Croydon agrees with the proposed methodology on the basis of consistency with 2016-17 and 2017-18. It seems sensible that central funding should be allocated in a way that ensures councils delivering the same set of services receive the same percentage change in Settlement Core Funding for those sets of services.

38. As set out above, we believe that there should be much greater transparency around how the overall level of RSG has been determined, which ultimately determines the distribution of spending cuts. London Borough of Croydon

continues to believe that the Government should publish a full breakdown showing how all funding made available to local government within and outside the settlement reconciles with the overall local government resource DEL.

Question 2: Do you agree with the Government's proposal to fund the New Homes Bonus in 2018-19 with £900 million from Revenue Support Grant and any additional funding being secured from departmental budgets?

39. London Borough of Croydon disagrees with the proposed methodology for funding the New Homes Bonus in 2018-19. The Government's contribution to the NHB has fallen significantly from £210 million in 2016-17 (14% of the total) to £93 million in 2017-18 (7%) and £46 million in 2018-19 (5%). This means that additional funding will effectively be top-sliced from RSG to meet the shortfall.

40. The consultation does not provide clarity over which departmental budgets are used to fund the Government's contribution to the NHB. We believe that this is another example of the lack of transparency in the local government finance system, which is especially concerning when there are rapid reductions in the Government's contribution. As outlined above, we believe that the Government should clarify exactly which departmental budgets are used to fund New Homes Bonus and how the savings made from reduced contributions ultimately reconcile back to local government DEL.

41. More broadly, with regard to the reforms to NHB announced last year, London Borough of Croydon is disappointed that the Government has confirmed plans to reduce the number of years for which NHB funding is awarded to 4 in 2018-19, which undermines financial planning in the context of a wider four-year settlement.

Question 3: Do you agree with the Government's proposed approach of paying £65 million in 2018-19 to the upper quartile of local authorities based on the super-sparsity indicator?

42. We disagree with the additional funding provided to rural areas, effectively redirecting funding away from other areas. The Rural Services Delivery Grant has increased by a further £15 million in 2018-19. All funding allocated through this separate grant could otherwise have been distributed to all local authorities on the basis of need.

43. The additional funding for rural areas raises questions about the adequacy of funding for urban areas, particularly the impact of population underestimation, high levels of mobility and the impact of day time visitors. If the Government is minded to further recognise some of the financial pressure on rural authorities, we believe that it is reasonable to expect further consideration to be given to the unique pressures faced by urban areas such as London.

Question 4: Do you agree with Government's proposal to hold back £35 million to fund the business rates safety net in 2018-19, on the basis of the methodology described in paragraph 2.6.2?

44. London Borough of Croydon continues to disagree with the safety net holdback, which penalises local authorities because of the complex system the Government has established. Since 2013, the Government has top-sliced c. £310 million to fund the safety net because of lower than expected business rates growth. The overriding reason that levy payments have not been sufficient to fund the safety net is the distortionary impact of outstanding and future appeals. Local authorities should not be penalised for the lack of assurance built into the system around the effect of appeals, which are entirely outside the control of local government.

45. Croydon believes that the overall safety net should be allowed to remain in surplus or deficit. Given that a deficit is largely driven by flaws in the centrally-run appeals system, we believe it is reasonable to expect central government to meet the cost of any deficit.

Question 5: What are your views on the council tax referendum principles proposed by the Government for 2018- 19?

46. See paragraphs 15-17 above.

Question 6: Do you agree with the methodology for calculating the revaluation adjustment to business rates tariff and top-up payments as outlined in paragraphs 3.5.1 to 3.5.6?

47. We broadly agree with the principle behind the adjustment to top-ups and tariffs ensuring that, as far as possible, business rates income does not change solely as a result of the revaluation. As outlined in our response to the technical consultation, the use of a single year's business rates income has the potential to distort the calculation when there are one-off appeals write backs. We therefore welcome the amendment to the methodology, which aims to adjust business rates income for the one-off impact of appeals provisions.

48. We believe that the methodology should be kept under close review to ensure that any other distortions besides appeals that result from the use of a single year of business rates income do not unfairly penalise any authority.

Yours sincerely

R Simpson

Richard Simpson
Executive Director Resources and S151 Officer

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Appendix G

Cabinet Report 26th February 2018

DEDICATED SCHOOLS GRANT (DSG)

Table 1 – 2018/19 DSG Funding Breakdown

DSG Funding Blocks	Total (£m)
Schools Block (before recoupment)	243.87
High Needs	58.97
Early Years	28.80
Central Services Schools Block	6.18
Total DSG funded services	**337.82**

2018/19 DSG allocation for Croydon

In 2018/19 the total DSG settlement for Croydon (including academies) is £337.82m. Academy recoupment is estimated to be in excess of £150m in 2018/19, reducing the DSG total to £187.82m. Academy recoupment currently stands at £151.192m in 2017/18 within the existing Schools block. This total will be subject to change depending on the number of new schools that convert to academies during the year.

The funding per pupil as a result of the introduction of the National Funding Formula (NFF) stipulates a minimum funding rate. The rates per pupil are £4,238.50 for primary pupils and £5,317.93 for secondary pupils. In the 2017/18 the rate was £4,794.79 for both the primary and secondary phases.

The latest pupil numbers used to calculate the DSG funding are 50,777 for the Schools block and 6,376 within Early Years. These numbers are based on the October 2017 Pupil Level Annual School Census (PLASC) count, although the Early Years Census in January 2018 will be used to update Croydon's DSG allocation with more accurate Early Years pupil numbers during 2018/19.

The £28.80m shown above for the Early Years block includes an indicative Early Years pupil premium of £0.133m. The rates for 2018/19 pupil premiums have remained the same since 2017-18.

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Croydon Council

Cabinet 26th February 2018
Appendix H

Pay Policy Statement 2018-19

1. Introduction

1.1. The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.

1.2. Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council’s policy for 2017-18 on:

- The remuneration of its senior staff including Chief Officers
- The remuneration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of staff who are not Chief Officers

1.3. Remuneration in this context is defined widely to include not just pay but also charges, fees, allowances, benefits in kind, increases in enhancements of pension entitlements and termination payments.

1.4. Following the decision of the Annual Council meeting on 03 June 2014, the Appointments Committee has delegated responsibility for approving appointments in accordance with the threshold specified in statutory guidance issued by the Secretary of State under section 40 of the Localism Act 2011. The statutory guidance is that elected Members should be given an opportunity to vote before a salary package upon appointment above a specified threshold is offered; and a severance package beyond a specified threshold is approved for staff leaving the Council’s employment. For both these purposes, the specified threshold is currently £99,999 as set by Government.

1.5. Once approved, all remuneration paid to officers will comply with this policy for the 2018-19 financial year. The statement will be reviewed in accordance with legislation prevailing at the time.

1.6. The provisions of the Localism Act do not apply to schools that are excluded from this statement.

1.7. In accordance with Part 3 of the Constitution – Responsibilities for Functions the Chief Executive’s Scheme of Authorisations provides delegated authority to the Director of Human Resources for pay and terms and conditions for staff other than the Chief Executive and employees covered by the Joint National Council for Chief Officers. Grading and conditions of service for these staff are approved by the Appointments Committee. Reference paragraph 4.2.8 and 4.2.9 of Part 3 of the Constitution Responsibilities for Functions – see extracts below:

"…..the Chief Executive's delegation is subject to:

4.2.8 "the approval of the Director of Human Resources to the grading and conditions of service of staff (other than those based in schools or subject to the conditions of service of the Chief Officers and Chief Executives J.N.C

4.2.9 the approval of the Appointments Committee to grading and conditions of service of staff employed subject to the conditions of service of the Chief Officers and Chief Executives J.N.C"

2. Pay structure

2.1. The Council uses a combination of locally and nationally determined pay structures for its workforce.

a) The pay structures, including basic pay, for the Chief Executive and Head of Paid Service, Executive Directors, Directors and posts at Croydon Special Range (CSR) level are determined locally.

b) The basic pay for teachers, youth workers, and young people/community service managers is in accordance with nationally negotiated pay structures.

c) To reflect market and industry specific factors, staff in the in-house bailiff service have locally determined pay arrangements which includes an element of performance pay.

d) For the majority of other staff, the Council uses a locally determined grading structure aligned to the relevant London pay spine of the Greater London Provincial Council.

2.2. Pay allowances other than basic pay are the subject of local or nationally negotiated rates having been determined from time to time in accordance with the collective bargaining arrangements and/or as determined by the Council.

2.3. Other than for the Chief Executive and Head of Paid Service, Executive Directors and Directors, the Council adheres to national pay bargaining and will normally apply a nationally negotiated cost of living pay award for staff covered by the relevant negotiating body.

3. Remuneration

3.1. For the purpose of this pay policy statement, Chief Officers include:

a) Tier 1: The Chief Executive and Head of Paid Service; Executive Directors; Directors; and
b) Tier 2: Heads of service and certain senior staff in Croydon Special Range graded posts who report to Directors

3.2. Current remuneration for tiers 1 and 2 staff are:

a) The Chief Executive and Head of Paid Service is to be paid a spot salary of £188,700, inclusive of a 2% increase with effect from 01 April 2018. The salary, which is subject to review every two years is due to remain at this level until 31 March 2020. The 2% increase is well below inflation and below the increases expected by the rest of the workforce over the same period.

b) Executive Directors and Directors are paid on spot salaries as set out in Appendix A without provision for incremental progression. Salaries are subject to review every two years with the next review due with effect from 01 April 2019.

c) Heads of service and senior staff reporting to Directors are placed on a salary following evaluation of their post using the Hay job evaluation scheme (for CSR graded posts) or the Greater London Provincial Council job evaluation schemes (for posts graded 16 and 17) with provision for incremental progression to the top spinal point of the grade. Salaries are reviewed in line with national and regional pay awards.

The grading structures for tiers 1 and 2 are shown in Appendix A.

3.3. The pay of the Chief Executive and Head of Paid Service is determined on appointment with reference to market rates. In establishing market rates, the Council will compare remuneration data from other comparable local authorities. This allows closer benchmarking where possible to take account of factors such as population size, social demographics, budgetary responsibilities, economic and regeneration activity.

3.4. Subject to the approval of the Appointments Committee referred to in paragraph 1.4 above, salaries of Executive Directors and Directors may be reviewed earlier than the scheduled review date when appointing to a post or to maintain parity with the salary of a related post being recruited to (see paragraph 3.8 for the remuneration for new appointments).

<u>Additional remuneration elements</u>

3.5. The Council does not apply any bonuses or performance payments to its Tier 1 or Tier 2 staff. In addition to basic pay elements of “additional pay”, other than those that constitute re-imbursement of expenses incurred during the fulfilment of duties, are set out below:

a) In order to recruit or retain employees in a post at its designated grade or spot point consideration will be given to the use of market supplements as approved by the Director of Human Resources and Chief Executive with such payments being subject to periodic review. Market supplements will, when added to basic pay, not normally exceed 10% of base pay and in any event for posts in tier 1 will not exceed the next pay reference point. Any market supplement for the Chief Executive will be determined by the Appointments Committee.

b) A compulsory car allowance may be made to authorised car users at all levels of the workforce other than to Tier 1. The compulsory car allowance applies to employees where driving a car is an integral feature of the employee’s post and the employee is unable to carry out their post without providing and using their own car. The amount of the allowance depends on the engine size and emissions of the employee's car as shown in Appendix A.

c) Returning Officer fees: the Council is required by the Representation of the People Act 1983 to appoint an officer to act as the Electoral Registration Officer (ERO) for any constituency or part of a constituency within its area to be responsible for the preparation and maintenance of the electoral register and to act as the Returning Officer (RO) for all elections. Such duties attract a fee payable to the individual, paid for by the Government except in relation to local elections. The fees are set by central government for national elections and referenda and for local elections fees are prescribed by and agreed on an annual basis by the Chief Executives' London Committee, which reports into the London Councils network. The Council's Electoral Registration Officer and Returning Officer is the Chief Executive and Head of Paid Service, as agreed by resolution of the Council or as delegated to a committee.

In her capacity as the Council's Electoral Registration Officer and the Council's Returning Officer, the Chief Executive and Head of Paid Service may appoint deputy Electoral Registration Officers and a deputy Returning Officer. Fees for carrying out such duties are payable to appointed individuals.

d) From time to time consideration will be given to making additional payments, as approved by the Director of Human Resources, to Chief Officers who undertake additional and/or higher level responsibilities for example when covering the duties of a vacant Chief Officer post. Such payments are subject to periodic review.

Remuneration on appointment

3.6. Where employees are appointed to a grade rather than a spot salary, it is the Council's policy to appoint all employees on the bottom spinal point of the grade unless there are exceptional circumstances as authorised by the relevant Director and approved by the Director of Human Resources.

3.7. In exceptional circumstances and subject to approval of the Director of Human Resources, where it is necessary for a newly appointed employee to relocate and move home to take up appointment a contribution towards certain relocation expenses may be made. A copy of the scheme, is attached as Appendix B.

3.8. New Executive Director and Director appointments will be made at the salaries stated for the respective post as set out in Appendix A. Should it be deemed necessary for a new appointment to be made on a salary higher than that set out for the post in Appendix A and the new salary exceeds the threshold referred to in paragraph 1.4 above, the new salary will be subject to the approval of the Appointments Committee.

Redundancy payments and payments on leaving

3.9. The Council has a single redundancy scheme which applies to all employees including Chief Officers (see Appendix C). The Council does not make any other payments to employees on termination of their employment other than those, where there is a statutory or contractual requirement to do so, such as payment for accrued and untaken annual leave.

3.10. Subject to paragraph 1.4 above, in exceptional circumstances other severance payments may be made subject to agreement of the Chief Executive and Head of Paid Service and the Director of Human Resources and as allowed for in the Council's scheme of delegation. Such payment will take account of the Council's contractual and legal obligations, value for money, reputation of the Council and goodwill towards the employee.

3.11. The Appointments Committee has decided, in accordance with delegations agreed by Full Council, that it will consider only those future severance packages where there are non-contractual and/or non-statutory elements to the proposed severance package which would mean that the severance package exceeds the specified threshold as a result of those elements. In those instances, the Committee will vote in respect of the non-contractual and/or non-statutory elements of such packages. For these purposes the specified threshold set, from time to time, by statutory guidance, is £99,999.

Re-employment of officers previously made redundant and retirement

3.12. Where an officer who has previously been made redundant from the Council applies for employment with the Council, their application will be treated on its own merits, the financial merits and wider interests of the Council and will have regard to any agreement under which the officer left their previous employment. Where an officer leaves the Council's employment through voluntary severance or voluntary redundancy arrangements, they will not be allowed to work for the Council in any capacity, including engagement via employment agencies or as a consultant, for a period of at least one year after leaving.

3.13. At the time of drafting this pay policy statement, the Government is proposing legislation that will: limit exit payments to £95,000 in the public sector; and require public sector employees earning more £80,000 to repay some or all of an exit payment if they return to public sector employment within twelve months. The Council will seek recovery of exit payments from previous employees and in so doing apply limits to exit payments in accordance with the legislation as an when it is introduced.

3.14. The Council permits flexible retirement, as permitted by the Local Government Pension Scheme Regulations where by an employee can receive a salary and be in receipt of a pension for doing the same job. Flexible retirement will usually only be agreed where there is no cost to the Council. Exceptions to this will be based on the best interest of the Council and will be agreed by the Executive Director of Resources in consultation with the Director of HR, except where such a decision relates to either of themselves, when the Chief Executive will be consulted. Employees retiring before their normal retirement age will, therefore, usually receive what is known as an actuarial reduction in their pension as allowed for under the Local Government Pension Scheme Regulations, to reflect the financial impact on the pension fund by the employee's early retirement.

4. Remuneration of lowest paid employees

4.1. The definition of “lowest paid employee” is for local determination. The Council has agreed that the lowest paid employee will be those workers employed under a contract of employment on full-time equivalent hours, in accordance with the minimum grade of the Council’s agreed grading structure. Workers, such as apprentices, who are engaged on fixed term training contracts, are excluded from this definition.

4.2. The Council is a London Living Wage employer and will pay the London Living Wage as its minimum rate of pay to employees, other than those engaged specifically on apprentice or similar training contracts. The Council will apply increases in the London Living Wage with effect from the 01 April following announcement of the increase. With effect from 01 April 2018 the full-time equivalent annual pay of the lowest paid employee will £19,147 which equates to an hourly rate of pay of £10.20 (the current London Living Wage).

5. The relationship between the pay of Chief Officers and that of other staff

5.1. The Council does not set the pay of individuals or groups of individuals by reference to a simple multiple of the pay of another individual or group. The use of simple pay multiples cannot capture the complexities and dynamics of a highly varied workforce. The Council sets pay as outlined above by reference to the evaluated level of responsibilities of the post or at a rate determined by a national pay body.

5.2. Although there is no requirement under the Localism Act, the Council has decided to publish its pay multiples to aid transparency and future benchmarking:

- The multiple for 2018-19 between the lowest paid employee and the chief executive and head of paid service is a ratio of 1:9.9.
- The multiple between the lowest paid employee and the median chief officer is a ratio of 1:4.0
- The multiple between the median pay and the chief executive and head of paid service’s pay is a ratio of 1:5.9.
- The multiple between the median pay and the average chief officers’ pay is a ratio of 1:2.7.

5.3. As part of its overall and ongoing monitoring of alignment with external pay, both within and outside the sector, the Council will use available benchmarking information as appropriate.

6. Non-permanent staffing resources

6.1. To maintain flexibility in delivering services the Council supplements its employee workforce with workers who are not Council employees or on the Council payroll. This non-permanent resource includes consultants, who are procured under a Contract for (Consultancy) Services, and interims who are procured through the Councils managed service provider (the London Group Recruitment Partnership) or other approved third party providers including through the Council’s neutral vendor framework.

6.2. In managing its non-permanent staffing resource, the Council seeks to ensure that: the Council and the wider public sector achieve value for money; tax and national insurance liabilities are managed appropriately; and contractual relationships between the Council, workers and thirds parties are properly reflected. In this regard, it is the Council's policy not to engage directly with self-employed individuals, or wholly owned one person limited companies in all but the rarest of exceptions. Where such arrangements are used, the Council seeks to limit them to a maximum duration of 24 months.

6.3. Where it is necessary to engage a worker at Tier 1 or Tier 2 temporarily as an interim or consultant, the remuneration paid to the individual will generally fall within the following rates. The higher rates of pay, compared to those paid to directly employed staff, are in recompense of interims and consultants not receiving all of the same conditions of employment, most notably regarding leave, pension, redundancy and notice.

Grade of post	Day rate range £ (payable to the individual)
Croydon Special Range	£400 - £525
Director	£525 - £775
Executive Director	£775 - £900
Chief Executive	£1200 - £1500

7. Publication

7.1. Upon approval by the full Council this statement will be published on the Council's website. In addition, the Council's Annual Statement of Accounts will include a note setting out the remuneration paid to each member of the corporate leadership team (the Chief Executive and Head of Paid Service and those reporting directly to her) including the total amount paid to each individual by way of: salary, including fees and allowances; performance related pay; expense allowances; compensation for loss of office; benefits in kind and employers pension contributions. The Annual Statement of Accounts is published on the Council's website.

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

End

Appendix A

Pay structure for Tier 1 and Tier 2

Tier 1: 01 April 2018 to 31 March 2019

Post	**Spot Salary**
Chief Executive	£188,700
Executive Director of Resources, Executive Director of Place, Executive Director of People	£153,000
Director of Commissioning Commercialism & Improvement, Director of Adult Social Care & All-Age Disability	£127,500
Director of Strategy & Partnerships, Director of Customer & Corporate Services, Director of District Centres & Regeneration, Director of Development, Director of Public Health, Director of Early Help & Children Social Care	£117,300
Director of Finance, Investment & Risk, Director of Economic Growth, Director of Planning & Strategic Transport, Director of Education & Youth Engagement, Director of Gateway & Welfare, Director of Housing Need	£107,000
Director of Law & Monitoring Officer, Director of Governance, Director of Human Resources, Director of Safety, Director of Streets	£96,900

Tier 2: current (2017-18)

Grade	**Scp**	**Salary ***
Croydon Special Range A	1	£61,356
	2	£63,372
	3	£67,404
Croydon Special Range B	4	£77,367
	5	£79,830
	6	£82,290

** Plus cost of living national pay award to be decided*

Car allowances and mileage payments

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

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

Appendix B

CROYDON COUNCIL

RELOCATION SCHEME

Introduction

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

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

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

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

Eligibility

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

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

Conditions

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

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

The employee is responsible for:

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

The manager is responsible for:

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

- ensuring that records of all payments are kept on the employee's personal HR file

- arranging the recovery of expenses if the employee leaves within three years, including writing to them to confirm the outstanding amount due and informing them if it will be taken out of their final salary or pension contributions.

Tax

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

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

*subject to tax and NI contributions

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

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

Council approved 1981.
Amended by Corporate Services Committee on 11 October 2006; effective from 1st December 2006
Amended 010410: legislative changes
Amended 010411: Employee Based Cost Review (EBCR)

1. SCOPE AND PURPOSE OF SCHEME

1.1. This scheme is without prejudice to the Council's and the trade unions' general policy of opposition to redundancies. It outlines the approach the Council may use when making staffing reductions through redundancy, early retirement on the grounds of redundancy, and early retirement on the grounds of efficiency of the service.

1.2. The scheme covers all categories of staff except teachers and lecturers for whom a separate scheme exists.

1.3. The scheme sets out the normal level of payments made to employees. Certain payments in the scheme are enhanced by the Council exercising its discretion, as allowed for in legislation. The exercise of the Council's discretion is subject to a decision in each case, and the Council reserves the right to apply different payments in particular cases. The Council also reserves the right to withdraw or suspend the scheme at any time.

2. GENERAL

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

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

3.1. Employees aged 55 or more who are made redundant (including those who volunteer under paragraph 2.1) will be eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

3.2. In addition to immediate payment of pension benefits, employees with 2 years continuous service will also be entitled to a redundancy payment. The redundancy payment will be calculated as set out in section 4.

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

3.4. The costs of the early payment of benefits are charged to departmental budgets rather than the Pension Fund.

4. REDUNDANCY

4.1. Employees who are made redundant will receive a redundancy payment based on length of continuous service and age as laid down in the Employment Rights Act. The details of the statutory redundancy payments vary with age and length of service and a ready reckoner is set out in Appendix 1.

4.2. Continuous local government service (and certain related service) will be used where this exceeds service with the London Borough of Croydon and in calculating the redundancy payment the weekly pay used for calculating redundancy payments will be as follows:

a) In cases of compulsory redundancy, by reducing by 50% the amount by which an employee's actual weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £450.

b) In cases of voluntary redundancy, by reducing by 25% the amount by which an employee's weekly pay exceeds the statutory cap e.g. with the statutory cap at £400 and an employee's actual weekly pay at £500, redundancy pay would be calculated on a revised weekly pay of £475.

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

5.1. The Council will consider applications from staff, supported by their Directors, for early retirement on the grounds of the efficiency of the service. Each case will be decided on its merits by the Assistant Chief Executive (Corporate Resources and Section 151 Officer) in consultation with the Director of Human Resources and the relevant departmental Director. They will use their discretion based on the following criteria:

(a) staff suffering ill-health of a nature not covered by the ill-health provisions of the Pension scheme
(b) a change in the organisation of an establishment or department which does not give rise to redundancy
(c) staff who are unable to meet the changed requirements of their post

5.2. Employees aged 55 or over, who retire on the grounds of efficiency of the service are eligible for immediate payment of pension benefits if they have 2 or more years membership in the LGPS (or have less than 2 years membership, but have had a transfer of pension rights into the LGPS from another source).

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

6. COMPLYING WITH LEGISLATION

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

End

“Ready Reckoner” For Statutory Redundancy Pay

Appendix 1

Figures in grid show the number of weeks pay due

	Continuous Service (Years)																		
Age	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
18[1]	1																		
19	1	1½																	
20	1	1½	2																
21	1	1½	2	2½															
22	1	1½	2	2½	3														
23	1½	2	2½	3	3½	4													
24	2	2½	3	3½	4	4½	5												
25	2	3	3½	4	4½	5	5½	6											
26	2	3	4	4½	5	5½	6	6½	7										
27	2	3	4	5	5½	6	6½	7	7½	8									
28	2	3	4	5	6	6½	7	7½	8	8½	9								
29	2	3	4	5	6	7	7½	8	8½	9	9½	10							
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11						
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12					
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13				
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14			
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15		
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½

[1] It is possible that an individual could start to build up continuous service before age 16, but this is likely to be rare, and therefore the table starts from age 18.

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

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

Notes:
Statutory redundancy payments are based on length of continuous service (up to max of 20 yrs) and age as follows:
- for each completed year of service up to age 21 inclusive: half a week's pay
- for each completed year of service from age 22-40 inclusive: one week's pay.
- for each completed year of service from age 41 inclusive: one and a half week's pay.

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For General Release

REPORT TO:	**COUNCIL** **27 February 2018**
SUBJECT:	**RECOMMENDATIONS OF CABINET OR COMMITTEES REFERRED TO THE COUNCIL FOR DECISION**
LEAD OFFICER:	**Stephen Rowan, Head of Democratic Services and Scrutiny**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

The Recommendations of Cabinet or Committees referred to the Council for decision report is prepared in accordance with the Council Procedure Rules at Part 4A of the Constitution.

1. RECOMMENDATIONS FROM CABINET TO BE HELD ON 26 FEBRUARY 2018

Treasury Management Policy Statement

Subject to decision at the Cabinet meeting to be held on 26 February 2018, the Council is expected to be asked to approve the following recommendations:

1.1. The Treasury Management Policy Statement 2018/2019 as set out in the report including the recommendations that:

1.1.1. That the Council takes up the balance of its 2017/2018 borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.6 of report 7.1.

1.1.2. That for the reasons detailed in paragraph 3.11 of report 7.1, opportunities for debt rescheduling are reviewed throughout the year by the Executive Director of Resources and Section 151 Officer and that, he be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury and in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2016-2020.

1.1.3. That delegated authority be given to the Executive Director of Resources and Section 151 Officer, in consultation with the Cabinet Member for Finance and Treasury, to make any necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.

1.1.4. The Council adopts the 2017 edition of the revised Treasury Management Code of Practice and Prudential Code issued by CIPFA in December 2017.

1.2. The Annual Investment Strategy as set out in paragraph 3.14 of report 7.1.

1.3. That the Authorised Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.7 and as detailed in **Appendix C** of report 7.1 be as follows:

2018/2019	**2019/2020**	**2020/2021**
£1,307.067m	**£1,385.623m**	**£1,511.323m**

The Prudential Indicators as set out in **Appendix C** of report 7.1.

1.4. The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in **Appendix D** of report 7.1.

1.5. The Council's authorised counterparty lending list as at 31st December 2017 as set out in **Appendix E** of report 7.1 and the rating criteria set for inclusion onto this list.

2. RECOMMENDATIONS FROM THE CABINET MEMBER FOR HOMES REGENERATION AND HOUSING ON 8TH FEBRUARY 2018

Croydon Local Plan

The Cabinet Member for Homes, Regeneration and Planning made an executive decision under powers delegated by the Leader of the Council on 8 February 2018 (reference no: 0418HRP) to present the Croydon Local Plan 2018 to Council and to recommend that Council:

2.1 Agree the adoption of the Croydon Local Plan 2018 in accordance with s23(5) of the Planning and Compulsory Purchase Act 2004.

3. EXECUTIVE SUMMARY

3.1 The Recommendations of Cabinet or Committees referred to the Council for decision report comprises of matters of business formally undertaken by the Leader and Cabinet since the last ordinary meeting of the Council that require Full Council approval.

4. BACKGROUND

4.1 Part 4A of the Constitution requires that Cabinet and Committees include any recommendations that it has made to Council within this report.

4.2 These rules do not apply to any recommendations contained in the Annual Report of the Scrutiny and Overview Committee.

4.3 The Leader, Cabinet Member or Chair of the Committee making the recommendation may exercise a right to introduce the recommendation; in so doing the Leader, Cabinet Member or Chair of the Committee shall speak for a maximum of 3 minutes.

4.4 The recommendation shall be seconded without any further speakers and if not deferred for debate shall immediately be put to the vote.

4.5 Any Member supported by a seconder, may ask that a recommendation be deferred for debate and the recommendation shall immediately stand deferred.

4.6 In the event that any Cabinet or Committee recommendations have not been reached when the time limit for the meeting has expired, those recommendations shall immediately be put to the vote without further debate.

4.7 Attached at **Appendix 7.1** is the report and associated appendices for the Treasury Management Policy Statement that is due to be considered at Cabinet on 26 February 2018. Cabinet is expected to approve the recommendations as contained within the report, and are presented to Council on this basis.

4.8 Attached at **Appendix 7.2** is the decision statement, report and associated appendices for the Croydon Local Plan that was recommended to Council for adoption by executive decision of the Cabinet Member for Homes, Regeneration on 8 February 2018.

CONTACT OFFICER:	James Haywood, Senior Democratic Services and Governance Officer Ext. 63319
APPENDIX 7.1:	Treasury Management Policy Statement report and appendices
APPENDIX 7.2:	Croydon Local Plan executive decision notice, report and appendices

BACKGROUND DOCUMENTS: None

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APPENDIX 7.1

For General Release

REPORT TO:	**Cabinet 26th February 2018**
SUBJECT:	**Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2018/2019**
LEAD OFFICER:	**Richard Simpson Executive Director of Resources (Section 151 Officer)**
CABINET MEMBER:	**Cllr Simon Hall , Cabinet Member for Finance and Treasury**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT:

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. 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.

FINANCIAL IMPACT:

This report sets out the Council's Treasury Management objectives, which are to manage the Council's cash flows, borrowing and investments minimising the level of risk exposure; maximising investment yield returns; and ensuring that capital expenditure and financing plans are prudent, affordable and sustainable. The report details the activities that will be undertaken by the Council in 2018/2019 and the capital borrowing needs of the Council for 2018/2019:-

	£m	Total £m
1. In Year Borrowing Requirement (Net)	287.959	287.959
2. Total Interest Payable on Debt		
- chargeable to Housing Revenue Account (HRA)	12	
- chargeable to General Fund (GF)	21	
		33

In addition the report details the investment activities and the estimated level of income earned. **Investment Income** net of interest apportioned to Non-General Fund accounts e.g. HRA and other cash balances:- (0.750) (0.750)

KEY DECISION REFERENCE NO.:

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

1. RECOMMENDATIONS

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

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

1.1. The Treasury Management Policy Statement 2018/2019 as set out in this report including the recommendations that:

1.1.1. The Council takes up the balance of its 2017/2018 borrowing requirement and future years' borrowing requirements, as set out in paragraph 3.6.

1.1.2. That for the reasons detailed in paragraph 3.11, opportunities for debt rescheduling are reviewed throughout the year by the Executive Director of Resources and Section 151 Officer and that, he be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury and in conjunction with the Council's independent treasury advisers, to undertake such rescheduling only if revenue savings or additional cost avoidance can be achieved at minimal risk in line with organisational considerations and with regard to the Housing Revenue Account (HRA) as set out in the Council's Finance Strategy 2016-2020.

1.1.3. That delegated authority be given to the Executive Director of Resources and Section 151 Officer, in consultation with the Cabinet Member for Finance and Treasury, to make any necessary decisions to protect the Council's financial position in light of market changes or investment risk exposure.

1.1.4. The Council adopts the 2017 edition of the revised Treasury Management Code of Practice and Prudential Code issued by CIPFA in December 2017.

1.2. The Annual Investment Strategy as set out in paragraph 3.14 of this report.

1.3. That the Authorised Borrowing Limits (required by Section 3 of the Local Government Act 2003) as set out in paragraph 3.7 and as detailed in **Appendix C** be as follows:

2018/2019	**2019/2020**	**2020/2021**
£1,307.067m	**£1,385.623m**	**£1,511.323m**

The Prudential Indicators as set out in **Appendix C** of this report.

1.4. The Annual Minimum Revenue Provision Policy Statement (required by SI 2008/414) as set out in **Appendix D** of this report.

1.5. The Council's authorised counterparty lending list as at 31st December 2017 as set out in **Appendix E** of this report and the rating criteria set for inclusion onto this list.

2. EXECUTIVE SUMMARY

2.1. The Council defines its treasury management activities as:

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

2.2. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, and estimated and actual figures.

1. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important 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 investment strategy (the parameters on how investments are to be managed

2. **A mid-year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and flag whether any policies require revision;

3. **An annual treasury report** – This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2.3. The Local Government Act, 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities, 2017, ("The Code"), to ensure that the Council's capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report, which both incorporates these indicators, and recommends that Cabinet recommends to full Council the adoption of the latest Code, also details the expected treasury activities for the year 2018/2019, set in the context of the longer term planning forecasts for the organisation. The implications of these key indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.

2.4. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its expenditure requirement for each financial year to include the revenue costs that flow from capital financing decisions.

3. TREASURY MANAGEMENT STRATEGY FOR 2018/2019

3.0 The strategy for 2018/2019 covers two main areas:

Capital issues

- The capital plans and borrowing need (paragraphs 3.1 and 3.2);
- The minimum revenue provision (MRP) policy (paragraph 3.3).

Treasury management issues

- Policy on use of external service providers paragraph 3.4);
- The Current Treasury Position (paragraph 3.5);
- Borrowing Requirement (paragraph 3.6);
- Treasury indicators which limit the treasury risk and activities of the Council (paragraph 3.7);
- Interest Rate Exposure and Prospects for Interest Rates (paragraph 3.8) ;
- The Borrowing Strategy (paragraph 3.9);
- The policy on borrowing in advance of need (paragraph 3.10);
- Debt Rescheduling and Repayment (paragraph 3.11);
- Sources of Finance (paragraph 3.12);

Annual Investment Strategy

- The investment policy (paragraph 3.13);
- The Annual Investment Strategy (paragraph 3.14);
- Treasury Limits (paragraph 3.15) and
- Prudential Indicators (paragraph 3.16).

CAPITAL ISSUES

3.1. Capital Expenditure and borrowing need

3.1.1 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, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

3.1.2 In order to fulfil its ambitions for Croydon the Council has an extensive capital programme. This includes funding for: a Revolving Investment Fund (RIF), set up to fulfil the Council's Growth Promise and initially be principally focused on the delivery of development and regeneration on Council Land; a Development company also focused on regeneration in the borough, primarily homes; and a Growth Zone, which invests in priority infrastructure to help deliver sustainable economic growth in Croydon. The RIF, Growth Zone and Development Company are expected to create their own revenue streams in order to repay the debt taken out to finance the expenditure.

3.1.3 Members are asked to note the capital expenditure forecasts given in the table below:

Table 1: Capital Expenditure Forecasts (2017/2021)

Capital expenditure £m	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
Non-HRA	165.184	313.466	115.429	145.901
HRA	26.034	32.385	31.951	26.951
Total	**191.218**	**345.851**	**147.380**	**172.852**

3.1.4 This financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

3.1.5 The Council's financing need is funded from various capital and revenue resources plus borrowing.

3.2 The Council's borrowing need (the Capital Financing Requirement)

3.2.1 The Council's Capital Financing Requirement (CFR) is the total 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 underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

3.2.2 The Council's estimated CFR is detailed in the table below:

Table 2: Estimated Capital Financing Requirement 2017 / 2021

	2017/18 £m	2018/19 £m	2019/20 £m	2020/2021 £m
	Forecast	**Estimate**	**Estimate**	**Estimate**
Capital expenditure	191.218	345.851	147.380	172.852
Less amount funded from resources	(65.800)	(50.447)	(60.115)	(37.920)
Gross In Year Borrowing Requirement (CFR)	**125.418**	**295.404**	**87.265**	**134.932**
Less In Year Minimum Revenue Provision (MRP) for debt repayment.	(6.632)	(7.445)	(8.709)	(9.232)
In Year Borrowing Requirement (Net)	118.786	287.959	78.556	125.7

1. Loans repaid during year	158.000	21.000	25.000	32.000
2. Less loans taken up in-year	(154.000)	0.0	0.0	0.0
3. Less reduction in investment balances (internal borrowing)	(24.745)	0.0	0.0	0.0
In Year Borrowing Requirement outstanding	**98.041**	**308.959**	**103.556**	**157.700**

3.3 Minimum Revenue Provision

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

3.3.2 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended], local authorities are required to charge MRP to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is ‘prudent’. In calculating a prudent provision, local authorities are required to have regard to the statutory guidance issued by the Secretary of State. The latest version of the guidance was issued on 2 February 2018.

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

3.3.4 Along with the above duty, the Government issued guidance in February 2012 and revised on 2 February 2018 (“Statutory Guidance on Minimum Revenue Provision”) which requires that a statement on the Council’s policy for its annual MRP should be submitted to Full Council for approval before the start of the financial year to which the provision will relate.

3.3.5 The Executive Director of Resources is responsible for ensuring that accounting policies and the MRP policy comply with the statutory Guidance in determining a prudent level of MRP.

3.3.6 As part of the mid-year review of the 2015/2016 Minimum Revenue Provision Statement, the Council’s General Purposes and Audit Committee approved a revised Annual Minimum Revenue Provision Statement on 9 December 2015 (Minute A62/15). The Draft MRP Policy Statement for 2018/2019 attached at Appendix D for onward recommendation to full Council for approval also adopts these revisions.

TREASURY MANAGEMENT ISSUES

3.4 Treasury management consultants

3.4.1 The Council uses Link Asset Services, as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

3.5 The Current Treasury Position

3.5.1 The Council's Treasury position as at 31st December 2017 comprised:

Table 3: Borrowing by the Council as at 31 December 2017

		Principal £m	**Average Rate %**
Fixed Rate Funding	- PWLB[1]	639.926	3.75
	- Other [2]	0.315	3.50
	- LOBO [3]	79.500	3.76
	- Local Authorities[4]	53.0	0.95
	- Amber Green LEEF 2LLP	3.575	1.80
	- European Investment Bank	44.745	2.0
Variable Rate Funding	- LOBO [3]	60.000	4.23
Internal Loans – Trust Funds		0.006	0.23
Total External Debt as 31/12/2017		**881.067**	**3.52**
Additional			
GF borrowing requirement outstanding for 2017/2018		98.041	
HRA borrowing requirement outstanding for 2017/2018		0	
Estimated Debt as at 31/03/2018		**979.11**	**3.50**

1. PWLB is the Public Works Loan Board, the branch of Government that is the principle lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/2012.

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

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

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

3.5.2 The Council's debt maturity profile is included in **Appendix A**.

Table 4: Temporary Investments as at 31 December 2017

	Principal £m	Average Rate %
Temporary investments outstanding as at 31/12/2017	**59.4**	**0.43**
Estimated temporary investments outstanding as at 31/03/2018	**80**	**0.53**

3.6 The Borrowing Strategy and Borrowing Requirement

3.6.1 The Council's capital expenditure plans are set out in Sections 3.1.1, 3.1.2 and 3.1.3. 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. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.6.2 The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5: Borrowing and the Capital Financing Requirement 2017 / 2018

£m	2016/2017 Actual	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
External Debt					
Debt at 1 April	801.567	881.067	979.108	1,267.067	1,345.623
Expected change in Debt	79.500	98.041	287.959	78.556	125.7
Actual gross debt at 31 March	881.067	979.108	1,267.067	1,345.623	1,471.323
The Capital Financing Requirement	**905.725**	**1,024.511**	**1,312.47**	**1,391.026**	**1,516.726**
Under/(over) borrowing	24.658	45.403	45.403	45.403	45.403

Note: this calculation does not allow for the impact of internal borrowing which has the effect of reducing real borrowing (see Table 2, above).

3.6.3 Within the prudential indicators there are a number of 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 2018/2019 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 purposes.

3.6.4 The Executive Director of Resources 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 this budget report.

3.7 Treasury Indicators: limits to borrowing activity

This section considers the operational boundary and the authorised limit for external debt which together form an important control metric.

3.7.1 **The operational boundary**. This is the limit beyond 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.

Table 6: The operational boundary for 2017 / 2021

Operational boundary £m	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
Debt	979.108	1,267.067	1,345.623	1,471.323
Other long term liabilities	-	-	-	-
Total	979.108	1,267.067	1,345.623	1,471.323

3.7.2 **The authorised limit for external debt.** Another key prudential indicator represents a control on the maximum level of borrowing. This represents a limit 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 could be afforded in the short term, but is not sustainable in the longer term.

3.7.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.7.4 The Council is asked to approve the following authorised limit:

Table 7: The Authorised Limit for External Debt 2017 / 2021

Authorised Limit £m	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
Debt	1,019.108	1,307.067	1,385.623	1,511.323
Other long term liabilities	-	-	-	-
Total	1,019.108	1,307.067	1,385.623	1,511.323

3.8 Interest Rate Exposure and Prospects for Interest Rates

3.8.1 The Council manages its exposure to interest rate risk by borrowing the majority of its funding requirements at fixed rates over a range of durations. This limits the impact on the Council's ability to cover interest costs when interest rates are rising. The Council is also looking into securing borrowing using forward agreements to limit exposure to future increases in interest over the short term. The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their and our central view.

Table 8: Interest Rate Forecast December 2017 to March 2021

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

3.8.2 Commentary on interest rate forecasts and the economy has been provided by Link Asset Services in **Appendix G**.

3.9 The Borrowing strategy

3.9.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with borrowing as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent when investment returns are low but counterparty risk is still an issue that needs to be considered. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/2019 treasury operations. The Executive Director of Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.9.2 Any decisions will be reported to Cabinet at the next available opportunity.

3.10 Policy on borrowing in advance of need

3.10.1 The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement 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.

3.11 Debt rescheduling and repayment

3.11.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

3.11.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;

- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.11.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. The forecasts under-pinning this strategy assume that cash balances will be used to repay maturing debt, at least for the short-term, i.e. the next three-year period.

3.11.4 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

3.12 Sources of finance

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

3.12.2 The Council continues attempt to source cheaper alternatives to the PWLB in order to finance the borrowing requirement for future years. Other than the PWLB, the Council currently uses other UK local authorities willing to offer loans up to 5 years and the European Investment Bank, both of which provide financing below the PWLB certainty rate. The PWLB Certainty Rate will be used as a benchmark against which borrowing options are assessed. The Council has also found and will make use of commercial lenders willing to lend at rates below the PWLB certainty rate and continues to look at options such as Local Authority Bonds and the Municipal Bond Agency. The Government is currently consulting on making debt available at a discounted rate to support investment in infrastructure. This option will be considered alongside those others listed here.

3.12.3 Long-term borrowing to support Borough regeneration will service the capital financing requirements of the Council's arms-length development company, Brick by Brick. Onwards lending will be at a margin to the cost of borrowing and interest payments together with repayment of principal will prime additional investment. Investment in the Borough's Growth Zone should generate additional business rates that can be applied to service debt funding.

ANNUAL INVESTMENTSTRATEGY

3.13 Investment policy

3.13.1 The Council's investment policy has regard to the Ministry of Housing, Communities and Local Government (MHCLG)'s (previously the DCLG) Guidance on Local Government Investments 3rd Edition ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes2017 Edition ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

3.13.2 Ratings will not be the sole determinant of the quality of an institution; it is important to continually 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 this end the Council will engage with its advisors 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 banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

3.13.3 Investment instruments identified for use in the financial year are listed in **Appendix B** under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

3.13.4 The Council may wish, from time to time, to take advantage of financial derivative instruments in order to better manage risks, such as exposure to interest rate movements. Local authorities, including the Council, have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans). However, previous legislation was understood to prevent the use of such tools where they were not embedded in other instruments. The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires local authorities to clearly detail their policy on the use of derivatives in their annual strategy.

3.13.5 The Council will only use financial derivatives (such as swaps, forwards, futures and options) either on a standalone, or embedded basis, where it can be clearly demonstrated that as part of the prudent management of the Council's financial affairs the use of financial derivatives will have the effect of reducing the level of financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. This will be determined in liaison with the Council's external advisors. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit if applicable.

3.13.6 At all times the Council will comply with CIPFA advice and guidance on the use of financial derivatives and have regard to CIPFA publications on risk management.

3.14 Annual Investment Strategy

3.14.1 The investments, both specified and non-specified, that officers will be permitted to undertake in-house are summarised below. Further details are provided in **Appendix B.**

a. **Specified Investments** - All investments shall consist of investments under one year as follows:

- Debt Management Agency Deposits Facility (DMADF).
- Term deposits with UK Government or with UK local authorities.
- Term deposits with credit - rated deposit takers (banks and building societies).
- Certificate of Deposits.
- AAA rated Money Market Funds.
- Bonds issued by multinational development banks.
- Enhanced AAA rated Money Market Funds.
- UK Government Gilts.
- UK Government Treasury Bills.

b. **Non-specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies).
- Term deposits with UK local authorities.
- Certificate of Deposits (CD).
- Callable deposits with credit rated deposit takers (banks and building societies).
- Forward deposits with credit rated banks and building societies.
- Bonds issued by multinational development banks.
- Enhanced AAA rated Money Market Funds.
- UK Government Gilts.
- Property Funds.
- Floating Rate Notes (FRNs) issued by institutions on the Council's authorised lending list.
- Investment grade Corporate Bonds issued by Corporate Institutions.
- AAA rated Covered Bonds.
- Investment in the equity of any company wholly owned by Croydon Council.

3.14.2 Investment Income Gross - Based on cash flow forecasts for 2018/2019, the Council anticipates its average daily cash balances for the year to be £82.5m, which includes the £98.0m of new borrowing to be undertaken in 2018/2019. The overall balances include schools balances and HRA revenue balances for which an apportionment of investment interest earned is made. The net income then due to the General Fund is estimated at £0.750m for 2018/2019.

3.14.3 All credit ratings in respect of financial institutions that the Council invests monies in will be continuously monitored together with the limits imposed on amounts that can be invested and the duration of such investments. The Council is alerted to news relating to financial institutions and changes in ratings by its treasury management advisers as these occur and is therefore in a position to take appropriate action to protect the Council's interests.

3.14.4 The Executive Director of Resources will be responsible for managing all investments within the credit limits as set out in **Appendix E** and in accordance with CIPFA's Treasury Management in the Public Services Code of Practice 2017 Edition.

3.14.5 Link Asset Services have advised and assisted Council Officers in compiling and maintaining a counterparty lending list based on FITCH credit ratings and other related information in force as at 31st December 2017. This is attached at **Appendix E** and the Council is recommended to approve this list of counterparties and the criteria set for inclusion on to both List A and List B. In respect of List A the credit limits that apply range from £15m to £25m depending on the institution and the credit limit for institutions on List B is set at £10m for each institution. The maximum duration of investments in the institutions on both lists will be subject to Link Asset Services' recommendations at the time that investments are made. Under the updated regulations the Authority is obliged to consider a range of different sources of information before taking a view on whether to invest with any counterparty. These sources include each of the rating agencies, the Credit Default Swap (CDS) spreads which gives early warning of likely changes in credit ratings as well as the sovereign rating for the country and other market driven information. Link Asset Services summarise these different views in forming an overall picture of the credit-worthiness of each, which is communicated to this Authority. FITCH ratings are the most valuable in this particular case as they focus more on European banks whereas Moody's and Standard & Poor's look more at the US.

3.14.6 The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. There is a growing concern, triggered by a succession of high profile banking scandals, that the reducing pool of quality counter-parties, such as banks, is increasing the level of risk for the Authority. These risks are not simply the risk that principal sums invested might be lost but also reputational risks to the Authority. In response, the Council's Treasury team has investigated other high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default. As a consequence of this, the Council has put into place a Custodian agreement offered at a discount by the Bank of New York Mellon – the Custodian used by the Council's Pension Fund. This has enabled the Treasury team to diversify investments and to enhance yields by investing in those specified and unspecified investments that require custody arrangements. A list of the Specified and Non-Specified investments that Council Officers are permitted to undertake in-house is detailed in **Appendix B.** In the immediate short-term there will be no increase in returns, but the Treasury team will be better placed to exploit market opportunities in the longer term.

3.14.7 Of the two part-nationalised UK banks, the UK government's stake in the Royal Bank of Scotland (RBS) PLC group at around 72.9% makes it the majority shareholder in that bank. As such, whilst the government announced plans to sell off its stake in that bank, the size of the current equity stake makes it unlikely that the sale process will materially dilute the government's holding in RBS in the near future. The RBS Group will therefore be retained as an approved investment counterparty until such time as the situation changes. Further, as National Westminster Bank PLC which is part of the RBS PLC Group, provides the Council with banking services, the investment limit for this counterparty will remain at £25m. The UK government's stake in the other part-nationalised bank, Lloyds Banking Group PLC, currently stands below 11% with plans to sell this stake within the coming months to bring the bank back into private ownership. For investment purposes, the

Council's treasury advisers have recommended that Lloyds Banking Group should now be evaluated on a stand-alone basis and should only be included onto an approved counterparty list if the bank meets the minimum rating criteria set. At present, the bank's ratings exclude it from the Council's approved lending list but like other entities this can change over time.

3.14.8 Ring-fencing legislation, brought in by the government to strengthen the financial system following the financial crisis that began in 2007, requires each large UK bank to separate its retail banking activity from the rest of its business. This is to protect customers and the day-to-day banking services they rely on from unrelated risks elsewhere in the banking group and shocks affecting the wider financial system. It is intended to reduce the likelihood that essential banking services are put at risk by a failure in another part of the business, such as investment banking. The large UK banks must implement ring-fencing by 1 January 2019. They started making changes in 2017 and will continue to do so during 2018 in order to meet this deadline.

3.14.9 With regard to UK Challenger banks, the majority of local authorities do not include these banks in their counterparty lists. Although at present, Challenger banks do not have credit ratings and so fall outside investment strategy criteria, it is expected that these banks may get rated in the future. The situation on Challenger banks and UK part-nationalised banks will be monitored continuously.

3.14.10 In 2014/2015, the Council had invested £20m in the Real Lettings Property Fund Limited Partnership. The property fund, which has a 7-year life, offers investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum based on the letting of the properties on 5-year lease terms. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. An additional £10m was advanced to the Fund on 9 September 2015. Returns generated by the investment will serve to boost the Council's overall income in the future.

3.14.11 In the current low interest rate environment, Money Market Funds (MMFs) can also be used effectively to provide returns in excess of straight overnight bank deposits and to provide for excellent liquidity if required. The Council invests in MMFs which are AAA rated by the FITCH rating agency and at least one of the other two major ratings agencies – Moodys and Standard & Poor's.

3.14.12 In addition, the Council will continue to lend to other UK local authorities and to the Debt Management Office, which effectively is lending to the Government.

3.14.13 As at 31st December 2017, short-term investment interest rates (1-3 months) were between 0.40% and 0.45% with longer term rates (up to 1 year) between 0.45% and 0.65%. Investments will be made to take advantage of higher yields and to hedge against future decreases in bank rates. Daily liquidity requirements will be met by investing in AAA-rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued. In all cases investment decisions will adhere to Link Asset Services' recommended maximum investment durations for the counterparty concerned.

3.14.14 With the introduction of the Markets in Financial Instruments Directive II on 3 January 2018 this local authority was classified as a retail investor. This has meant that to enable the Treasury management function to operate effectively, the authority has had to opt up to be treated as a professional investor with some of its counterparties in order to use certain financial instruments. To date the authority has not experienced any issues when opting up.

3.15 **Treasury Limits**

3.15.1 Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years, a period of three years in total from 2018/2019 to 2020/2021 and are termed:

1. The **'Operational Boundary for External Debt'**. This reflects the maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.

2. The **'Authorised Borrowing Limit'**. This limit represents an assessment of the maximum debt the authority may need to incur at any point throughout the year as determined in the Financial Strategy by the Executive Director of Resources.

3.15.2 The Executive Director of Resources will be responsible for setting the Council's Affordable Borrowing Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax and housing rent levels is acceptable.

3.15.3 The Council's authorised borrowing limit has been estimated to be **£1,019.108m** for **2017/2018**, **£1,307.067m** in **2018/2019, £1,385.623m** in **2019/2020** and £**1,511.323m** in **2020/2021** as detailed in **Appendix C**. These limits reflect the maximum amount the Council can borrow for capital and revenue purposes and allows for unexpected events for example a possible delay in the receipt of anticipated council tax, National Non-Domestic Rates (NNDR) direct debits, housing benefit subsidy or other government grant that had been notified to Council Officers in advance. The sum of £40m has been included in respect of revenue borrowing to cover the possibility of this shortfall. The limit reflects a level of borrowing which while not desirable is affordable in the short term to fund the cash flow requirements of the organisation and to address any potential risks that may arise.

3.16 **Prudential Indicators**

3.16.1 The Prudential Indicators for 2018/2019 to 2020/2021 are attached in **Appendix C** in accordance with the Prudential Code for Capital Finance in Local Authorities 2017 Edition.

3.16.2 The Executive Director of Resources is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.

3.16.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management.

3.16.4 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a regular basis.

3.16.5 The indicators break down into four blocks relating to capital expenditure; the affordability of that investment programme; debt; and treasury management as follows:

1. The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. (**See Appendix C**).

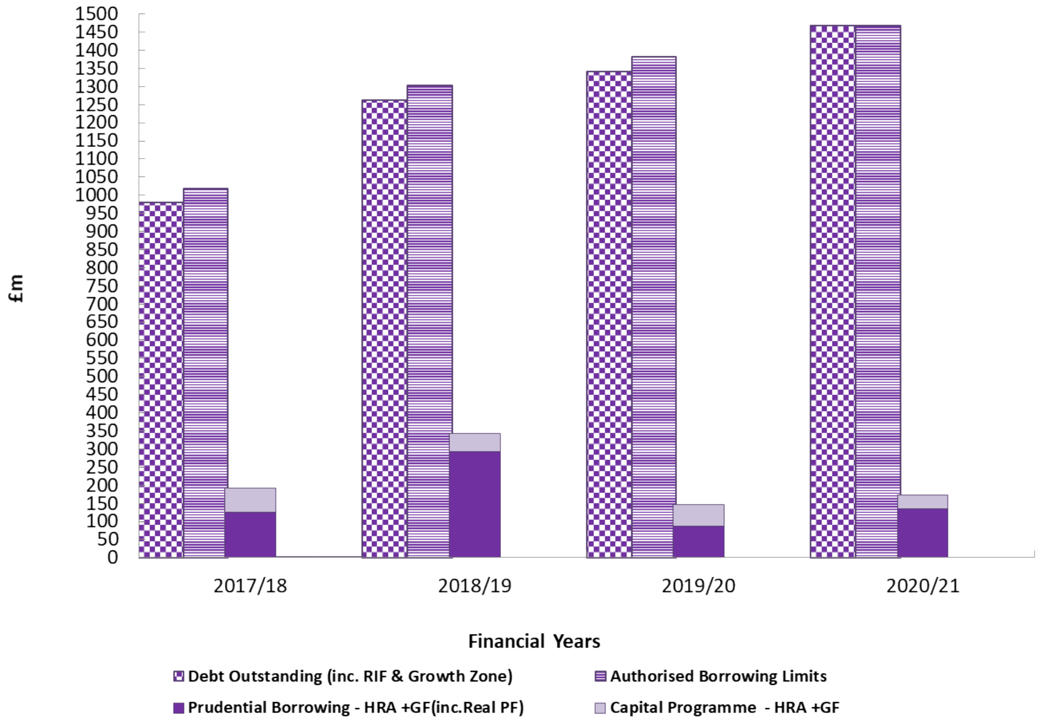
2. Apart from borrowing that is directly supported by government grant funding, the cost of new prudential borrowing to the Authority will be £22.17 per Band D council taxpayer in 2018/2019. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.

3. The external debt indicators illustrate the calculation of the affordable borrowing limit.

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

3.16.6 These main indicators are featured below as follows:

Chart 1: Comparison of Debt against Prudential Limits 2017 / 2021



3.17 **Conclusion**

3.17.1 The Council's treasury advisers forecast that the bank rate, currently at 0.50%, will increase by 0.25% by December 2018 and a further 0.25% by December 2019, maintaining a slow upward trajectory in the short to medium term. The longer term (25 years) PWLB interest rates, which currently are 2.9%, are expected to increase to around 3.10% by December 2018 and 3.30% by December 2019. Over the next year the Council will be able to borrow at rates below its current average cost of debt of 3.52% to finance its capital programme.

3.17.2 Temporary investment rates are currently between 0.40% and 0.70% for up to one year and between 0.70% and 1.5% for between one and five years. It is anticipated that investment rates will increase gradually next year in line with bank rate expectations.

3.17.3 A glossary of terms associated with this report is attached in **Appendix F**.

4 **CONSULTATION**

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

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

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

5.2 The effect of the decision

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

5.3 Risks

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

5.4 Options

These are fully dealt with in this report.

5.5 Future savings/efficiencies

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

Approved by: Richard Simpson, Executive Director of Resources.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

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

Approved by Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

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

Approved by:

8. EQUALITIES IMPACT

8.1 Consistent with the requirements of equal opportunities legislation including the Public Sector Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

8.2 The Council's Capital and Revenue Budget 2018/2019 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

9. ENVIRONMENTAL IMPACT

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

10. CRIME AND DISORDER REDUCTION IMPACT

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

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The recommendations proposed are in accordance with the Treasury Management in the Public Services Code of Practice 2017 Edition and the Prudential Code for Capital Finance in Local Authorities 2017.

12. OPTIONS CONSIDERED AND REJECTED

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

CONTACT OFFICER: Nigel Cook, Head of Pensions and Treasury Ext 62552

BACKGROUND DOCUMENTS: Previously published

CIPFA's Prudential Code for Capital Finance in Local Authorities – 2017 Edition.

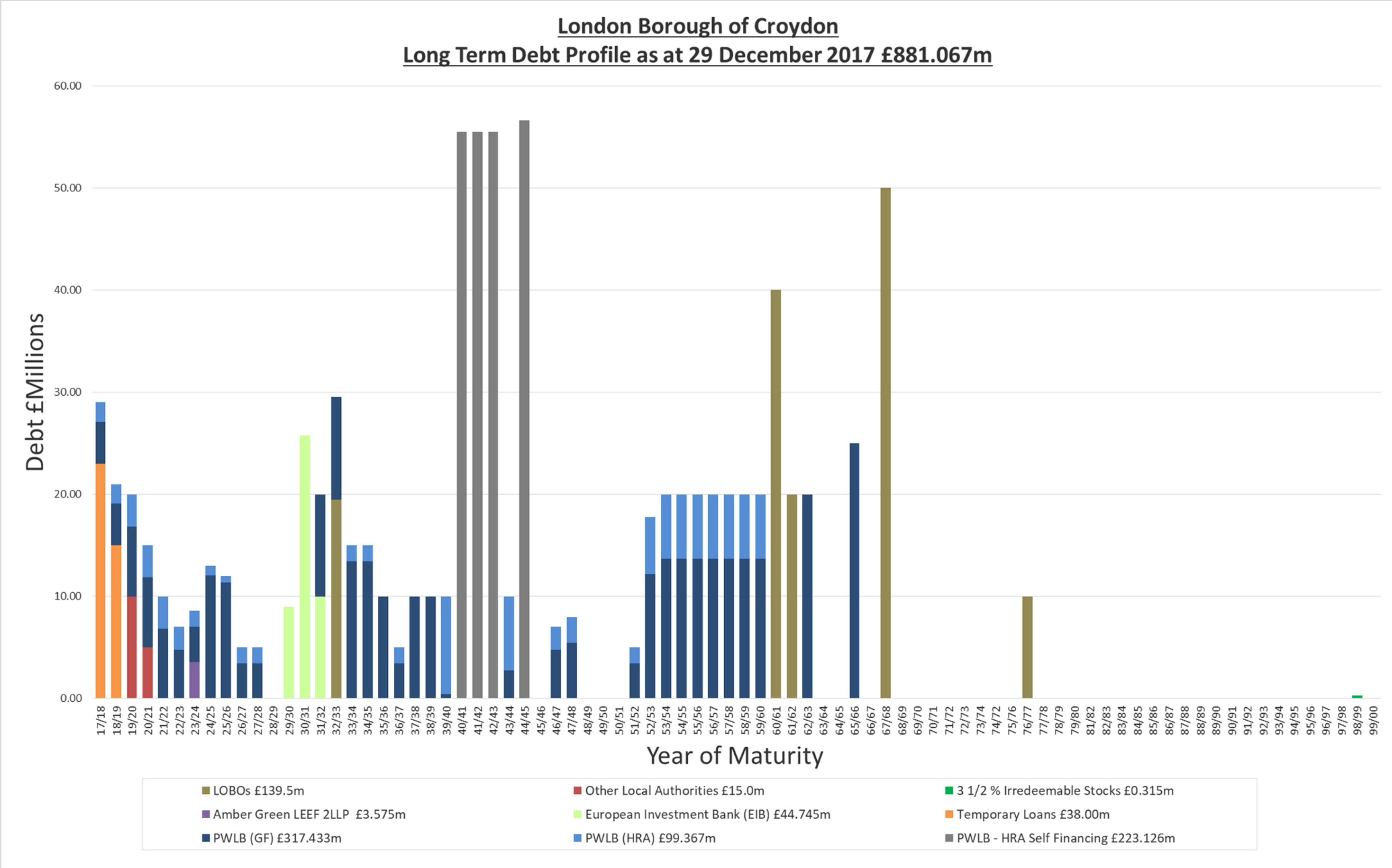
CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition.

DCLG's Guidance on Local Government Investments February 2018.

Appendices

Appendix A: Long-term debt profile
Appendix B: Specified and non-specified investments
Appendix C: Prudential Indicators
Appendix D: Minimum Revenue Provision Policy
Appendix E: Authorised Lending List
Appendix F: Glossary
Appendix G: Commentary on Interest Rate Forecasts

APPENDIX A


London Borough of Croydon
Long Term Debt Profile as at 29 December 2017 £881.067m
Debt £Millions
Year of Maturity
LOBOs £139.5m
Other Local Authorities £15.0m
3 1/2 % Irredeemable Stocks £0.315m
Amber Green LEEF 2LLP £3.575m
European Investment Bank (EIB) £44.745m
Temporary Loans £38.00m
PWLB (GF) £317.433m
PWLB (HRA) £99.367m
PWLB - HRA Self Financing £223.126m

APPENDIX B

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

a. **Specified Investments** - Where there is a change in the current investment policy this is specifically noted. All investments shall consist of investments under one year as follows:

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

b. **Non-Specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. Previously such investments were not permissible, except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.

- Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.

- Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.

- Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts.

- 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 – see 3.5.13. It is recommended, however, that any future investments in property funds should only be considered, after consulting and taking advice from the treasury management consultants.

- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's authorised lending list, after consulting and taking advice from the treasury management consultants.

- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters. It is recommended that the use of this type of investment can now be considered, after consulting and taking advice from the treasury management consultants.

- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets. It is recommended that the use of this investment can now be considered, after consulting and taking advice from the treasury management consultants.

- Investment in equity of any company wholly owned by Croydon Council.

APPENDIX C

PRUDENTIAL INDICATORS FOR 2017/18 – 2020/2021

PRUDENTIAL INDICATORS	2017/18 Forecast Outturn £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
1. Prudential Indicators for Capital Expenditure				
1.1. Capital Expenditure				
- General Fund	165.184	313.466	115.429	145.901
- HRA	26.034	32.385	31.951	26.951
Total	**191.218**	**345.851**	**147.380**	**172.852**
1.2. In year Capital Financing Requirement (see Table 2)				
- General Fund - gross of MRP costs	125.418	295.404	87.265	134.932
- HRA	0.000	0.000	0.000	0.000
Total in year Capital Financing Requirement	**125.418**	**295.404**	**87.265**	**134.932**
1.3. Capital Financing Requirement as at 31st March – **balance sheet figures**				
- General Fund (net of MRP costs)	685.822	973.782	1,052.338	1,178.038
- HRA - limit of HRA debt imposed by CLG	338.688	338.688	338.688	338.688
Total	**1,024.51**	**1,312.47**	**1,391.026**	**1,516.726**
2. Prudential Indicators for Affordability				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	8.1%	8.3%	9.1%	9.1%
- HRA	12.9%	13.1%	13.2%	13.2%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£13.15	£22.34	£5.72	£6.02
- Cumulative increase (includes MRP costs).		£35.48	£41.20	£47.22
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
3. Prudential Indicators for Long External Debt				
3.1. Debt brought forward 1st April	881.067	979.108	1,267.067	1,345.623
Debt carried forward 31st March (Includes the £223.1m debt for the HRA self-financing settlement sum plus RIF & Growth Zone borrowings in future years).	979.108	1,267.067	1,345.623	1,471.323

Additional Borrowing	**98.041**	**287.959**	**78.556**	**125.700**

APPENDIX C

	PRUDENTIAL INDICATORS	2017/18 Forecast Outturn £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
3.2.	Operational boundary for external debt (excludes revenue borrowing) Borrowing	979.108	1,267.067	1,345.623	1,471.323
	Other long term liabilities	-	-	-	-
3.3.	Total operational debt (excludes revenue borrowing)	979.108	1,267.067	1,345.623	1,471.323
	Add margin for cash flow contingency	40.00	40.00	40.00	40.00
	Authorised limit for external debt (includes revenue borrowing)	1,019.11	1,307.067	1,385.623	1,511.323
	Other long term liabilities	-	-	-	-
	Authorised Borrowing Limit	**1,019.11**	**1,307.067**	**1,385.623**	**1,511.323**
4.	**Prudential Indicators for Treasury Management**				
4.1.	Lending limits - upper limit for total principal sums invested for over 365 days expressed as a % of total investments	30%	30%	30%	30%

		Lower limit	Upper limit
4.2.	Maturity structure of new fixed rate borrowing, if taken, during 2017/18		
	- Under 12 months	0	20%
	- 12 months to 24 months	0	20%
	- 24 months to 5 years	0	30%
	- 5 years to 10 years	0	30%
	- 10 years and above	0	100%

APPENDIX D

MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2019/2020

The Council has implemented the new Minimum Revenue Provision (MRP) Guidance from 2008/2009, and will continue to assess their MRP for 2019/2020 in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003.

The Council's MRP Policy Statement for 2019/2020 is to be as follows:

1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adapt **Option 1 - the Regulatory Method** by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.

2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31st March 2016, the MRP policy will be to adopt **Option 3 – Asset Life Method – Annuity method from the Guidance**. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.

3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.

5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.

6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).

7. The Council's cash investment in the Real Lettings Property Fund LP under a 7 year life arrangement is due to be returned in full at maturity with interest paid annually. The cash investment will be treated as capital expenditure with the Council's Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in

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

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

Appendix E

LONDON BOROUGH OF CROYDON

Authorised Lending List as at 31/12/17 (Ratings as per FITCH)

LIST A

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

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
National Australia Bank **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Toronto-Dominion Bank **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Nordea Bank AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA
Skandinaviska Enskilda Banken AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA
Swedbank AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA

Appendix E

LENDING LIST CRITERIA

LIST A

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

CREDIT RATINGS

FITCH Rating in each of the following categories:	F1+ on Short Term Rating AA or above Long Term Rating aa- or above Viability Rating 5 or above for Support Rating AA+ or above Sovereign Rating

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

APPROVED ORGANISATIONS NOT MEETING THE ABOVE CREDIT RATINGS
PART NATIONALISED UK BANKS – Limits as noted below:
ROYAL BANK OF SCOTLAND GROUP PLC - £25M LIMIT

LIST B

LIMITS TO INDIVIDUAL ORGANISATIONS
Maximum Investment Limit - £10m

CREDIT RATINGS

FITCH Rating in each of the following categories:	F1+ on Short Term Rating AA- or above on Long Term Rating a+ or above Viability Rating 5 or above for Support Rating AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS
ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above
ALL UK LOCAL AUTHORITIES

APPENDIX F

GLOSSARY OF TERMS USED IN THE TREASURY STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY 2018/2019

"Adjustment A"	The Prudential System came into force in 2004/05. The former system relied on the maintenance of credit ceilings for both GF and HRA to determine the MRP due for both. The new Prudential system uses figures derived from the authority's consolidated balance sheet to calculate MRP due. A safeguard was built into the new system to ensure that the transition did not lead to any artificial increase in MRP liability. This was based on calculating an amount known as "Adjustment A".
Affordable Borrowing Limit and Authorised Limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes - Supported	The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants.
- Unsupported	Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

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

APPENDIX G

COMMENTARY FOR INTEREST RATE FORECASTS AND THE ECONOMY PROVIDED BY OUR TREASURY ADVISOR LINK ASSET SERVICES

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.

- Weak capitalisation of some European banks.

- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.

- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.

- Rising protectionism under President Trump.

- A sharp Chinese downturn and its impact on emerging market countries.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and therefore allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/2019 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

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LONDON BOROUGH OF CROYDON

To: Croydon Council website
Access Croydon & Town Hall Reception

STATEMENT OF EXECUTIVE DECISIONS MADE BY THE CABINET MEMBER FOR HOMES REGENERATION AND PLANNING ON 8 FEBRUARY 2018

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

The following apply to the decisions listed below:

Reasons for these decisions: are contained in the attached Part A report

Other options considered and rejected: are contained in the attached Part A report

Details of conflicts of Interest declared by the Cabinet Member: none

Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member: none

The Leader of the Council has delegated to the Cabinet Member the power to make the executive decision set out below:

CABINET MEMBER'S DECISION REFERENCE NO. 0418HRP
Decision title: Recommendation to Council to Adopt the Croydon Local Plan 2018

Having carefully read and considered the Part A report, including the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Deputy Leader (Statutory) and Cabinet Member for Homes Regeneration and Planning has

RESOLVED under delegated authority (0418LR) the Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration and Planning to agree that the Croydon Local Plan 2018 be presented to Council with a recommendation to adopt it in accordance with s23(5) of the Planning and Compulsory Purchase Act 2004.

Croydon Council

For General Release

REPORT TO:	**DEPUTY LEADER (STATUTORY) AND CABINET MEMBER FOR HOMES, REGENERATION AND PLANNING** **8 February 2018**
SUBJECT:	**ADOPTION OF CROYDON LOCAL PLAN 2018**
LEAD OFFICER:	**Shifa Mustafa, Executive Director of Place** **Heather Cheesbrough, Director of Planning and Strategic Transport**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The Croydon Local Plan will set the growth and development vision and planning policies for the borough from 2016 – 2036. The Croydon Local Plan will provide the planning policy basis for the borough to plan for the borough's housing need, deliver necessary affordable housing, accommodate sustainable growth, regenerate the district centres, strengthen neighbourhood and local centres, safeguard and provide employment floor space and deliver a renewed Croydon Opportunity Area, with a residential population of up to 20,000 people, a redeveloped retail core and provision of public realm and infrastructure.

The Corporate Plan (2015-2018) sets out how the Council will deliver on three key ambitions:

- GROWTH, creating growth in our economy;
- INDEPENDENCE, helping residents to be as independent as possible;
- LIVEABILITY, creating a welcoming, pleasant place in which local people want to live.

Ambition Priority One of the Corporate Plan, growth is underpinned by the Croydon Local Plan, enabling development to occur in sustainable locations and appropriate manner and time. The Croydon Local Plan establishes the planning policy vision and the statutory basis with which to support the growth and development objectives delivered through the Croydon Promise.

The Corporate Plan contains the Council's contribution to Croydon's Community Strategy 2016-2021 developed by Croydon's Local Strategic Partnership (LSP). The Community Strategy is the overarching strategy for the borough and sets out the direction for the Local Strategic Partnership for the next five years and beyond, with the focus on three overarching outcomes, each with their individual priorities, which will see Croydon become:

- a place to learn work and live through ambitious placemaking, regeneration, economic growth, cultural renaissance and providing a safe pleasant environment
- a place of opportunity for everyone through better education, health promotion, supporting independence and resilience, and tackling poverty deprivation and homelessness

- a place with a vibrant and connected community and voluntary sector through enabling communities to connect, collaborate and take responsibility where they see a need and have capacity and commitment to provide for it.

The Community Strategy is set within the context of 'We are Croydon', Croydon's long term vision that was developed by approximately 20,000 residents and adopted in 2010. Croydon's vision is to be

Enterprising - a place renowned for its enterprise and innovation with a highly adaptable and skilled workforce and diverse and thriving local economy
Connected - a place that is well connected, easy to get to and around, and supported by infrastructure that enables people to easily come together; with one of the best digital, communications and transport networks in the country
Creative - a place that draws people to its culture and creativity – an inspiration and enabler of new artistic and sporting talent
Sustainable - a place that sets the pace amongst London boroughs on promoting environmental sustainability and where the natural environment forms the arteries and veins of the city
Learning - a place that unleashes and nurtures local talent and is recognised for its support and opportunity for lifelong learning and ambitions for children and young people
Caring - a place noted for its safety, openness and community spirit where all people are welcome to live and work and where individuals and communities are supported to fulfil their potential and deliver solutions for themselves.

The Croydon Local Plan will assist in delivery of Croydon's vision and the Partnership's priorities for each outcome.

FINANCIAL IMPACT

The Croydon Local Plan can be delivered from the Croydon Local Plan budget (reserve) 2016 – 2018.

FORWARD PLAN KEY DECISION REFERENCE NO.: not a key decision

1. RECOMMENDATIONS

Under delegated authority (0418LR) the Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration and Planning is recommended to agree that the Croydon Local Plan 2018 be presented to Council with a recommendation to adopt the Croydon Local Plan 2018 in accordance with s23(5) of the Planning and Compulsory Purchase Act 2004

2. EXECUTIVE SUMMARY

2.1 Croydon is a growing borough. It is already the most populous borough in London and aims to be London's most enterprising borough. Planning is critical to ensuring that Croydon meets the needs of its residents, business community and visitors. The Croydon Local Plan 2018 sets out the strategy, sites and planning policies necessary to meet these needs.

2.2 The Croydon Local Plan 2018 is a key document in Croydon's development plan (which also includes the London Plan and the South London Waste Plan). It sets out the spatial vision and plan for the future of the borough and how it will be delivered.

2.3 Croydon needs a spatial plan to rise to the challenges facing the borough and its communities over the next 20 years and beyond. The borough has a need for new homes, jobs and the infrastructure to support them, whilst respecting the context of the 16 Places of Croydon. The Croydon Local Plan 2018 addresses each of these needs and sets out how Croydon will plan to meet them up to 2036. Increasing the supply of homes through sustainable growth, including affordable homes, is a key element of Ambitious for Croydon, which is enshrined throughout the Croydon Local Plan. In part, the sustainable growth of the suburbs will deliver this growth as encouraged by the Croydon Local Plan 2018. This will be achieved whilst protecting the borough's open space and the distinctive heritage and character, alongside the necessary infrastructure to mitigate the impact of growth. The Croydon Local Plan 2018 sets out the issues that the Plan as a whole is addressing and the strategic policy framework.

2.4 In preparing the Croydon Local Plan 2018 the Council has worked with communities, partners, stakeholders and interested parties to devise policies and proposals that it thinks will best address the needs of the borough up to 2036. As part of this process the Council has drawn upon an extensive evidence base referenced throughout this document and the comments made during consultation on drafts of the Croydon Local Plan 2018. The Strategic Policies have been subject to four periods of consultation. It started out with an Issues and Options consultation in July 2009 followed by two consultations on Preferred Option in February 2010 and September 2010, which lead led to their adoption in April 2013 after independent examination by a Secretary of State appointed planning inspector. A Partial Review of the Strategic Policies has been subject to further consultation on Preferred and Alternative Options in November 2015. The Detailed Policies were subject to two periods of consultation, both on Preferred and Alternative Options, one in October 2012 and the next in November 2015. The November 2015 consultation also included all of the Detailed Proposals. Prior to submitting the Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals to the Secretary of State there was a further formal six week publication period during which interested parties could make representations to be considered by the Planning Inspector appointed to examine the Local Plan.

2.5 The Council submitted the Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals to the Secretary of State in February 2017 following Council approving submission at Full Council in December 2016 (Resolution A82/16).

2.6 The Secretary of State appointed Planning Inspector conducted the Examination in Public in May 2017. As a consequence of the submission of the Local Plans, the representations received on the Local Plans (at the Proposed Submission publication) and the discussions held during the examination hearings the Planning Inspector recommended Main Modifications to both the

Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals to make the plans Sound for adoption.

2.7 Consultation on the Main Modifications to the Croydon Local Plan: Strategic Policies – Partial Review and Main Modifications to the Croydon Local Plan: Detailed Policies and Proposals was approved under delegated authority by the Head of Planning and Strategic Transport in consultation with the Deputy Leader (Statutory) – Cabinet Member for Homes, Regeneration and Planning. The delegation was agreed by Full Council in December 2016 – decision reference A82/16. Consultation on the Main Modifications ran for a period of 6 weeks from 29 August 2017 to 10 October 2017 (inclusive).

2.8 The Planning Inspector has considered all representations received on the Main Modifications and has submitted a final report to the Council recommending adoption of the Croydon Local Plan. His report concludes that both the Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals provide an appropriate basis for the planning of the Borough, provided that a number of main modifications are made to it. The report has been published on the Council's website at can be viewed at www.croydon.gov.uk/sites/default/files/articles/downloads/Inspector%E2%80%99s%20Report%20on%20the%20Croydon%20Local%20Plan.pdf .

2.9 The Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals have been combined into one document, the Croydon Local Plan 2018. This is being presented to Council with a recommendation to adopt it as part of the statutory development plan for the London Borough of Croydon. As part of the statutory development plan under s38(6) of the Planning and Compulsory Purchase Act 2004 all planning applications must be determined in accordance with the Croydon Local Plan 2018 unless material considerations indicate otherwise.

3. CROYDON LOCAL PLAN 2018

3.1 The Croydon Local Plan 2018 sets out to meet the need for new homes, employment, and infrastructure in Croydon between 2016 and 2036.

3.2 The objectively assessed need for new homes in this period is 44,149 new homes. Together Metropolitan Green Belt, Metropolitan Open Land, other important open spaces, and the need to protect employment land and important community facilities, as well as working with the character of the 16 Places across the borough all constrain the ability to meet that need. Therefore, the Croydon Local Plan 2018 sets out a target to deliver a minimum of 32,890 new homes across the borough by 2036. Of these 40% should be affordable homes across the borough. On larger development sites the Croydon Local Plan 2018 has maintained the unique approach of setting a minimum requirement for affordable housing, set at 30% in the Croydon Local Plan 2018.

3.3 Of the 32,890 homes planned in the Croydon Local Plan 2018, almost 15% are either completed already or are under construction. A further third are on sites in the Croydon Opportunity Area, 21% on allocated larger sites elsewhere in the borough, and 31% on small windfall sites spread across the borough through sustainable growth of the suburbs.

3.4 The Croydon Local Plan 2018 maintains and protects existing employment land in the borough as well as creating a new Office Retention Area around East Croydon station, reflecting the area's status as a centre for offices, and to give greater weight to the Article 4 direction that already exists in the area that removes permitted development rights to convert offices to residential use without first obtaining planning permission.

3.5 The Croydon Local Plan 2018 also designates one new Local Centre and 18 new Neighbourhood Centres across the borough to support growth of local services and sustainable growth of the suburbs.

3.6 The Croydon Local Plan 2018 supports sustainable growth of the suburbs through its policies on Urban Design and Local Character, using local character to inform how new development can be accommodated to help meet housing need without loss of open spaces or destruction of local character. It also designates 25 new Local Heritage Areas which are areas of importance locally because of their historic value, and thus should be protected, but are not of national significance, meaning they are not suited to designation as Conservation Areas. In areas with an inconsistent character the Croydon Local Plan 2018 has set 29 Place-Specific Policies to guide development to ensure an improvement to local character. The Croydon Local Plan 2018 also designates four Areas of Focussed Intensification in four locations with both an existing inconsistent character, a low density of existing development, potential development sites and good levels of accessibility. In these four areas a gradual evolution of character to higher density forms is planned.

3.7 The Croydon Local Plan 2018 provides an additional 11.86ha of land with Green Belt/Metropolitan Open Land protection across the borough. In order to protect smaller, but important areas of open space it refers to the Policy 7.18 of the London Plan and paragraph 74 of the National Planning Policy Framework. The most important smaller open spaces will be shown on the Policies Map accompanying the Policies Map as being protected by Policy 7.18 of the London Plan.

4. THE EXAMINATION OF THE CROYDON LOCAL PLAN 2018

4.1 On 3 February 2017, the Council submitted the Croydon Local Plan: Strategic Policies – Partial Review (Proposed Submission) and the Croydon Local Plan: Strategic Policies (Proposed Submission) to the Secretary of State for independent examination. The Examination in Public into the Local Plan documents, held before a Secretary of State appointed Planning Inspector, was undertaken from 16 May to 31 May 2017.

4.2 As a consequence of the submission of the Local Plan documents, the representations received on the Local Plan documents and the examination hearings, the Planning Inspector recommended Main Modifications to both the Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals to make the plan sound for adoption. The Council facilitated consultation on the Main Modifications, notwithstanding the Main Modifications were the Planning Inspector's. The consultation on the Main Modifications to the Local Plan ran for six weeks, from 29 August to 10 October (inclusive) 2017.

4.3 A further informal consultation on modifications to the Main Modifications on the policy for hot food takeaways in Shopping Parades and in Edge of Centre or Out of Centre locations in the borough was carried out at the Inspector's request between 15 December 2017 and 5 January 2018 (inclusive).

4.4 The Planning Inspector has now considered all of the representations received on the Main Modifications and has submitted a final report to the Council recommending the adoption of the Croydon Local Plan 2018 as it is considered that the document satisfies the legal requirements and is considered sound provided that a number of main modifications are made to it.

4.5 The Main Modifications all concern matters that were discussed at the examination hearings. They can be summarised as follows:

- To bring substantive material from supporting text into stated policy;
- To rationalise various overlapping policies concerning character (namely merging policies on development on back gardens, character and urban design in general, and the overarching policy on the Places of Croydon);
- The addition of a tall buildings policy for the Croydon Opportunity Area rather than relying on the Croydon Opportunity Area Planning Framework, which as a Supplementary Planning Document cannot be make policy itself;
- Amendments to land uses on particular site proposals, either to reflect consented schemes, or to widen the number of permitted uses to aid the deliverability of development on key sites;
- Remove the proposed area of focused intensification around Sanderstead Local Centre and to review the boundaries of the areas of focussed intensification around Brighton Road (Sanderstead Road) Local Centre, Forestdale Neighbourhood Centre and Kenley Neighbourhood Centre;
- Reducing the strategic target for homes with three or more bedrooms from 50% of all new homes to 30% of all new homes as the higher target would be unachievable;
- De-designation of Green Belt at Coombe Road Playing Fields to enable the allocation of the land for a new secondary school (to open in September 2018);
- Deletion of all other proposed schools (both primary and secondary) in Green Belt or on Metropolitan Open Land, with one school being moved from a Green Belt location to Timebridge Community Centre, New Addington;
- To reinstate part of a de-designated area of Metropolitan Open Land on the land at Shirley Oaks that is directly part of the Green Chain leading up to Ashburton Playing Fields (but leaving other parts de-designated as proposed in the proposed submission Local Plan);
- To delete all Local Green Space designations pending a further review, but including on the Policies Map open spaces protected by the London Plan's policy on loss of open space;
- To change the designation of Sanderstead Plantation from Local Green Space to Metropolitan Open Land;
- Amendments to the policies on hot food takeaways in Shopping Parades or outside of town centres, which were subject to additional consultation as a result of the Council's strong evidence based objection to the original main modification, and as a result have been strengthened such that it will be more difficult to open unhealthy hot food takeaways in many areas of the borough; and
- To refine policies governing the provision of hot food take-aways and the loss of pubs

4.6 The majority of policies and proposals that the Council submitted to the Secretary of State in February 2017 remain unchanged. In particular the proposed policies on the overall housing target, location of growth, affordable housing in development, protection against the loss of industrial land and the allocation of Purley Oaks depot for a Gypsy and Traveller site are either unchanged or the changes are to be welcomed as they make the Croydon Local Plan more robust.

4.7 It is within the gift of the authority to combine the Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals into one planning document. For ease of use by Members, officers, the public and developers the two Plans have been merged into the Croydon Local Plan 2018. This is being presented to Council with a recommendation to adopt it as part of the statutory development plan for the London Borough of Croydon. As part of the statutory development plan under s38(6) of the Planning and Compulsory Purchase Act 2004 all planning applications must be determined in accordance with the Croydon Local Plan 2018 unless material considerations indicate otherwise.

4.8 No policies have been lost as a result of the merging of the two plans into the Croydon Local Plan 2018. The only significant changes are as a consequence of merging the introductory chapters of the Strategic Policies – Partial Review with that of the Detailed Policies and Proposals; and the renumbering of paragraphs throughout the document. Other cosmetic changes have been made to reflect the fact that the Plan recommended to be adopted and as such references that were purely contained to aid stakeholders in making representations have been removed.

5. CONSULTATION

5.1 In preparing the Croydon Local Plan 2018 the Council has worked with communities, stakeholders, partners and interested parties to devise policies and proposals that it thinks will best address the needs of the borough up to 2036. As part of this process the Council has drawn upon an extensive evidence base referenced throughout this document and the comments made during consultation on drafts of the Plan. The Strategic Policies have been subject to four periods of consultation. It started out with an Issues and Options consultation in July 2009 followed by two consultations on Preferred Option in February 2010 and September 2010, which lead led to their adoption in April 2013 after independent examination. A Partial Review of the Strategic Policies has been subject to further consultation on Preferred and Alternative Options in November 2015. The Detailed Policies were subject to two periods of consultation, both on Preferred and Alternative Options, one in October 2012 and the next in November 2015. The November 2015 consultation also included all of the Detailed Proposals.

5.2 The Inspector, in his report, found the above consultation process to be in legal conformity with the Town and Country Planning (Local Planning) (England) Regulations 2012 and the Council's own Statement of Community Involvement.

5.3 Prior to submitting the Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals to the Secretary of State there was formal six week publication period during which interested parties could make representations to be considered by the Planning Inspector appointed to examine the Local Plan.

5.4 Following the conclusion of the public hearing sessions of the Examination of the Croydon Local Plan there was a further consultation on the Main Modifications Croydon Local Plan: Strategic Policies – Partial Review and Main Modifications to the Croydon Local Plan: Detailed Policies and Proposals. These ran for a period of 6 weeks from 29 August 2017 to 10 October (inclusive) 2017. A further informal consultation on modifications to the Main Modifications on the policy for hot food takeaways in Shopping Parades and in Edge of Centre or Out of Centre locations in the borough was carried out at the Inspector's request between 15 December 2017 and 5 January 2018 (inclusive).

5.5 All people and parties who made representations throughout the course of the development of the Croydon Local Plan will be notified about the adoption of the Croydon Local Plan 2018.

5.6 Notification of the adoption of the Croydon Local Plan will include the following:

- Emails and/or letters to the Local Plan consultee database which includes the Duty to Cooperate authorities, Statutory Bodies, landowners, developers and local community organisations, businesses and residents.
- Printed media - notice in the local newspaper and council communications including e-bulletins.
- Publication on the Council's web pages, and social media such as Facebook and Twitter. …

6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

6.1 The Croydon Local Plan reserve will be used to cover the estimated cost of £7,210 associated with printing the Croydon Local Plan 2018, with some contingency for any variation of this estimate. Of the expenditure already committed a total of £5,043 is dependent upon adoption of the Croydon Local Plan 2018, and would not be spent if the Croydon Local Plan 2018 is not adopted. This is reflected in the budget table below.

6.2 The residual reserve will be rolled forward to help fund Croydon Council's contribution to the review of the Joint South London Waste Plan, work on which is scheduled to commence in June 2018 with adoption in 2021.

1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2017/18	2018/19	2019/20	2020/21
	£'000	*£'000*	*£'000*	*£'000*
Revenue Budget available				
Expenditure	32	21	21	
Income	0	0	0	0
Effect of decision from report				
Expenditure	(11)	(0.6)	(0.6)	0
Income	0	0	0	0
Remaining budget	21	21	20	
Capital Budget available				
Expenditure	0	0	0	0
Effect of decision from report				
Expenditure	0	0	0	0
Remaining budget	0	0	0	0

2 The effect of the decision

2.1 The adoption of the Croydon Local Plan 2018 is the final stage in the process of preparing the Croydon Local Plan.

3 Risks

3.1 There is a judicial review period of six weeks which is the process of challenging the lawfulness of the decision that was made. Challenges to Secretary of State decisions are required to be brought through statutory review proceedings under section 288 of the Town and Country Planning Act 1990 (TCPA) or for development plans, Section 113 of the Planning & Compulsory Purchase Act 2004, respectively. Any legal challenges will result in additional financial costs above those available and could result in the decision being "quashed" or nullified and in turn this usually means that the decision has to be taken again.

3.2 The consequences of not having an up to date, national policy compliant Local Plan for the borough are serious and far reaching. It is for this reason that the production of a new Local Plan is so important in order to positively guide development decisions. Without an up to date Local Plan, development could come forward on an ad hoc basis, through planning applications and with the risk that it would put the borough in a situation of 'planning by appeal.' Under the Town and Country Planning (Local Planning) (England) (Amendment) Regulations 2017 the existing Croydon Local Plan: Strategic Policies will become out of date on 22 April 2017. After this date the Council risks intervention by the Secretary of State to take over the Council's plan making function if the new Croydon Local Plan 2018 is not adopted. There would also be a greater threat the borough's employment land and character as the housing target would potentially revert to the Government's assessment of the borough's housing need which is provisionally calculated to be in excess of 3,500 homes a year, which is over twice the target set by the Croydon Local Plan 2018.

3.3 If the Local Plan is not adopted, the process would go back several stages including having to go through the whole examination process again which would result in a large cost to the Council.

3.4 As the Croydon Local Plan 2018 will be part of the overarching Local Planning Authority's spatial planning strategy for the next twenty years, it is also essential that it is of sufficient quality and purpose to ensure the Council can achieve its Vision.

4 Options

4.1 There are no options with regard to the adoption of the Croydon Local Plan as this process is being undertaken as part of the statutory process.

4.2 In the absence of the Croydon Local Plan, future planning decisions will be at risk of challenge as there could be the absence of an up to date development plan and possible non-conformity with London Plan policy, which could result in greater planning appeal costs.

5 Future savings/efficiencies

5.1 An up-to-date adopted Local Plan will contribute indirect financial savings by assisting the regeneration of the borough through the setting of a firm planning framework that will provide certainty to the community and developers, mitigate cost associated with planning appeals and ensure the Council has an up to date development plan as set out in government guidance, which could become a performance requirement under emerging government policy.

6 (Approved by: Felicia Wright, Head of Finance – Place)

7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

7.1 The Solicitor to the Council comments that the development of the Local Plan and the processes that have occurred to date and are set out in this report reflect the statutory requirements as laid out in the Planning and Compulsory Purchase Act 2004, the Town and Country Planning Act 1990 and other associated regulations and the Localism Act 2011 (in terms of the duty to co-operate). If the recommendations are approved by Council, then pursuant to Regulation 26 and 35 of the Town and Country Planning (Local Planning) (England) Regulations 2012 and as soon as reasonably practicable after the adoption of the Local Plan, the Council should publish an adoption statement alongside the Local Plan itself, the sustainability appraisal report and details of where the local plan is available for inspection. A copy of the adoption needs to be sent to any person who has asked to be notified of the adoption of the Plan and a copy of the adoption statement needs to be also sent to the Secretary of State.

Approved by: Sean Murphy, Head of Commercial and Property Law and Deputy Monitoring Officer on behalf of the Director of Law and Monitoring Officer

8. HUMAN RESOURCES IMPACT

8.1 There are no direct Human Resources considerations arising from this report in terms of impact on staff. Adoption of the Croydon Local Plan can be undertaken with the current Spatial Planning resource as part of the Service Plan 2017/20.

(Approved by: Sue Moorman, Director of Human Resources)

9. EQUALITIES IMPACT

9.1 The Croydon Local Plan: Strategic Policies – Partial Review and the Croydon Local Plan: Detailed Policies and Proposals has been subject to an Equality Analysis scoping exercise, which has assessed the Plans' impact on equalities and identified that a full Equalities Assessment was necessary for the Proposed Submission stage. The full Equalities Assessment has established that there is no potential for discrimination, harassment or victimisation and that the Croydon Local Plan, includes all appropriate actions to advance equality and foster good relations between groups. The appropriate actions to address potential impacts on groups with a protected characteristic include:

- The Croydon Monitoring Report, which is published annually, to assess the effectiveness of the Croydon Local Plan: Strategic Policies – Partial Review and Croydon Local Plan: Detailed Policies and Proposals.
- Monitoring of supply and demand for sheltered, residential care, and extra care housing.

9.2 The Equalities Assessment is provided as a background document, as although it has previously been published, it is no longer available on the Council's website.

10. ENVIRONMENTAL IMPACT

10.1 A Sustainability Appraisal of the Main Modifications to the Croydon Local Plan: Strategic Policies – Partial Review and Main Modifications to the Croydon Local Plan: Detailed Policies and Proposals was undertaken and accompanied the Main Modifications consultation. Sustainability Appraisals were also undertaken on all previous stages of the Croydon Local Plan. The final versions will be published alongside the adopted Croydon Local Plan 2018. All sustainability appraisals can be found at www.croydon.gov.uk/planningandregeneration/framework/localplan/sustainabilityapp.

11. CRIME AND DISORDER REDUCTION IMPACT

11.1 The adoption of the Croydon Local Plan 2018 does not have a direct impact on the reduction or prevention of crime and disorder.

CONTACT OFFICER: Steve Dennington, Service Head – Spatial Planning (ext. 64973)

APPENDICES TO THIS REPORT

- **Croydon Local Plan 2018**
- **Policies Map (North Sheet)**
- **Policies Map (South Sheet)**
- **Policies Map (Inset Sheet)**

BACKGROUND DOCUMENTS:

- Equalities Analysis of the Croydon Local Plan: Strategic Policies – Partial Review
- Equalities Analysis screening for the Croydon Local Plan: Detailed Policies and Proposals

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Proposed Submission
Policies Map
North and South Sheet
January 2018
NORTH
SOUTH
CROYDON
www.croydon.gov.uk
GENERAL PLANNING POLICY AREAS
Other areas covered by Policies in the Plan
Croydon Opportunity Area (SP1, SP2, SP4, DM38)
PLACE OF OPPORTUNITY
District Centre (SP2, SP3, DM4, SP4, DM11, DM19)
Local Centre (SP3, DM4, DM11, DM19)
Neighbourhood Centre (DM5, DM19)
Primary Shopping Area (DM4)
Main Retail Frontage (DM4, DM19)
Secondary Retail Frontage (DM4, DM19)
Shopping Parade (DM6, DM11, DM19)
Strategic Industrial Locations (SP3, DM9)
Separated Industrial Locations (SP3, DM9)
Integrated Industrial Locations (SP3, DM9)
PLACE TO BELONG
RH Registered Historic Parks and Garden (SP4, DM18)
Locally Listed Historic Parks and Garden (SP4, DM18)
CA Conservation Area (SP4, DM18)
Local Heritage Area (SP4, DM18)
Archaeological Priority Area (SP4)
L Local Designated Landmark (SP4, DM17)
Local Designated View (SP4, DM17)
Croydon Panorama (SP4, DM17)
Area of Focussed Intensification (DM10)
PLACE WITH SUSTAINABLE FUTURE
South London Waste Plan Schedule 1 site (SP6)
South London Waste Plan Schedule 2 location (SP6)
Flood Zone 2 (EA data October 2015) (DM23, SP6, DM25) (for details contact Environmental Agency)
Flood Zone 3 (EA data October 2015) (SP2, DM23, SP6, DM25) (for details contact Environmental Agency)
Metropolitan Green Belt (DM22, SP7, DM26, DM33)
Metropolitan Open Land (DM22, SP7, DM26, DM33)
Other undesignated Open Space protected by London Plan Policy 7.18
G Regionally Important Geological and Geomorphological Sites (SP7, DM27)
Sites of Nature Conservation Importance (SP7, DM27)
Sites of Special Scientific Interest (SP7, DM27)
Strategic Road Network (DM29, DM30)
Roads where planning permission is required for a dropped kerb (DM30)
THE PLACES OF CROYDON
121 Proposal Sites
DMXX.X Place Specific Policy Areas
Policies not specific to defined areas apply throughout the Borough
N
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Scale 1:10 000
0
1
2 km
0
1/2
1 mile
MITCHAM
PENGE
CROYDON
SEE INSET MAP

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Cyan Magenta Yellow Black

Maps produced by Lovell Johns Ltd., Oxford, England.

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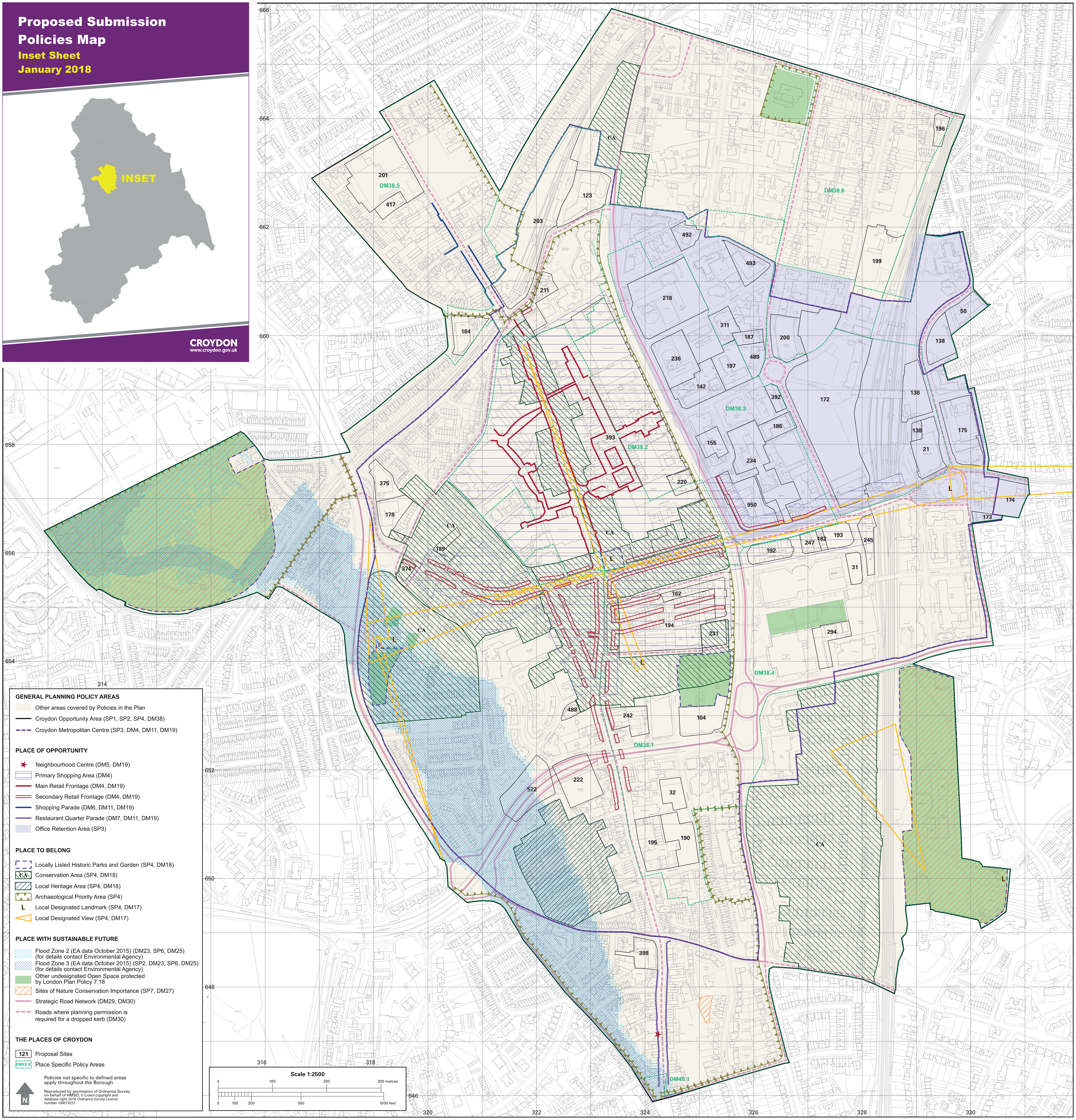
Proposed Submission Policies Map

Inset Sheet

January 2018

CROYDON INSET MAP



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