



**CABINET
AGENDA**
for the meeting
on
1 March 2021 at
6.30 pm

To: Croydon Cabinet Members:

Councillor Hamida Ali, Leader of the Council
Councillor Stuart King, Deputy Leader (Statutory) and Cabinet Member for Croydon Renewal
Councillor Muhammad Ali, Cabinet Member for Sustainable Croydon
Councillor Jane Avis, Cabinet Member for Homes & Gateway Services
Councillor Janet Campbell, Cabinet Member for Families, Health & Social Care
Councillor Alisa Flemming, Cabinet Member for Children, Young People & Learning
Councillor Oliver Lewis, Cabinet Member for Culture & Regeneration
Councillor Manju Shahul-Hameed, Cabinet Member for Economic Recovery & Skills
Councillor David Wood, Cabinet Member for Safety, Communities & Resilience
Councillor Callton Young OBE, Cabinet Member for Resources & Financial Governance

Invited participants:

Councillor Louisa Woodley, Chair of the Health & Wellbeing Board
All other Members of the Council

A meeting of the **CABINET** which you are hereby summoned to attend, will be held on **Monday, 1 March 2021 at 6.30 pm. This meeting will be held remotely**

JACQUELINE HARRIS BAKER
Council Solicitor and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Victoria Lower
020 8726 6000 x14773
victoria.lower@croydon.gov.uk
www.croydon.gov.uk/meetings
19 February 2021

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AGENDA – PART A

1. Apologies for Absence

2. Minutes of previous meetings (Pages 5 - 44)

To approve the minutes of the meetings held on 25 November 2020 and 14 December 2020 as an accurate record.

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. Budget and Council Tax 2021/22

a) Croydon's General Fund & HRA Budget 2021/22 to 2023/24 (Pages 45 - 208)

Cabinet Member: Leader of the Council, Councillor Hamida Ali
Cabinet Member for Croydon Renewal, Councillor Stuart King
Cabinet Member for Resources & Financial Governance, Councillor Callton Young
Cabinet Member for Homes & Gateway Services, Councillor Jane Avis
Officer: Interim Chief Executive, Katherine Kerswell
Interim Director of Finance, Investment & Risk, Chris Buss
Key decision: Council Tax recommendations are reserved to Council.
Housing rents and charges are Key Executive Decisions

- b) **Financial Performance Report - Quarter 3** (Pages 209 - 234)
Cabinet Member: Cabinet Member for Croydon Renewal, Councillor Stuart King
Cabinet Member for Resources & Financial Governance, Councillor Callton Young
Officer: Interim Director of Finance, Investment & Risk, Chris Buss
Key decision: No

- c) **Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/2022 (To Follow)**
Cabinet Member: Cabinet Member for Croydon Renewal, Councillor Stuart King
Cabinet Member for Resources & Financial Governance, Councillor Callton Young
Officer: Interim Director of Finance, Investment & Risk, Chris Buss
Key decision: No

6. **Investing in our Borough** (Pages 235 - 242)
Cabinet Member: Cabinet Member for Resources & Financial Governance, Councillor Callton Young
Officer: Executive Director Resources, Jacqueline Harris Baker
Key decision: No

- a) **Corporate Cleaning and Security Contracts** (Pages 243 - 262)
Cabinet Member: Cabinet Member for Homes & Gateway Services, Councillor Jane Avis
Cabinet Member for Resources & Financial Governance, Councillor Callton Young
Cabinet Member for Croydon Renewal, Councillor Stuart King
Officer: Executive Director Place, Shifa Mustafa
Key decision: No

7. **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

8. Minutes of previous meetings (Pages 263 - 264)

To approve the Part B minutes of the meeting held on 25 November 2020 as an accurate record.

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Public Document Pack Agenda Item 2

Cabinet

Meeting of held on Wednesday, 25 November 2020 at 6.30 pm. This meeting was held remotely

MINUTES

- Present:** Councillors Hamida Ali, Stuart King, Muhammad Ali, Jane Avis, Janet Campbell, Alisa Flemming, Oliver Lewis, Manju Shahul-Hameed, David Wood, Callton Young, Jeet Bains, Leila Ben-Hassel, Margaret Bird, Simon Brew, Richard Chatterjee, Sherwan Chowdhury, Nina Degrads, Felicity Flynn, Patricia Hay-Justice, Bernadette Khan, Shafi Khan, Toni Letts and Pat Ryan
- Also Present:** Councillors Jason Perry, Jason Cummings, Lynne Hale, Maria Gatland, Simon Hoar, Yvette Hopley, Vidhi Mohan, Helen Redfern, Scott Roche, Andy Stranack, Gareth Streeter, Louisa Woodley, Sean Fitzsimons, Robert Ward, Pat Clouder, Clive Fraser, Mario Creatura, Jeet Bains, Leila Ben-Hassel, Margaret Bird, Simon Brew, Richard Chatterjee, Sherwan Chowdhury, Nina Degrads, Felicity Flynn, Patricia Hay-Justice, Bernadette Khan, Shafi Khan, Toni Letts and Pat Ryan
- Officers:** Katherine Kerswell (Interim Chief Executive), Jacqueline Harris Baker (Executive Director of Resources), Elaine Jackson (Interim Assistant Chief Executive), Debbie Jones (Interim Executive Director of Children, Families & Education), Shifa Mustafa (Executive Director of Place), Heather Simmonds (Executive Director Localities and Resident Pathway), Lisa Taylor (Director of Finance, Investment & Risk and Section 151 Officer) and Guy Van Dichele (Executive Director of Health, Wellbeing & Adults)

PART A

84/20 **Minutes of the previous meeting**

Councillor Jason Cummings noted that the minutes had not detailed the questions asked by Shadow Cabinet Members, and requested that the minutes provided more detail.

The Chief Executive Officer and Monitoring Officer agreed for the minutes of the Cabinet meeting held on 19 October 2020 to be revised and brought back for approval at the next Cabinet meeting.

85/20 **Disclosure of Interests**

There were none.

86/20 **Urgent Business (If any)**

There were no items of urgent business.

Croydon Renewal Plan

The Leader introduced the report and explained that there were two parts to the report, and the discussions would be taken separately, following the joint introduction. It was explained that the first report was an overview of the improvement work and the second report was on the financial recovery plan, focused on the savings proposals in the coming years. The Interim Chief Executive highlighted the summary of the report, as it detailed the proposed changes to the council; ensuring continuous improvement, and having a combination of economy, efficiency and effectiveness within a financially sustainable budget. She further highlighted to the Cabinet that significant consultation had been had with council staff members; a staff survey, well-attended focus groups, and weekly webinars with the Leader of the Council and the Interim Chief Executive. She noted that there was a lot of upset and anger from staff members, and it was crucial to recognise how the staff were feeling, and to consider all the actions and suggestions outlined within the report. She concluded by stating that it was not the end of the engagement, and there would be further opportunity for people to add to the report and to consider improvements.

a Croydon Renewal Improvement Plan and the Croydon Renewal Improvement Board

The Cabinet Member for Communities, Safety & Resilience, Councillor David Wood, highlighted the proposed work in regards to the Croydon Communities Board, which would form an important part of the Croydon Renewal Improvement Board. The intended membership of this Board included a proposal to invite representatives from the voluntary sector, different faiths, tenants and residents, associations, businesses and communities. He requested that Councillors recommend anyone within their ward who could be considered as a representative of the Board. He added that it was an important part of the improvement plan delivery, and it was crucial to have resident and community engagement.

The Cabinet Member for Economic Recovery & Skills, Councillor Manju Shahul-Hameed, gave an update in regards to the economy and the shaping of the new priorities in regards to this, noting that 99% of the businesses were SMEs (small and medium-sized enterprises), micro-businesses and family run businesses. The first lockdown was the worst recession on record, and businesses were beginning to recover from this, but then the second lockdown in Croydon was announced. She explained that the impact from COVID-19 and the S114 notice was impacting the economy and businesses significantly, and expressed the importance of business partnership during this time. The Croydon Renewal Improvement Board would provide reassurance to Croydon residents and business owners and assist during the implementation of the changes required, specifically, the need for greater transparency and openness. She further noted that the partners she had spoken to had confirmed their

support for the Croydon Renewal Plan, and were willing to contribute to the process where possible.

The Cabinet Member for Children, Young People & Learning, Councillor Alisa Flemming, expressed the importance of partnerships during the ongoing work around the structural deficit within the council. She noted that this was not just between Members and Officers, but also with community organisations. She thanked everyone involved with this ongoing work, including the Local Strategic Partnership and the Safeguarding Board, in particular the Independent Chair, Di Smith, for her work towards ensuring the lives of the most vulnerable in the borough were safeguarded.

The Shadow Cabinet Member for Safer Croydon & Communities, Councillor Andy Stranack, raised concern to the Cabinet Member for Communities, Safety & Resilience regarding the proposed representation on the Croydon Renewal Improvement Board; it was felt the members from the Croydon Communities Board, in particular regard to Voluntary Services, was “tokenistic”.

In response, the Leader explained that the Board had been assembled to provide additional support and give further reassurance and engagement to residents and partners. The Cabinet Member for Communities, Safety & Resilience also clarified that the report stated that the Communities Board could have a representative on the Board; however, this was a draft version of the Terms of Reference, and it could be reviewed.

The Deputy Leader of the Opposition & Shadow Cabinet Member for Finance & Resources, Councillor Jason Cummings, asked when the final submission to MHCLG would be available to the Shadow Cabinet.

In response, the Leader explained that the submission was currently being drafted, but the majority of the information provided in both part A and part B of the Croydon Renewal Plan report would be included within the submission. The Interim Chief Executive added that the council was working closely with MHCLG to complete a final submission by mid-December, with the aim for it to be discussed at Cabinet on 14 December 2020, for submitting on 15 December 2020. She explained that the figures continued to change, so the submission could have some caveats, but MHCLG were aware of this.

The Shadow Cabinet Member for Culture, Leisure & Sport (Job Share), Councillor Vidhi Mohan, queried whether the Asset Investment Strategy would be discontinued, as it was not clear from the report.

In response, the Cabinet Member for Croydon Renewal, Councillor Stuart King, explained that the Grant Thornton report recommended a review to assess all council assets; this would include Croydon Park Hotel and the Colonnades Leisure and Retail Park.

The Leader confirmed that supplementary questions would not be asked due to time constraints.

The Leader of the Conservative Group thanked all council staff for their continued efforts to support the community during the COVID-19 pandemic, and now through the financial situation. He noted that the Cabinet had been speaking about the change of culture needed for the council, and asked whether the Councillors previously responsible for the impacted areas would be expelled. He further queried how growth was being built into the budget, despite the reports outlining that libraries and recycling centres were to be closed, services cut and ward budgets frozen.

In response, the Leader of the Council explained that the report was setting out the scale of change that was needed to make the required improvements, and included recommendations from a range of review work, which had either been completed or was underway. It was further highlighted that these reviews sought to address the fundamental challenges regarding financial resilience and the governance of decision making. The Improvement Board would comprise of experts in their field, addressing these challenges and would focus on all areas within the council. She explained that in addition to this, along with the Non-Executive Committees, Scrutiny & Overview Committee, Scrutiny Sub-Committees, and the General Purposed & Audit Committee, Members should have received all the relevant information and assurance required.

Shadow Cabinet Member for Finance & Resources, Councillor Jason Cummings, noted that the council was currently at the maximum potential borrowing limit; however, the capitalisation direction sought to add a borrowing of approximately £130m. He explained that he was presuming that there would be significant transformation money in order to make the additional changes to the council structures that would be required to meet future budgets, in addition to the redundancy costs detailed in the reports, which would also be capitalised. He asked what the consequences of exceeding the borrowing limits would be and how these consequences would be managed.

In response, the Cabinet Member for Croydon Renewal, Councillor Stuart King, clarified that the borrowing limits were set by the council and, where possible, these borrowing limits would be reduced. There was also an ongoing capital review of what was in the Medium Term Financial Strategy (MTFS). The Director of Finance, Investment & Risk and Section 151 Officer, Lisa Taylor, agreed with the Cabinet Member for Croydon Renewal and added that all borrowing strategies for 2021/22 would be reviewed.

The Shadow Cabinet Member for Clean Green Croydon, Councillor Helen Redfern, noted that one of the remaining key priorities was to keep the streets of Croydon clean and safe; she queried why the council had redirected a different grant intended to fund flood alleviation marking

Riddlesdown into the general fund, which specific streets would be kept clean and safe with that grant money, and the impact this would have on the council's future ability to bid for grants from government bodies.

In response, The Cabinet Member for Sustainable Croydon, Councillor Muhammad Ali, explained that the money had been received from the Department for Environment, Food and Rural Affairs (DEFRA) for a number of schemes across the borough, and the council did not set the conditions of money dedication. These were still in the pipeline, due to the financial position of the council and due to the complexity of the jobs; he confirmed that these schemes had merely been paused and not stopped. The releasing on funds would be agreed on a scheme-by-scheme basis, and a business case for the work in Riddlesdown had been submitted and was awaiting the outcome from the Spending Control Panel. He further added that, in the meantime, the council would continue to undertake gully cleaning and respond to emergency flooding situations.

The Shadow Cabinet Member for Families, Health & Social Care, Councillor Yvette Hopley, noted that the report stated that the Adults Directorate was to be “modernised” and “transformed”; however, she raised concerns that Appendix A stated that the Administration had a poor track record of transforming services, and questioned how this would be achieved by borrowing money in the form of capitalization, in addition to the £15m transformation money already received.

In response, the Leader explained that the objective of the Improvement Plan and the accompanying Improvement Board, in addition to the Non-Executive Committees, was to oversee the ongoing work, and to provide external challenge and scrutiny where needed. She further noted that the challenge was significant, and would take time to resolve, and that was the reason clear objectives had been set, alongside an improvement plan, with strong external challenge.

The Shadow Cabinet Member for Economy & Jobs, Councillor Simon Hoar, requested that the Leader of the Council apologise on behalf of the Administration, as the Former Leader had not, to the Council staff for the loss of 400 jobs and the further stress endured due to the issuing of the S114 notice. He further requested statistics on how many more jobs would be lost. The Leader of the Council explained that she had apologised to the Council since becoming the Leader, however, she apologised again for the loss of jobs and the position the council was in. She explained that she was a new Leader, with a new Cabinet, and they would be addressing and resolving the difficulties being faced.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Agree to recommend to Full Council the approval of the development of the Croydon Renewal Improvement Plan, noting the first high level draft at Appendix A of the report.
 2. Agree to recommend to Full Council the approval for consultation on the terms of reference and membership for the Croydon Renewal Improvement Board at Appendix B of the report.
 3. Agree to recommend to Full Council to delegate to Cabinet in January 2021 approval of the final version of the Croydon Renewal Improvement Plan.
 4. Recommend that the feedback on the terms of reference and membership for the Croydon Renewal Improvement Board following consultation and feedback from Scrutiny & Overview Committee (S&O), General Purposes & Audit Committee (GPAC), Staff, Partners and MHCLG is presented to Full Council in January 2021.
 5. Note the outcome of the recent staff survey and staff focus groups and that their contents are reflected in the high-level draft Croydon Renewal Improvement Plan at Appendix C of the report.
 6. Agree to recommend to Full Council that the Interim Chief Executive is delegated authority to submit to MHCLG the proposal for a capitalisation direction, in consultation with the Leader of the Council, Cabinet Member for Croydon Renewal, Cabinet Member for Resources and Financial Governance, the Director of Finance, Investment and Risk, and that an update be presented to the next relevant Cabinet meeting when this is completed.
 7. Agree to recommend approval to Full Council; the adoption of the new Council Priorities and Ways of Working in Appendix D and that this replaces the Council's Corporate Plan 2018-2022, which forms part of the Council's policy framework.
 8. Note that the Interim Chief Executive in her statutory role as Head of Paid Service will, in accordance with her Section 4 duty under the Local Government and Housing Act 1989; commence consultation on a restructure of the Council's management arrangements. Following formal consultation, the proposals will be brought back to Cabinet and Full Council for final decision.
- b **Croydon Renewal Financial Recovery Plan and the submission to MHCLG for the Capitalisation Direction**

The Cabinet Member for Culture & Regeneration, Councillor Oliver Lewis, explained to Cabinet that savings were to be sought through the closure of libraries and a change in service provision, and the following had been considered whilst drafting the proposal; footfall, book issues, PC sessions, geography, and the cost of repairs and maintenance. There would be a

consultation on the closure of the libraries in Broad Green, Bradmore Green, Sanderstead, Shirley and South Norwood. He noted that the libraries had been invested in since being brought back in-house which had resulted in technological improvements, increases in the book fund, and enhanced partnerships through the Libraries Consortium; however, consolidation was necessary in response to the Council's financial situation. The Cabinet Member for Culture & Regeneration also explained to the Cabinet that COVID-19 had a huge impact on leisure providers, therefore, Croydon Council would be focused on working in partnership with the GLL to enhance sustainability. He explained that this could result in some facilities operating differently to how they did before, and other facilities may cease operation altogether. Croydon would continue to seek a share of the Government's £100m fund and would engage with communities and stakeholders when necessary. In regards to the museums and archive service, the Cabinet Member for Culture & Regeneration explained that they would begin to work closely with the libraries, and would deliver their statutory services jointly. He added that the proposals allowed Croydon to protect its involvement in the London Borough of Culture for 2023.

The Cabinet Member for Families, Health & Social Care, Councillor Janet Campbell, informed Cabinet that the proposed budget would allow the necessary repositioning of Adult Social Care, whilst still delivering the service and meeting the financial targets. Following consultation with residents, the Cabinet Member sought to carefully reduce demands by 5%; Croydon Council would be working closely with internal staff, the community, partners, volunteers, and infrastructure groups to provide alternative services. She assured Cabinet that she would ensure progress was measured, and that the council would spend accordingly to what could be afforded. The Cabinet Member for Families, Health & Social Care added thanks to the council staff and the LGA for their continued commitment to serve the public. She concluded by outlining the eight core focuses in Adult Social Care:

- To ensure good quality information and advice for people.
- To work closely and creatively with service residents and families to find alternative ways to care for them.
- To give residents control over their spending, such as direct payments.
- Good commissioning of accommodation and care.
- Working closely with partners, especially in health and the voluntary sector.
- Conducting an appraisal of in-house services, and establishing how best to use them.
- Maximising efficiency from our contracts and to renew or end them appropriately.
- To improve the planning work with young people before they come through to Adults, Services and Transitions.

The Cabinet Member for Sustainable Croydon, Councillor Muhammad Ali, thanked the staff who had been working on the proposals and the staff who worked on delivering vital services to the residents of Croydon. He explained that it was an ongoing process and decisions were being made in discussion, engagement and consultation with relevant stakeholders, unless otherwise stated that decisions had been made previously. He noted that the proposal included plans to streamline the parks maintenance service by merging all current resources for development and maintenance of the various parks into one team. There would also be radical changes in the maintenance regime, including changes to grass cutting and the discontinuation of bedding schemes. He emphasised that partnership working was being looked at, with the Friends of Parks groups, to ensure sufficient support was in place.

The Cabinet Member for Sustainable Croydon further explained there would be changes to parking charges, including future emissions based parking charges. He noted that the borough continued to grow in population and density, so it was crucial to continue reviewing parking charges in order to contribute to the maintenance of the access routes to homes, businesses and other amenities and to reduce the adverse environmental and public health impact associated with non-essential car use. He noted that the number of vehicles registered in Croydon was growing, from 132,000 in 2001, to 148,000 in 2016, and 159,000 in 2019. He highlighted that under the Road Traffic Regulation Act 1984, it did not authorise the council to use parking charges solely to raise revenue. He further explained to Cabinet that the structure requirements under the Environmental Protection Act stated that authorities were legally required to operate one Household Recycling Centre (HRC), but Croydon currently operated three. There was an option to close either one or two of the HRCs, which would generate a saving from the operational and running costs of the sites, and capital funding could be provided to improve the facilities of the remaining HRC site(s).

The Cabinet Member for Housing & Gateway Services, Councillor Jane Avis, explained that the savings proposals for Housing services needed more information before they could be progressed any further. These services were looking at how to reduce demand in temporary and emergency accommodation, and how best to innovate these services. She added that Gateway services had already made some significant savings, and further savings would also be confirmed.

The Leader of the Conservative Group noted that the report included the closure of five libraries and two HRCs, which would have a devastating impact on residents, particularly the most vulnerable, and asked how equity would be achieved for these residents.

In response, the Leader explained that the reports set out new priorities, and sought to replace the existing Corporate Plan with a view ensure the budget gap was addressed. As a result, all services across the council needed to be considered and assurances made to address the structural

deficit in order to resolve any ongoing overspends. She further stated that tackling inequality and poverty within the borough had always been a priority of the Administration and, despite facing some difficult budget decisions, would seek to ensure the most vulnerable in the community continued to receive important support from the council and confirmed this would remain a priority.

The Shadow Cabinet Member for Homes and Gateway Services, Councillor Lynne Hale, stated that in relation to Brick by Brick, the non-payments of 2019-20's interest of £14m, and the £5m dividend, in addition to the £11m interest due this financial year, amounted to £30m. She noted that this was nearly half of the projected £67m overspend. She questioned why these payments were being written off, and noted concern that external investigators were needed to identify that Brick by Brick had not been paying what was owed. She further asked which documents previous Cabinet Members were relying on to assure residents and Councillors that repayments were being made.

In response, the Leader of the Council noted that Item 6 on the agenda was "*Strategic Review of Companies and other investment arrangements - Brick by Brick Croydon Ltd ("BBB") Shareholder decision*" which had a full report and set out the recommendation. She explained that the report highlighted concerns about the oversight from the council in regards to the relationship with its company structures, which was why the strategic review had been commissioned. The report focused on how the council could strengthen their role as a shareholder and made reference to Brick by Brick as a wholly owned company.

The Shadow Cabinet Member for Transport, Environment & Regeneration, Councillor Gareth Streeter, explained that despite the report stating that the increase of the parking charges was not a fiscal measure, he did have concern for the rise of an additional £8m collectively being requested from residents. He questioned what consideration had taken place in regards to the impact on the lower paid and most vulnerable residents as well as local businesses. He noted that following COVID-19, the highstreets needed the council's support.

In response, the Cabinet Member for Sustainable Croydon clarified that £5m was related to street safety, and primarily came under the schemes which were currently implemented, and gave the example of school streets. He explained that any future decisions on the Low Traffic Neighbourhoods (LTNs) were subject to consultation and mentioned there was a separate report, already agreed by Cabinet, which outlined the breakdown of costs. He noted to the Shadow Cabinet Member that a climate emergency had been declared, and this emergency had been magnified by the public health crisis and the financial crisis. The proposed schemes would address both the climate change impact and air quality impact on residents, and mitigate the rise in vehicles within the borough as it was not currently sustainable.

The Shadow Cabinet Member for Children, Young People & Learning, Councillor Maria Gatland, noted that the auditor's report recommended the implementation of plans for looked after children and care leavers, and asked how the finances would be controlled within Children's services. She further asked the Cabinet Member how many families would be impacted by the removal of specialist nursery transport for children with disabilities, and how would this affect the Administration's priority to tackle inequality and poverty.

The Cabinet Member for Children, Young People & Learning, Councillor Alisa Flemming, agreed with the Shadow Cabinet Member that Children's services were under pressure financially but were also in need of growth. She explained all services, but in particular regards to children with disabilities and looked after children, would be receiving external challenge, which would help form the budget decisions that were made. She added that historically the service had been underfunded and these areas would be focused on in terms of right sizing the budget where necessary.

The Cabinet Member for Children, Young People & Learning clarified that the provision of specialist nursery transport was a non-statutory service, which was not provided by the majority of other local authorities, and noted a small number of families would be affected. It was confirmed a total of 27 children had been using the service, and there would be individual conversations with all families involved. The saving from not supplying this service would be £113,000 from September 2021 until March 2022, and a further £57,000 from 2022 to September 2023. The Cabinet Member for Children, Young People & Learning explained that each care package would be looked at on an individual basis to ensure they would still meet the needs of the young person moving forward. She reassured the Shadow Cabinet Member that the reviews which take place during the transition point of the young person's life were focused on the individual and decisions were made carefully and were delivered in a sensitive way. She explained that this was in line with the Administration's commitment to moving forward as a council and ensured that equality for all was achievable and work to look after the most vulnerable would continue.

The Shadow Cabinet Member for Clean Green Croydon, Councillor Helen Redfern, noted that in September 2020, the Cabinet Member for Clean Green Croydon had approved an extension to the contract with Veolia for management of the HRCs. She explained that over the full 14 year term, some of which was backdated, increased the cost to £20.7m; the benefit of this was to protect the three HRCs whilst improving Croydon's future negotiating position by bringing the contract dates in line with those of the South London Waste Partnership (SLWP). She asked the Cabinet Member if the contract would be renegotiated as the HRCs were no longer protected and the services were to be reduced. In response, the Cabinet Member for Clean Green Croydon confirmed that all proposals set out in the report would be subject to negotiations with the contractors.

The Shadow Cabinet Member for Culture, Leisure & Sport (Job Share) noted that the Administration had been forced to close or reduce many of the culture aspects in Croydon, and queried how this would affect the London Borough of Culture in 2023, and if the money granted to the London Borough of Croydon from the Mayor of London would have to be returned. He further asked how the research room in the museum would be impacted, as the museum was due to be closed for two years with a plan to re-open with a reduced service.

In response, the Cabinet Member for Culture & Regeneration explained that the proposals had been designed to protect the Borough's involvement in the London Borough of Culture, and it is an achievement that Croydon can be proud of. He noted that since joining Croydon Council in 2014, he had always championed culture and the arts as part of civic life, and the development in these areas had been great. In regards to the museum, he further clarified that there would be continued access to the archives and the council would work closely with partner organisations to facilitate activities where possible.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Note that the in-year savings options approved at Cabinet and Full Council in September 2020 to reduce the forecast overspend this year and amend the 2020/21 budget have been reviewed and revised as part of the quarter 2 financial monitoring from £27.9m to £10.2m.
2. Note and recommend to Full Council the latest in-year forecast revenue budget overspend of £30m and the further risks that are likely to materialise which could increase the overspend up to £67m in this financial year.
3. Consider the additional in-year savings for 2020/21 that will be presented to the extraordinary meeting of Full Council on 1 December 2020 to respond to the S.114 notice.
4. Consider and recommend to Full Council the savings proposals for consultation as set out in this report for the Medium Term Financial Strategy and 2021/24 and note that consultation will begin on 9 December 2020. To note that the outcome of this consultation will be brought back to Cabinet and Full Council as part of the 2021/22 budget setting process in February / March 2021.
5. Delegate to the Executive Director of Place authority to commence the statutorily defined and required consultation to review the provision of library services.

6. Note that the September Cabinet and Full Council noted that an in-year review and future review of the capital programme was underway and that it would be reported back to the November cycle of meetings. Pressure of work has resulted in this report needing to be deferred. It will be reported to the December cycle of meetings.

88/20

Strategic Review of Companies and other investment arrangements - Brick by Brick Croydon Ltd ("BBB") Shareholder decision - Directors and articles of association

The Leader of the Council introduced the report that presented the strategic review, which was commissioned by Cabinet in September 2020 and conducted by PwC; she thanked PwC for their hard work in completing the review in time for consideration at Cabinet. She explained that the strategic review was commissioned to look at the council's company structures following the external auditors report in the public interest which raised a number of questions and concerns about the nature of relationships between the company structures. The report primarily focused on Brick by Brick Croydon Ltd. ("BBB"); however, the review also included other company structures such as Croydon Affordable Homes, Growth Zone, the Revolving Investment Fund (RIF), and the Asset Investment Fund (AIF).

The Leader informed Cabinet that the review found a number of concerns regarding the financial governance within the organisation of BBB, which had led to a strong recommendation to appoint a Finance Director to oversee the relationship between the council as a sole shareholder. This had also been an area of concern highlighted in the report in the public interest. The Leader also highlighted that the report identified a number of options that could be available to the council, based on the findings of the strategic review. The recommendations included a request to commission further work to advise the council of the best options in regards to BBB. The report raised concerns for the governance and the need to strengthen this; however, it did not recommend any structural changes at this time. The report recognised the impact of the financial situation on the capacity to continue investment, however, it recommended that the Growth Zone should remain in place with increased reviewing.

The Leader of the Council explained that she was recommending that all recommendations outlined in the strategic review were accepted, and that an action plan was drawn up, which would inform the Croydon Renewal Improvement Plan. The report also suggested a number of other actions in regards to the council being the sole shareholder of BBB, this included the appointment of two non-executive Directors to the Board, who were known to have strong backgrounds in finance, as a way to ensure there was capacity to inspect the BBB accounts, Board minutes and reports.

The Cabinet Member for Croydon Renewal, Councillor Stuart King, highlighted recommendation 1.3 in the report and explained that, until the review was completed, the council were minimising any further funding to BBB. It had been recognised that a little more would need to be spent to protect a far greater sum, and it had been stated in the report that there were approximately 20 schemes currently on site with existing funding agreements. He explained that if funding was to be stopped to BBB, the risk could be that cash flow problems would be created, ultimately increasing the risk to both the council and the taxpayers.

The Cabinet Member for Croydon Renewal continued by reassuring Cabinet that the £30m identified as a risk within the budget report would continue to be secured from BBB; however, it had been outlined as a risk to ensure openness and transparency. He also noted that he welcomed the appointment of the two non-executive Directors; stating he had met them both on a number of occasions and explained he felt confident that they were good appointees. He queried if the two non-executive Directors appointed were not council employees, and whether there were advantages to this.

The Executive Director of Resources and Monitoring Officer, Jaqueline Harris-Baker, clarified that there was no requirement for the non-executive Directors to be council employees, and the selection had been made on the suitability of the candidates in terms of their capacity and the relevant skills required.

The Executive Director of Resources and Monitoring Officer continued by referencing an item contained within the PwC report, and drew attention to page 121 of the pack. One of the key observations and recommendations was the need to improve the capability and the capacity in respect of financial governance and it was confirmed that there was no requirement for non-executive directors to be council employees. The selection had been made on the suitability of the candidates, taking into account their capacity and the relevant skills required to do the task and, at present, that was seen as an advantage in terms of the skills that are required in respect of the Brick by Brick Directors, who, by law, were required to act in the interest of the company and was deemed a separate legal entity from the local authority.

The Cabinet Member for Resources & Financial Governance, Councillor Callton Young, noted that many residents would have found it difficult to believe that the council were considering investing more money in BBB; however, he seconded the comments made by the Cabinet Member for Croydon Renewal and explained that this was to protect the public money already invested.

The Chief Executive further agreed that there were significant issues that would need to be resolved in regards to the council's determination of its future relationship with BBB, and there was ongoing dialogue with MHCLG regarding this. She further thanked the Chair of Scrutiny &

Overview, Councillor Sean Fitzsimons, for his willingness and support in regards to the reports.

The Cabinet Member for Homes & Gateway Services, Councillor Jane Avis, stated that the position the council was in with BBB was regretful, and despite being reluctant to accept BBB in 2014, she recognised that it was believed to be the only option at the time to resolve the housing crisis in Croydon. It had been relatively successful in the delivery of homes, street properties and emergency accommodation, and she had been assured that the current schemes would deliver additional homes. She thanked the officers who had worked extremely hard to ensure affordable homes were being delivered.

The Leader of the Opposition felt that the report highlighted the Labour council's incompetence, and that there had been a lack of diligence. He noted that the Cabinet should have been focused on protecting public money and should not have allowed the finances to get in to this position; he noted that the council had loaned BBB up to £250m of borrowed money, which was a disgrace. As a matter of urgency, he requested the schemes that had already commenced be completed as soon as possible and followed by requesting that any sites that had not yet began, be stopped immediately.

In response, the Leader of the Council noted that the strategic review highlighted that the original business case, and the intention behind the company, was to deliver affordable housing and to bring in additional revenue. The RIPI highlighted some of the fundamental problems and challenges in the execution of that policy and the focus had to be to protect the public investment, as stated by the Cabinet Member for Resources & Financial Governance and the Cabinet Member for Croydon Renewal. She also highlighted recommendation 1.4 in the report, and explained that all site transfers would be paused until the council had considered all options; a further report on this would be presented to Cabinet in January 2021.

The Shadow Cabinet Member for Homes and Gateway Services, Councillor Lynne Hale, noted that she was pleased the Cabinet Member for Croydon Renewal was hopeful the £30m would be received, and requested that the Shadow Cabinet be updated accordingly. She queried how much overspend there was in regards to Fairfield Halls, as there appeared to be conflicting figures.

In response, PwC Consultant, Chris Buss, explained that the current arrangement with Fairfield Halls was that the loan was supposed to be recovered from the development at the rear of the site, which had not yet been transferred to the council. There was a risk that some of the money spent would not be recovered, and it was dependent on the sales. He agreed to feedback to Councillor Hale regarding the exact figures.

The Chair of the Scrutiny Streets, Environment & Homes Sub-Committee, Councillor Leila Ben-Hassel, explained that the report regarding BBB was discussed at the Sub-Committee, and projected capital receipts and an overview of the governance structure and operational arrangements were requested. She asked whether transfers of loans to BBB had been made without loan agreements in place. She further asked about the capacity of the Planning department, and if there was any way to increase capacity to ensure it was possible to clear the backlog of developments.

In response, PwC Consultant, Chris Buss explained that there was no evidence that money had been transferred without loan agreements in place, however, some of the loan agreements had since expired and he noted that the council were holding BBB to them as if they had not expired.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Note the recommendations set out in the report by PwC, and refer the report to the December meeting of the Scrutiny and Overview Committee for their challenge and assessment. A report from that meeting to be presented at the January Cabinet meeting alongside an action plan.
2. Authorise the initial further work required on the options identified by PwC regarding the Council's interest in BBB in order to best inform further consideration of those options at the January Cabinet meeting.
3. Agree that funding of BBB shall continue in line with current loan arrangements and conditions, provided that all funding for construction, and completed unit purchases shall be reviewed on a site by site basis.
4. Agree that all site transfers to BBB, be halted until the Council has completed the options appraisal.

RESOLVED: That the Cabinet, on behalf of the Council, exercising its functions as sole shareholder of BBB to:

5. Approve the special resolutions contained in Appendix [2] of the report to amend the articles of association of BBB to
 - I. allow quorate meetings to take place with any two Directors present, removing the requirement for an Executive Director to be present and
 - II. provide for the provision of all unanimous or majority decisions taken by the Directors and minutes of all Directors meetings to the Council as sole shareholder.

6. Approve the ordinary resolutions contained in Appendix [2] of the report to appoint two Non-Executive Directors to the Board of BBB (both with a finance background), also noting and agreeing that BBB shall indemnify those new Directors in accordance with the company's articles of association and by utilising the company's own insurance policy.
7. Approve the ordinary resolutions contained in Appendix [2] of the report to remove the two current Directors of BBB, in their capacity as Directors (also noting Executive Directors are employees of the company).
8. Approve the ordinary resolution contained in Appendix [2] of the report to provide for the right of the Council as sole shareholder to inspect any of the Company's accounting or other records or documents at any time.

RESOLVED: To recommend to Council that it note the recommendations set out above, which are to be considered by Cabinet on 25th November 2020 and that Council shall receive a verbal update in respect of the outcome, in accordance with recommendation xii of the "Croydon Renewal Plan and amendments to the 2020/21 General Fund Budget" report to Council of 21st September 2020.

89/20

Scrutiny Stage 2 Responses to Recommendations arising from Scrutiny & Overview Committee on 22 July 2020 and Scrutiny & Overview Committee on 25 August 2020

The Chair of Scrutiny & Overview Committee, Councillor Sean Fitzsimons, noted that there was currently a problem with time efficiency in regards to these responses being reported to Cabinet, and he would liaise with the relevant officers to solve this.

The Chair of Scrutiny Children & Young People Sub-Committee, Councillor Robert Ward, noted the difficulties of receiving diagnostic information, and stated that Scrutiny Committees should receive the information requested in a timely manner.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To approve the response and action plans attached to the report at Appendix A and that these be reported to the Scrutiny and Overview Committee or relevant Sub-Committees.

Investing in our Borough

The Cabinet Member for Resources & Financial Governance, Councillor Callton Young, introduced the report and highlighted that the report included the contracts on electricity and gas supplies. He informed Cabinet that the council's Contracts and Commissioning Board recommended that the award of the corporate contracts were approved, and that the framework agreements for electricity and gas supply set out in Part B of the report be agreed for three years, with the option to extend for one further year.

In response to the Shadow Cabinet Member for Finance & Resources, it was confirmed that an asset fire sale was not essential, but was good practise to ensure the expertise were sought to receive the correct advice on valuations.

The Shadow Cabinet Member for Culture, Leisure & Sport (Job Share), Councillor Vidhi Mohan, noted that the telephone parking contract was going to cost the council approximately £950,000 over four years, and asked how much the council would earn from parking charges above the £950,000 over the course of the next four years. He further asked if a risk assessment had been done in regards to this revenue, and if mitigation measures had been put in place. The Executive Director of Place agreed to respond to Councillor Mohan with an answer.

The Shadow Cabinet Member for Transport, Environment & Regeneration, Councillor Gareth Streeter, further asked, on the telephone parking charges, why an equalities assessment was not completed, as it was thought older residents could be impacted by this. The Cabinet Member for Resources & Financial Governance agreed to take a view and feedback any details to Councillor Streeter regarding the equalities work which had been done regarding this contract.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To approve the awards of the Gas & Electricity Supplies Contracts in accordance with the recommendations set out in the report at agenda item 8a, as set out in section 4.1.1 of the report.

RESOLVED: To note

1. The contracts between £500,000 and £5,000,000 anticipated to be awarded by the nominated Cabinet Member, in consultation with the nominated Cabinet Member for Resources and Financial Governance or, where the nominated Cabinet Member is the Cabinet Member for Resources and Financial Governance, in consultation with the Leader, as set out in section 4.2.1 of the report.

2. The list of delegated award decisions made by the Director of Commissioning and Procurement, between 25/09/2020 – 19/10/2020, as set out in section 4.2.2 of the report.

a **Electricity and Gas Supplies Contract Award**

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To approve

1. The award of call off contract under LASER Framework Agreements for gas supply to the supplier, and for the estimated contract values, set out in attached Part B report, for a contract term of 3 years and 4 months with the option to extend for a further 1 year.
2. The award of a call off contracts under the LASER Framework Agreements for electricity supply to the supplier, and for the estimated total contract value, set out in the attached Part B report, for a contract term of 3 years and 4 months with the option to extend for a further 1 year.

91/20

Exclusion of the Press and Public

The following motion was moved by Councillor Callton Young and seconded by Councillor Oliver Lewis to exclude the press and public:

“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.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

The meeting ended at 21:26

Cabinet

Meeting of Cabinet held on Monday, 14 December 2020 at 6.30 pm. This meeting was held remotely; to view the meeting, please click [here](#).

MINUTES

Present: Councillor Hamida Ali, Stuart King, Muhammad Ali, Jane Avis, Janet Campbell, Alisa Flemming, Oliver Lewis, Manju Shahul-Hameed, David Wood and Callton Young

Also Present: Councillor Jason Perry, Jason Cummings, Lynne Hale, Maria Gatland, Simon Hoar, Yvette Hopley, Vidhi Mohan, Helen Redfern, Scott Roche, Andy Stranack, Gareth Streeter, Louisa Woodley, Sean Fitzsimons, Robert Ward, Pat Clouder, Clive Fraser, Mario Creatura, Leila Ben-Hassel, Simon Brew, Sherwan Chowdhury, Patsy Cummings, Nina Degrad, Felicity Flynn, Patricia Hay-Justice, Bernadette Khan and Shafi Khan

Officers: Katherine Kerswell (Interim Chief Executive), Jacqueline Harris Baker (Executive Director of Resources), Elaine Jackson (Assistant Chief Executive), Debbie Jones (Interim Executive Director of Children, Families & Education), Shifa Mustafa (Executive Director of Place), Hazel Simmonds (Executive Director of Localities and Resident Pathway), Lisa Taylor (Director of Finance, Investment & Risk and Section 151 Officer) and Guy Van Dichele (Executive Director of Health, Wellbeing & Adults)

PART A

93/20 **Disclosure of Interests**

There were none.

94/20 **Urgent Business (If any)**

The Director of Public Health announced that Covid cases recorded in Croydon had doubled in the past month, which had risen to 197.3 cases per 100,000, which had led to an increase in hospitalisation and deaths. The spike was apparent in all age groups. The council intended to increase testing capacity, however testing was only one aspect of prevention and residents needed to limit social interaction and follow restrictions. A new Tier 3 lockdown would commence from midnight on 15 December. The Director of Public Health stated that she would ensure staff and residents were updated as information filtered through from central sources.

The Leader thanked the Director of Public health for her messaging and welcomed further information as it became available. It was close to the Christmas period window of rules relaxations and she said everyone must consider carefully their behaviour during that time.

The Leader of the opposition thanked the Director of Public Health and council staff for their ongoing work and his thoughts were with those personally affected by the virus, families and businesses. He stated that everyone needed to take personal responsibility seriously during this time.

95/20

Croydon Renewal Improvement Plan update

The Leader introduced the [report](#) which provided an update on the development of the submission to the Ministry of Housing, Communities & Local Government (MHCLG) in support of a capitalisation request and the Croydon Renewal Improvement Plan in relation to the financial challenges the council faced. The plan set out the council's position, risk, principles, priorities and its savings plan. The improvement journey clearly set out the level of change necessary for financial recovery and the task of management to balance the council's budget. On the Medium Term Financial Strategy (MTFS) there still remained a budgetary gap of £150 million. The council recognised the scale of improvement required with a total of 400 recommendations to honour. It was cultural change as well as structural changes required to support the renewal journey and overarching improvement and no focus on specific functions. To assure delivery there would be an Improvement and Assurance Board established which would be panelled by external advisors appointed by MHCLG and oversight from the Scrutiny and Overview Committee and the General Purposed and Audit Committee (GPAC).

The Interim Chief Executive Officer (CEO) stated that the submission request was uncharted territory for the council and discussions with MHCLG throughout the past months had assisted the journey. The request to MHCLG was a detailed document and members would be updated with further details following the final submission.

The Director of Finance, Investment & Risk and Section 151 Officer stated that Table 4.7, Page 8 of the report, detailed the capitalisation requirement the council was requesting. Officers were working to ensure, investigate and justify the values listed. The request was for £150 million in total; cumulatively accounting for requirements of £70 million for 2020/21, £50 million for 2021/22, £25 million for 2022/23 and £5 million for 2023/24. The council was looking to deliver £80 million of savings in the MTFS, however there were still gaps remaining and they needed to produce more savings and less growth. Within this plan, they were contributing £5 million per annum to build the reserves towards a net goal of £57 million.

The Director of Policy and Partnership stated that the improvement plan detailed in the report built on Croydon Renewal Plan adopted, following

agreement at Cabinet on 25 November 2020. There were circa 400 recommendations drawn together by internal and independent expert lead workstreams tied into a single plan. The plan drew best practice from the NHS, central government and other local authorities who had actioned similar improvement journeys. The report referenced the learning and best practice for the project delivery in Croydon. The planning stage was critical to the journey, which would continue during talks with MHCLG. Going forward, the council required a stronger management structure, clear accountability, more robust monitoring agents and Key Performance Indicators (KPIs). The discussion with MHCLG was so far successful and they had informed the council of milestones and outcomes they wanted to see.

The Cabinet Member for Croydon Renewal thanked officers for their extensive work on the report. He stated this stage was the beginning of the improvement journey, although it was appropriate to reflect on the progress made in the past three months. He reassured Cabinet Members that the submission represented the strongest plan Croydon was able to put forward as an authority to the MHCLG. In reference to Table 4.7 on Page 8 of the report, he stated there were two savings lines. Firstly, the service reductions and efficiencies, which was £81.5 million identified to cumulatively deliver by 2023/24 and currently undergoing a public engagement exercise. Secondly, there was £73 million from the MTFS financial recovery plan. All officers involved in achieving those savings must avoid any risk of double counting because both lines came from the same departments, saving in similar activities and there should be a robust monitoring process.

Following the submission on 15 December 2020, it would be right to allow MHCLG a period of time to digest the proposal and be given time to ask for clarity in any areas. With this in mind, the Cabinet Member for Croydon Renewal stated that it would still be helpful for the council to be given an indication of when it would be possible to publish the submission in keeping with the leadership's commitment of openness and transparency. In relation to the 'Finance MHCLG Milestone of Clarity on "areas of risk" for 2020-21 budget', Page 27 of the report, he stated that the council was clearly aware of the risk areas connected to Brick by Brick and asked if there were any other risk areas the council should be specifically focussing upon.

In response to the question of how long the period might be until a response from Secretary of State following the submission, the Interim Chief Executive replied that they had asked MHCLG when they might receive a response. She said they must account for the pressures that the MHCLG department and the Secretary of State would be facing at this time, including the run-up to parliamentary recess, the bank holidays and the local government settlement. It was unlikely the council would receive a response in 2020. They would be working hard to provide the council with an answer, even if it was just to include a package for this financial

year, due to the situation of the requirement to hold continuous emergency meetings of the Council to issue S114 notices.

In response to the question of if there were any specific financial risk areas the council should be aware of in 2020/21, the Director of Finance, Investment & Risk and Section 151 Officer stated that there may be risks with greater costs than already forecast, which were not always 100% accurate. It was important that every budget holder across the council paid care and attention to their forecasting and any concerns should be raised and acted upon quickly, particularly for the remainder of the financial year.

As part of issuing the S114 notice a Spending Control Panel (SCP) was established and there was clear evidence of poor financial practice in some service areas making requests to the SPC. However, this provided an opportunity to install best practice into the organisation, namely in terms of raising purchase orders in advance or receiving goods of services, which would enable the council to more accurately forecast spending and understand the financial commitments across the organisation. Other risks included moving into Tier 3 Covid lockdown measures, as the financial implications were not clear, alongside winter pressures, where there would be decreased income and increased demand for council services.

The Cabinet Member for Culture & Regeneration thanked officers and Cabinet colleagues for their serious determination grappling with the financial challenges the organisation faced. He stated that in the report there were a number of references to savings consultations between December 2020 and January 2021. He made a distinction that the savings which would be made to the libraries service would be a separate process and subject to statutory consultation. Secondly, he asked if there was a net financial impact of Covid to date.

In response, the Director of Finance, Investment & Risk and Section 151 Officer stated that the council had received four tranches of Covid funding from the government. A total of £32 million of specific emergency funding. This funding was being held centrally and would be allocated to departments which would be seen as part of the Quarter 3 Budget Monitoring report to Cabinet. The funding would not be enough to provide departments with 100% of their Covid related spending and an allocation would need to be agreed. The Director of Finance, Investment & Risk and the Section 151 Officer noted that the significant overspend in Children, Families and Education and Health, Wellbeing & adults would be offset by some of the emergency funding.

The Cabinet Member for Homes & Gateway Services had two questions; firstly, she asked if the council would have to repeat the process of requesting the capitalisation funding and secondly, if any of the capitalisation fund requested would be in jeopardy if any risks worsened. In response, the Director of Finance, Investment & Risk and Section 151

Officer stated that the council's ambition by the end of the three year period was to be financially sustainable, following the single submission process for the capitalisation loan with a payback period of 20 years. The lending arrangement would carry conditions from MHCLG and there would be risks associated if the council strayed from those.

The Cabinet Member for Sustainable Croydon thanked officers and Cabinet colleagues for the huge efforts on developing the proposals, which was underpinned by a fundamental transformation of the council systems of internal control, governance and management. He asked what the potential impact of a no deal Brexit would be on the council's position to deliver a balanced budget and savings proposals detailed in the report.

The Director of Finance, Investment & Risk and Section 151 Officer replied that currently there was not a line in the MTFS covering the scenario of a no deal Brexit because the impact was unknown. They would be keeping a close check on the council's position and ensure accurate forecasting going forward. In the case of savings plans not being delivered as a result of Brexit, the council would take immediate action to address concerns. There was some Brexit government funding which would cover setting up applications, for example for people to apply for status. In terms of implications on council contracts, this was not yet clear and would be carefully monitored.

The Cabinet Member for Resources & Financial Governance congratulated the team of officers and Cabinet colleagues who had worked on the submission and financial response in the past three months. In reference to section six of the report, Delivery and Monitoring, he stated that he was particularly interested in the how the proposals would be taken forward. This set out the establishment of a Programme Management Office (PMO) and he asked for more details on its operation and funding.

The Leader responded that the assurance of renewal delivery was hugely important given the council's historical challenge in its capacity to achieve savings targets in previous years. Part of the plan was setting the foundation work before making the improvements across the organisation, which was crucial in building confidence for the MHCLG in the context of the capitalisation request. The Director of Policy and Partnership added that every accountable officer would be asked to ensure they had clear plans for all projects within the improvement plan, including what resources were required for delivery, the amount of funding required and what benefits they would be expecting. The PMO resource was an area planned for growth, supporting the corporate oversight and budget monitoring reporting functions, which were critical for the council's improvement journey and to provide stakeholders with the assurance of delivery.

The Cabinet Member for Children, Young People & Learning welcomed the strengthening of payment processes and future budgeting and the

support it would give to children's social care department. The Director of Finance, Investment & Risk and Section 151 Officer replied that the SCP challenged all expenditure across the council as any spending at this time should only be essential. She thanked colleagues who sat on the SCP which met twice per day. The SCP controls were a new territory for the council and it was now at a more developed point where positive changes were being seen.

The Cabinet Member for Economic Recovery & Skills congratulated officers for their work on the report. She stated that following the Tier 3 lockdown announcement for London, there would be a huge impact on the economy. The Mayor of London, the council and business partners were calling for a compensation scheme for lost income. The report outlined new ways of working and she asked if there would be any changes as London moved into Tier 3. In response, the Leader stated that the focus of the new ways and principles of working were to set the scene for the work ahead, to balance the budget and resolve the council's financial position. There would be implications of London entering Tier 3 lockdown in terms of support for business going ahead and London Councils shared council concerns.

The Leader of the Opposition thanked officers for producing the report and staff across all departments and the borough for their work during the difficult and uncertain times. He remarked that the papers for this agenda item were issued at 1.30pm on the day of the meeting, which gave the Opposition inadequate time to fully read, challenge and scrutinise the information contained within. However, he appreciated the time constraints on the nature of the documents, but in future would request papers to be published in a timely manner. Councillor Jason Perry praised the strengthening of purchase order procedures, however commented that it was a basic financial procedure of any size organisation.

The reality of the council's position was accounted to the decisions made in this Administration's terms in office, where during this period the council debt had doubled to £1.5 billion, the council lent £200 million to Brick by Brick without any repayments and purchased a hotel and shopping centres without any oversight. The Leader of the Opposition stated that there was a constant theme from the Cabinet Members saying how far they had come, but 70% of the current Cabinet Members had historically supported the choices which lead to those outcomes and were effectively part of the current bankruptcy. He asked how far could they really have come and what they had learnt which enabled them to be the force of change that Croydon desperately needed.

The Leader responded that there had been a series of papers reporting to Cabinet and Extraordinary meetings of the Council addressing the situation and how the Administration planned to move forward. This included actions for the council from the Report in the Public Interest (RIPI), extensive work on the request for a capitalisation direction and the

improvement journey planned to set up the systems and infrastructure required for meaningful change.

The Shadow Cabinet Member for Finance & Resources stated that at the last Cabinet meeting he asked a question in regard to the MHCLG return and if members' could have sight of the document prior to the final submission. There was clear intent given on this at the meeting, however the submission was not contained in the papers. He asked if the document would be published for Members to read following its submission to MHCLG. Secondly, in relation to the figures on the capitalisation directive, he stated that in the last Cabinet meeting papers the directive figure was £134 million, however it had now rose to £150 million. This suggested the situation had worsened by £16 million in two weeks. Each time any amount of work was completed the figures returned worse than the previous set and he asked how they could be assured the council was at a point where they were confident the figures wouldn't change again.

The Leader responded firstly, that it was not the intention for the papers of this meeting to have been published so late and she appreciated the understanding given on this considering the nature of the report, which represented the amount of work dedicated to producing the document and ongoing dialogue with MHCLG. The discovery and diagnostic work was detailed in the paper, working to understand the needs of the council during the MTFS and the structural deficit and this had caused a movement on the figures. The council needed to be clear and confident in understanding what it needed to resolve that structural deficit. Going beyond the capitalisation direction, the loan would stabilise the council's position in future budgets, which could be represented across the MTFS. Following work to understand the council's financial position, officers were confident that £150 million was the appropriate figure to request and would adequately support the reduction in reliance towards the end of the MTFS.

The Interim CEO stated that it was clear in the previous report that the submission would be presented to the next Cabinet meeting when it was completed, however they would need to provide MHCLG with confidence to explore issues and return for clarification prior to that. The current document may not be the final submission and MHCLG had previously indicated they may seek further information and the document would be available to share with Members once it was finalised.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Note the updates in relation to the Croydon Renewal Improvement Plan; and

2. Note that the Chief Executive, in accordance with the delegation approved by Council on 28 November, will submit to MHCLG the proposal for a capitalisation direction on 15 December and provide an update to the Cabinet meeting as this progresses.

96/20

Quarter 2 Budget Monitoring

The Cabinet Member for Croydon Renewal introduced the [report](#), which set out the council's current revenue budget projected outturn for month 6, Quarter 2, September 2020. The figures, which had featured in other reports relating to the council's financial situation, demonstrated the challenging nature of the in-year position. The position was clear that the council could not realistically balance the budget without a capitalisation direction. He stated there were two points on the paper to highlight as questions to the Director of Finance, Investment & Risk and Section 151 Officer, firstly, in relation to Item 4.5, Table 3 – Delivery of In-Year Savings Initiatives, he asked for an update on the progress of delivery, for clarification if those were correct assessments when originally identified and asked if there were any particular concerns. Secondly, he asked for a summary on how Quarter 3 was looking.

The Director of Finance, Investment & Risk and Section 151 Officer stated that the report represented Q2 budget monitoring until the end of September 2020. As the council had moved in to the S114 notice and introduced Spending Control Panels (SCP) it was too early to comment on Q3, which would run until the end of December 2020, however they were able to confirm that the situation was not showing to worsen, nor massive improvements to be seen at this stage. Until purchase orders stopped being raised in arrears, it would be difficult to track the real time progress. The potential risks which were not forecasted in month 6 was London moving into Tier 3 lockdown.

In relation to Table 3 of the report, the Director of Finance, Investment & Risk and Section 151 Officer confirmed that most of the rates were moving in the right direction. This included the introduction of charging for bulky waste collection, work in children's services to reduce costs and changes to SEN transport – under 5's (all currently presented as Red on Table 3). An increased rate of risk was identified in potential further lockdowns caused by a decrease in parking income for the council (currently presented as amber on Table 3). She stated that Health funding was on track with positive ongoing conversations and funding agreements (presented as Green on Table 3), Staff savings was ongoing (presented as amber on Table 3) and Non-essential expenditure was improving due to the SCP (presented as amber on Table 3).

The Cabinet Member for Economic Recovery & Skills stated that it was reassuring the numbers were becoming familiar across meetings, which pointed toward stability and the council moving in the right direction. She asked for more detail on the spending figures and implemented savings mechanisms for children's services and adult social care.

In response, the Director of Finance, Investment & Risk and Section 151 Officer stated that there was a lot of challenges at the moment to those services. The council was working with the London Borough of Camden children's services and the Local Government Association (LGA) to learn good practice for both children's and adult social care and compare and challenge Croydon's expenditure. Both adults and children's departments had established panels to challenge their own costs and to ensure they were delivering services to the right users, for the right price and for the right period of time. They were reviewing care packages to ensure they were the right choice for Croydon in the longer term, rather than agreeing the packages and not revisiting their specs.

The Interim Executive Director of Children, Families & Education assured that mechanisms had been installed to robustly monitor spending in children's services in addition to the SCP. Most of the spends were relating to looked after children in the care system and over the past year they had seen a reduction in the number of children coming into care and therefore a reduction in the costs associated. They were on track for the projected savings, however this was a challenge particularly with increased pressures of the pandemic on families.

The Executive Director of Health, Wellbeing & Adults stated that his division had introduced spending panel geared towards minimum strategy spend, in addition to the SCP. They were also in conversations to recover claim back funds for Covid health services. Regarding forecasts, they included spending which had not been allocated to Covid costs into the budget. As a result, it must be taken into account that not all cost in the division were related to packages but services related to Covid which had to be provided.

The Shadow Cabinet Member for Finance & Resources noted that Item 4.8 of the report stated that the cost for each capitalisation of £10 million would cost the council £785,000 per year, therefore a £150 million capitalisation would look to be an annual cost of £12 million. He asked if that figure was included in the Croydon Renewal Improvement Plan update report, and if not, how were those payments going to be met. In response, the Director of Finance, Investment & Risk and Section 151 Officer confirmed they were included in the MTFS.

The Shadow Cabinet Member for Families, Health & Social Care raised concern over the cumulative impact of the cuts on the elderly, vulnerable and disabled residents in the borough who would be effected by a combination of reduction in face-to-face contact, community assets and the voluntary sector. The poor decisions from the Administration would adversely affect the elderly, which could be seen in the report on Table 3.5, Table 2 – Forecast Outturn 2020/21, and the Croydon Renewal Plan. The Administration had planned for care packages to be reduced in line with other London boroughs, however the vulnerable users had in the past received careful, detailed analysis and assessments for those

packages to be put in place - therefore it was worrying how those could be so significantly reduced and safely delivered. As well as financial risks, there were safeguarding risks. The Shadow Cabinet Member for Families, Health & Social Care asked how the council would balance the cumulative risks of the cuts and reduction of care packages to vulnerable people.

The Leader highlighted the importance of the Administration's standpoint on safeguarding, supporting communities and vulnerable residents which was framed by their priorities and principles in the Croydon Renewal Improvement Plan and approach to the MTFS. In terms of setting the care package spending in line with other London boroughs, it was right that the council ensured money was being spent in the in the best possible way to achieve the desired outcomes and it was known this was currently not always the case. The council was working to properly understand how they were spending the resource and ultimately supporting vulnerable members of the community.

The Shadow Cabinet Member for Culture, Leisure & Sport (Job Share), Councillor Vidhi Mohan, referred to Item 4.5 in the report, Table 3 – Delivery of In-Year Savings Initiatives and requested more information on the amber and red savings initiatives. He asked how many jobs would be cut as a result of the £2 million staff savings, how the most vulnerable would be affected by the £1.1 million cut to children's services and how the Administration could guarantee that fly tipping would not increase following recycling centre closure and discontinuing free bulky waste collection.

In response, the Cabinet Member for Croydon Renewal stated Members should refer to the Croydon Renewal Plan update papers reported to 28 September 2020 Extraordinary meeting of the Council to answer his various points raised. In terms of bulky waste collection, the service continued and the charge introduced was based on the actual cost to the council. In response to fly tipping, the Cabinet Member for Sustainable Croydon stated that he explained in detail on the 1 December 2020 Extraordinary meeting of the Council that residents who practiced taking their waste to recycling centre were not of the same cohort who fly tipped and there was no correlation of data to suggest otherwise. He added that fly tipping should be reported to the council and would subsequently be managed effectively by council officers and Veolia.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To note

1. The net projected general fund financial overspend of £30.2m for the full year as at the end of month 6 quarter 2, September 2020 which includes all COVID-19 related expenditure and corporately held income of £38.0m received to date or anticipated from the government.

2. A number of risks could materialise which would see the variance increase. These include dividends and interest receivable from Brick By Brick (both historic accrued and in-year expectations) of £31m, and pending external audit verification of assumptions around 2019/20 accounting treatment of MRP and Transformation funding that could impact by £5.8m. Should all these risks which total £36.8m materialise, the impact on the current forecast overspend of £30.2m is an increased overspend to £67m, with general fund reserves of just £7.4m.
3. The above figures are predicated on forecasts from month six to the year end and therefore could be subject to change. Forecasts are made based on the best available information at the time of calculating.
4. That due to the timing of this report and the reports that have been issued to Council Members as part of the recent S114 notice this report is a shorter report than the usual monitoring report as the information contained in the quarter 2 financial monitoring has already been reported.

97/20

Review of the Capital Programme (Postponed)

The Leader of the Council informed Members that this report would be taken to the January 2021 Cabinet meeting.

98/20

Brexit - Planning for the future

The Leader introduced the [report](#), which outlined the implications of Brexit for the borough, including a 'No-deal' scenario. The council was acting to identify and seek to limit the risks and effects of Brexit to the organisation and communities in Croydon. As detailed in the report, Brexit would potentially cause negative effects, including: increases to interest rates, inflation to tariffs and the level of uncertainty of how the local economy would react. Cabinet Members had heard directly from EU nationals in the community who contributed to a past Cabinet meeting and this paper additionally highlighted staff members in that category, about the impacts on their families. Appendix A of the report summarised the range of activity the council was engaged in responding to the implications of Brexit in terms of the local economy, employment and workforce arrangements, council finance and procurement and community safety and cohesion.

The Brexit Working Group was an internal body to the council which sought to cover policy areas and worked to identify risks, actions and monitor functions – ensuring they were a part of the council's corporate risk register. The report detailed implications for sectors who were also adversely affected by the pandemic, for example hospitality, construction and the operation of the care sector. There were implications for existing

loans, investments in relation to the pension fund, the potential risk of reducing business rates, the impact of increased demand across communities due to rising unemployment, a potential increase in poverty and uncertain community safety and cohesion. In the wake of the referendum, there was a rise in the level hate crime which had reduced to pre-referendum levels.

The Executive Director of Place stated that the report set out clearly the implications for the four main areas, as set out in Appendix A, in a local and national context. Additionally, there was the uncertainty around further impact of Covid in a changing situation. She drew attention to Item 5.2 of the report, Table A: Percentage of jobs filled by non-UK EEA nationals, and stated that the six sectors accounted for 68,000 jobs in Croydon. If the London-wide proportionality was applied, 11,500 non-UK EEA nationals were employed in these sectors across Croydon. As well as the more generalised risk mentioned, there were also more specific risks for Croydon including borrowed money from European Banks and pension investments in European markets. In terms of the community, there had been approximately a 16% increase in hate crime in the borough following the referendum. These were all factors which the Brexit Working Group had been considering when compiling the risk register and action plan.

The Cabinet Member for Economic Recovery & Skills listed the impacts of Brexit on business, employment and economy in Croydon. In February 2020, the council organised a conference at Fairfield Halls with over 200 businesses in attendance, representatives from the London Chamber of Commerce and Industry (LCCI), London Business Hub and the Federation of Small Businesses. Many views and concerns of businesses were captured at the conference and fed into the report. In the run up to Brexit, businesses had held off spending and investment due to the uncertainty, which had major implications for local authorities in terms of their budgets and local economies. Since February 2020, Covid brought on an additional set of complex pressures and businesses had faced lockdown restrictions which had a huge economic impact.

There was a lot preparation required ahead from businesses at the end of the transition period, however it was currently unknown what the new arrangements were that businesses would legally have to adhere to. The council was working closely with the Mayor of London who had launched a new online portal which brought together key online resources from a range of partners to support businesses in understanding how to prepare for the end of the transition period. There was also an EU Exit Hub resource provided by the LCCI to support supply chain services and contracts who would be impacted from 1 January 2021. There was a significant risk of a skills shortage, as represented in the figures for the number of EU citizens in certain sectors, which added to the uncertainty faced by businesses.

The Cabinet Member for Culture & Regeneration stated that there was currently a lot of uncertainty for the business community, particularly in the eventuality of 'No-deal'. It was important for the council to signal its support in these uncertain times to the business community because they were job and livelihood creators in the borough. The Administration would continue to hold the government to account in the immensely challenging economic climate.

The Cabinet Member for Communities, Safety & Resilience drew to the community safety and cohesion element of the report and highlight the hostile impact of the referendum on hate crime statistics at that time. During the lockdown, the borough had again seen an increase in hate crime, which the Safer Croydon Partnership would be closely monitoring and incorporating into the work programme. The report flagged ongoing work with Croydon's faith and community sectors in terms of monitoring community tensions and awareness. It was important for the council to send out a message to all EU citizens of their valuable and contribution to the borough. In the stressful economic financial climate of Brexit it was likely that some people would direct their anxieties on community groups, which would be monitored.

The Cabinet Member for Homes & Gateway Services stated that the Home Office revealed new post-Brexit immigration rules would come into force on 1 January 2021, as quoted in the magazine 'Inside Housing' in October 2020. These rules would mean people with a history of rough sleeping may have their application to remain either cancelled or refused. Homelessness charities had branded this approach cruel and dehumanising. She asked how the new immigration rules would impact Croydon. In response, The Executive Director of Place stated that it was too early to predict the precise nature of the impact. There had been proactive work by the council to mitigate the risks around housing and unemployment by ensuring people were engaging with and understanding how to navigate the EU Settlement Scheme. This applied to council staff, providers and contractors.

The Cabinet Member for Children, Young People & Learning stated that there were 1.7 million children in the country living in food poverty, which would be exasperated by Brexit. It was important to move forward with a strong employment strategy and support communities to empower themselves because with lower financial support for families there would be a rise of children in the borough facing hardship, adding that this was a matter of public health.

The Shadow Cabinet Member for Economy & Jobs said that the report stated that part of the support given to local jobs included using Growth Zone to create jobs. A comment from the PricewaterhouseCoopers (PwC) in their recent strategic review report was that gross loan borrowing had been managed better than the rest of the council finances. However, when considering the gross loan estimates of over £300 million extra borrowing in its lifetime, whilst the council struggling to keep works afloat,

how could local businesses or business associations in Croydon expect the programme laid out in the Brexit strategy to help broaden employment now or in the future. In response, the Executive Director of Place stated that £300 million was a significant amount of money, but it was money estimated to be available to spend due to the growth in business rates and refocussing the spend of that growth towards local economic recovery, rather than providing major infrastructure for growth - as detailed in the report. The strategy was not about quitting works, but reviewing programmes and seeing if there was any external available support for those programmes given the financial challenges.

The Leader of the Opposition stated that challenges associated with Brexit had been known for some time and the report was particularly negative in light of the withdrawal agreement guaranteeing the rights of EU citizens and the business support available. The best way to support business was to work closely with them and fully deliver the Covid support grants, where Croydon ranked nationally in the lowest 10%. The council would be further hindering local business by removing free parking across the district centres and high streets. Most significantly, the council bankrupting the borough was the most harmful act to local businesses in the borough, which could not be attributed to the effects of Brexit or Covid. In response, the Leader highlighted that the report specifically set out how the council would mitigate the effects of Brexit on businesses and communities in the borough. The extent to which the council could influence those effects was limited due to negotiations being led by central government, who had left critical Brexit arrangements to the final hour leaving businesses with uncertainty and little capacity to prepare for 1 January 2021.

The Cabinet Member for Economic Recovery & Skills stated that the council was working with the business community to ensure they were providing the support described by the Leader of the Opposition. They were distributing the mandatory and discretionary business grants and it should be noted that the level of funding from the government was not satisfactory cover and many business were not receiving enough money to front their rent costs. Following the Tier 3 lockdown announcement for London, the Administration and Opposition needed to work together to help the business community, stakeholders and partners to secure more funding and support. Despite Covid, there were new business coming to the borough and thriving shopping districts.

In response to the opinion of the report appearing negative, the Cabinet Member for Communities, Safety & Resilience stated that the 16% rise of hate crime during the referendum was a negative life experience for many residents in the borough and potential future rises had to be addressed and mitigated. The context of the report was to reassure residents, not scaremonger as suggested by Opposition Members.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Note the potential impact and responses to Brexit in Croydon, as set out in the report.
2. Endorse the statement that 'Croydon is open' for business and that everyone in our diverse communities is welcome.
3. Ensure businesses are aware of the EU citizens' rights to residency and employment as they are confirmed and support businesses' access to advice and guidance.
4. Agree that regular updates be provided to all councillors and relevant stakeholders for each of the key categories outlined in the report.
5. Continue to support the Mayor of London's #LondonIsOpen campaign.

99/20

Croydon Safeguarding Children Partnership Annual Report 2019/20

The Cabinet Member for Families, Children and Education introduced the [report](#). She commended the work the partnership had contributed to children with disabilities, vulnerable young adolescents and neglect. The partnership also notably helped the council's improvement journey and the 'Good' rating awarded by Ofsted. The report detailed the transitional process to the new multi-agency arrangements.

Di Smith, Croydon Safeguarding Children partnership (CSCP) Independent Chair & Scrutineer, gave the [presentation](#) outlining the first annual report of the partnership and its work.

The Interim Executive Director of Children, Families & Education stated that she would be speaking from her current council role and as a former national multi-agency facilitator for local authority arrangements. She stated that the improvement in partnership arrangements would have contributed to the recognition Ofsted gave to Croydon's overall improvement, which was reflected in the report. As this was the first report of the CSCP, naturally there would be transitional changes to come and challenge had been reflected in the discussion seen at the Scrutiny Children & Young People Sub-Committee. Members of that meeting asked the CSCP to provide assurance in relation to antenatal and development checks and more information regarding the partially met aspects of the neglect priority group. The report detailed the work planned for the 'Neglect' priority group during 2020, however the work had experienced delay due to pandemic.

In common with other partnerships, Croydon developed a neglect screening tool to enable greater awareness, which was a crucial instrument in identifying child neglect, early health and prevention. Other elements included the graded care profile, the development of locality arrangements and community of practice approach. In the end the impact of the newer safeguarding arrangements could only be judged by the difference in outcomes and impact on young people and the extent to which the work that was being pursued by all partners to ensure timely and early intervention to support children and families. Those monitors were appropriately requested by Members of the Children & Young People Scrutiny Sub-Committee.

The Cabinet Member for Families, Children and Education thanked Di Smith, CSCP Independent Chair & Scrutineer, Elaine Clancy, Joint Chief Nurse for Croydon Health Service NHS Trust and NHS Croydon Clinical Commissioning Group, Neil Cochlin, Detective Superintendent & Business Change Manager at Metropolitan Police- Head of Safeguarding, Croydon Bromley and Sutton and the Interim Executive Director of Children, Families & Education for their roles in the CSCP work. They had seen a dramatic and reinvigorated change in how the partners worked together. It was also important to highlight the work of the local authority into partnership, although it was not named as a lead partner in statue.

The report detailed the partnership's work earlier in the year on the Black Lives Matter (BLM) agenda, which was a powerful message to the community. A wider nationwide piece of work that the partnership contributed to was looking into school exclusions of Black, Asian, Minority Ethnic (BAME) pupils. Some of the key commitments in the report was work around the youth offending service, supporting the reduction in disproportionality of BAME children who came to the attention of gangs, supporting the complex adolescent panel and incorporating the multi-agenda group for child exploitation.

In response to the Cabinet Member for Culture & Regeneration asking what the impact was of the ratio of Unaccompanied Asylum Seeker Children (UASC) in the looked after children population on the council's ability to care for looked after children, the Interim Executive Director of Children, Families & Education stated that Croydon consistently responded to the challenges faced by UASC as they would any other vulnerable young person. One-third of looked after children and three-fifths care leavers in Croydon were UASC. Croydon delivered quality services to those young people from the point of entry to exit from the system.

The Cabinet Member for Croydon Renewal stated that in previous years the annual report of the board included details of internal meeting records, however this year those were not included. He asked if that was a conscious decision to not include those details for the partnership report. In response, Di Smith, CSCP Independent Chair & Scrutineer, stated that the new partnership arrangements did change the responsibility and

requirement. Under the old arrangements, the lead member was invited to attend in an observatory less open capacity. The executive group now had the three agency representatives and were run more as events rather than business meetings with more focus on learning and raising awareness. As mentioned by the lead member, the partnership responded to the BLM movement, as it was raised by a number of voluntary organisations as a safeguarding issue and an important subject for young people. The new arrangements enabled the partnership to be more responsive to emerging needs, rather than what previously occurred of being limited to set reports.

In response to the Cabinet Member for Communities, Safety & Resilience asking for more information in relation to the response from the partnership to BLM and Covid, Di Smith, CSCP Independent Chair & Scrutineer, stated that the executive group decided that it was important for one of the events to involve community and voluntary sector organisations and to hear directly from children and young people. Young people's words and experiences around the killing of George Floyd were presented at the group, which was a valuable and profound involvement to the partnership.

The Shadow Cabinet Member for Children, Young People & Learning thanked colleagues for the detailed report, as well as the Review into Vulnerable Adolescents that received national coverage in 2019. She stated that the report was even more important during the impact of Covid on children. It was encouraging to see the partnership responding to new challenges, collating new data, new forward plans, new training and new ways of working going forward. In common with the comments from scrutiny, she stated that it was not clear in the report the effect of the safeguarding arrangements and the outcomes for the vulnerable children, which would be useful in a future paper. Additionally, she praised the inclusion of a glossary and said that this work should be accessible to any reader, however more could be done to achieve that. In relation to the local authority as one-third of the partnership going bankrupt, she firstly asked how that would affect the partnership work going forward in safeguarding children, and secondly, how the number of children in care could be safely reduced in the best interests of the child.

Di Smith, CSCP Independent Chair & Scrutineer, replied that in terms of the financial contributions, the safeguarding partners gave the same amount and rationale to the partnership as they did previously to the board and there were no plans in place for that to change. The Interim Executive Director of Children, Families & Education stated Croydon Council was making a higher contribution than the other partners did not affect the levels of accountability across the partnership arrangement. The good work of the CSCP was strong alongside the Children's Improvement Board and the work of the Children & Young People Scrutiny Sub-Committee. Safeguarding remained the service's top priority, whether in financial challenges or not, and they would maintain statutory responsibilities to children. In terms of children in care, decisions would be

based on the best interest of the children and young people and not financial factors. Croydon would continue to significantly invest in edge of care services and aim to keep children out of the care system and at home wherever possible, and when in care, to give them the best possible care – which did not necessarily equate to the amount of money in the system.

The Opposition Lead Member for Scrutiny and the Chair of the Children & Young People Scrutiny Sub-Committee thanked colleagues for the report and praised the accessible format. He drew attention to the pre-decision scrutiny section of the CSCP report which referred to the Sub-Committee held on 3 November 2020, Page 9 of the agenda. He highlighted the following comments: there was no police representative at the meeting so no judgement could be made on their involvement in the partnership, some targets were not quantified therefore progress and outcomes were difficult to track and health checks were statistically significantly lower than neighbouring boroughs and there were no plans for improvement. Development checks were another opportunity to identify the potential for neglect, identified in the Vulnerable Adolescents Review, however the synergy for this appeared to not yet have been realised. He also noted that it had been repeatedly raised that there was not an equal funding agreement between the partners. He stated that in future the CSCP annual report should include concerns raised by scrutiny and reflect a more balanced summary of findings.

Di Smith, CSCP Independent Chair & Scrutineer, replied that there had been limitations in progress made last year in terms of the ability to deliver training during the pandemic and the concerns raised were not related to a lack of synergy between the priority groups. During that period, there was still a commitment to roll out the graded care profile which was a key tool for all partners to identify neglect.

In response to comments regarding the partnership funding agreement, Neil Cochlin, Detective Superintendent & Business Change Manager at Metropolitan Police - Head of Safeguarding for Croydon, Bromley and Sutton, stated that the police share was centrally distributed by the Mayor's Office for Policing and Crime (MOPAC). The funding formula was not in the gift of local leaders and was set by MOPAC. Concerns surrounding this issue not just in Croydon. Elaine Clancy, Joint Chief Nurse for Croydon Health Service NHS Trust and NHS CCG, added that the CCG and NHS had maintained their level of financial contribution, despite those partners working much closer together, by recognising the partnership and the financial challenges across the Croydon system. In relation to health visits, she stated that the CSCP would be reporting to the Children & Young People Scrutiny Sub-Committee on 19 January 2021 to talk through a detailed action plan organised by the Public Health and local authority commissioners.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To note the Croydon Safeguarding Children Partnership (CSCP) Annual Report for 2019/20 which sets out:

- The transition achieved to the new multi-agency safeguarding arrangements.
- The CSCP contribution to the improvement journey of Children's Social Care.
- The Good Ofsted inspection outcome for Children's Social Care
- The progress relating to the priorities of the CSCP
- The assessment and scrutiny of safeguarding arrangements against the six safeguarding standards
- Summary of safeguarding issues across the CSCP

100/20

Croydon Safeguarding Adult Board Annual Report 2019/20

The Cabinet Member for Families, Health & Social Care introduced the [report](#). She stated the report contained significant learning for the statutory partners and thanked scrutiny for identifying training needs and the requirement for more engagement with the BAME community. She thanked multi-agency colleagues of Board for their hard work and stated that Opposition Members, Councillors Yvette Hopley and Margaret Bird, had also been welcomed to join the teams work.

Annie Callanan, Independent Croydon Safeguarding Adult Board (CSAB) Chair, gave the [presentation](#) which outlined the governance and accountability arrangements, report findings, future plans and detailed achievements in prevention, commissioning, personalising safeguarding, promoting the voice of the Croydon resident and communication and engagement.

The Executive Director for Health, Wellbeing and Adults praised the collaborative work across the teams, particularly during pandemic conditions, and the CSAB keeping the local authority to account. The number of beds in Croydon meant that the safeguarding responsibility was higher than some other London boroughs. In terms of changes to the council and its current financial position, Croydon would continue to ensure safeguarding as its statutory responsibilities were a priority.

Annie Callanan, Independent Croydon Safeguarding Adult Board (CSAB) Chair, stated that the collaboration she had witnessed at Croydon, also reflecting particularly on times during the pandemic, was impressive and clearly had built to a strong standard over a number of years.

The Lead Member for Scrutiny and the Chair of the Scrutiny & Overview Committee told Cabinet that it was the scrutiny functions statutory responsibility to monitor whether safeguarding arrangements were effective, which could be found in this case on the pre-decision scrutiny section, on Pages 84-85 of the agenda. During the Health & Social Care

Scrutiny Sub-Committee meeting on 10 November 2020, the Board provided honest and open answers to member questioning and detailed strengths and weaknesses of the partnership. He highlighted the importance of scrutiny report recommendations and responses and welcomed the Board's engagements to those. It was clear the Board had built firm foundations and showed strong potential to continue improving. He thanked colleagues for their work over the years.

The Shadow Cabinet Member for Families, Health & Social Care thanked colleagues for the detailed report and the Cabinet Member for Families, Health & Social for inviting her to join the Board. She looked forward to working with the partnership to achieve better outcomes for vulnerable residents. During the past year in the midst of Covid, it was clear that the department had served residents. The report identified monitoring and performance management and prevention, which was key to the service. Many numbers in the report were positive, in comparison to the previous years. One concern raised from the paper was that many incidents for vulnerable adults were caused by someone they personally knew, which should be further investigated by the Board. She added her interest in learning more about Operation Nogi, which involved Response officers in South Area BCU carrying out visits to vulnerable elderly people following referrals from Adult Social Care and Trading standards, and how the partnership would hear more of the resident voice. Since the Adult Social Services Review Panel had been disbanded, she hoped the work which was previously overseen by that forum would be included in the Board's programme.

Annie Callanan, Independent Croydon Safeguarding Adult Board (CSAB) Chair, replied that when failures occurred in adult social care services outcomes could be shocking. It was only the Care Act 2014 that set out a clear legal framework for how local authorities and other parts of the system should protect adults at risk of abuse or neglect, and thus the Board was created and her role as Chair of the Board.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To note the Annual Report of the Croydon Safeguarding Adult Board and to receive the recommendations arising from the Scrutiny & Overview Committee held on the 10th November 2020.

101/20

Stage 1: Recommendations arising from Scrutiny

The Chair of Scrutiny & Overview Committee advised Cabinet that the three sub-committees had set recommendations for the children's and adult's safeguarding partnerships, as discussed in the meeting from the CSCP and CBAB, and the Croydon Renewal Plan.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To receive the recommendations arising from meetings of the Children & Young People Sub-Committee held on 3 November 2020, Health & Social Care Sub-Committee held on 10 November 2020 and Scrutiny & Overview Committee held on 17 November 2020, and to provide a substantive response within two months (i.e. at the next available Cabinet meeting on 22 February 2021).

102/20

Stage 2 Response to Recommendations arising from Children & Young People Sub-Committee on 15 September 2020

The Chair of Scrutiny & Overview Committee advised Cabinet that in regard to the second recommendation from Children & Young People Scrutiny Sub-Committee, all Members now had access to the Local Government Inform. This allowed councillors to access and analyse comparative local authority performance data.

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To approve the response and action plans attached to this report at Appendix A and that these be reported to the Scrutiny and Overview Committee or relevant Sub-Committees.

103/20

Investing in our Borough

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To note

1. The update on emergency orders approved under Regulation 19.3 of the Council's Tenders and Contracts Regulations at a value between £500,000 and £5,000,000 by the nominated Cabinet Member for Finance and Resources (at the time of the decision), in consultation with the Leader, as set out in section 4.1.1 of the report.
2. The list of delegated award decisions made by the Director of Commissioning and Procurement, between 20/10/2020 – 24/11/2020, as set out in section 4.1.2 of the report.

104/20

Exclusion of the Press and Public

This item was not required.

The meeting ended at 9.30 pm

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REPORT TO:	Cabinet 1st March 2021 Council 8th March 2021
SUBJECT:	Croydon's General Fund & HRA Budget 2021/22 to 2023/24
LEAD OFFICER:	Katherine Kerswell, Interim Chief Executive Officer Chris Buss, Interim Director of Finance , Investment and Risk
CABINET MEMBER:	Leader Hamida Ali – Leader of Croydon Council Councillor Stuart King – Cabinet Member for Croydon Renewal Councillor Callton Young – Cabinet Member for Resources and Financial Governance Councillor Jane Avis – Cabinet Member for Homes and Gateway services
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>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 2021/22 to 2023/24.</p>	
FINANCIAL SUMMARY:	
<p>The report details the revenue and capital budgets for the General Fund for financial Years 2021/22 to 2023/24, the Council Tax position for 2021/22, the revenue and capital budgets for the Housing Revenue Account (HRA) Budget and position on the Housing Rents increases for 2021/22. This report only seeks approval of the Budget for 21/22 but Cabinet and Council are asked to note the Medium Term Financial Plan</p>	
FORWARD PLAN KEY DECISION REFERENCE	
<p>The recommendations in section 1.0 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 1st March 2021.</p> <p>The recommendations in section 1.0 are key executive decisions (reference no.0921CAB). 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.</p>	

1.0 RECOMMENDATIONS

The Leader of the Council has delegated authority to the Cabinet to make the following decisions:

- 1.0 That Cabinet be recommended to approve the following recommendations to Full Council for consideration at its meeting on 8th March 2021:

The Revenue Budget for 2021/22 and notes the 3 Year Medium Term Financial Plan as detailed within Section 11 which is based upon the:

- 1.1. Council's request for a Capitalisation Direction of £150m covering financial years 2020/21 to 2023/24.
- 1.2. A 1.99% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).
- 1.3. A 3.00% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).
- 1.4. To note the draft GLA increase of 9.5% on the Council Tax precept for 2021/22.
- 1.5. With reference to the principles for 2021/22 determined by the Secretary of State under Section 52ZC (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 3.8 of this report.
- 1.6. The calculation of budget requirement and council tax as set out in Appendix C and D including the GLA increase this will result in a total increase of 5.83% in the overall council tax bill for Croydon.
- 1.7. The revenue budget assumptions as detailed in this report and the associated appendices
- 1.8. The programme of revenue savings, income and growth by department for Financial Years 2021/22 to 2023/24 (Appendix A).
- 1.9. The Capital Programme as set out in Section 18, table 17 and 18 of this report, except where noted for specific programmes are subject to separate Cabinet reports.
- 1.10. To agree that in light of the impact on the Council's revenue budget no Capital contractual commitment should be entered into until a review of revenue affordability has been concluded.
- 1.11. To approve that any receipts that come from the Council's Housing company Brick by Brick will first be applied to the accrued interest and any subsequent receipts will be used to pay down the principle loan balance.
- 1.12. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2021/22.
- 1.13. The adoption of the Pay Policy statement at Appendix G

That Cabinet agree:

- 1.14. The Housing Revenue Account's 2021/22 Budget as detailed within section 19
- 1.15. A rent increase for all Council tenants for 2020/21, in line with the Government's social rent policy which has legislated to increase social rents by CPI + 1%, which is equal to 1.5%
- 1.16. 2% increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 12.

That Cabinet note:

- 1.17. 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.
- 1.18. The progress being made towards balancing the Council's financial position for 2020/21 as at Quarter 3 and the current projected outturn forecast of £64.7m as set out in the Budget Monitoring report as part of this Cabinet in Agenda Item 5b and also attached in Appendix H.
- 1.19. The response to the provisional local government settlement which is attached at Appendix E.
- 1.20. That pre-decision scrutiny of the proposed budget 2020/21 took place at the Scrutiny and Overview Committee on the 10th February 2020. The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.
- 1.21. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2.0 Executive Summary

- 2.1 This report sets out the Council's 2021/22 Budget and the indicative position for following 2 years. This budget has been set on the backdrop of one of the most difficult years financially for the Council and Local Government as a whole. This report expands on challenges faced by the Council in setting a balanced budget for the financial year 2021/22, and gives an update on the key issues from the Spending Review presented by the Chancellor of the Exchequer on 25th November 2020.
- 2.2 This report also provides further details on challenges faced by Croydon Council in terms of its continued financial pressures and resources available to deliver the key services for the authority.
- 2.3 The report also provides details on the current financial and economic environment in which the Council is operating, impacted significantly by

Covid, and together with the local policy context set out an approach to identifying savings.

- 2.4 The Council started the year with significantly low reserve levels and began the financial year with the nation forced into lockdown due to the Covid-19 pandemic. With rising costs and increased demand for services, the Council's finances had become increasingly precarious in recent years. However, Covid-19 and its impact on Council's budgets, in particular the ability to introduce planned savings meant the Council was unable to, cover its costs from reserves and was therefore forced to issue a Section 114 (S114) notice under the Local Government Finance Act 1988.
- 2.5 During the Covid-19 pandemic the Council has experienced significant financial pressures across all its services. From increased support and care to the most vulnerable in the community and provision of additional services to significant risks to income sources such as parking income. This has meant that the Council has faced a two sided impact from increased costs and reduced income.
- 2.6 The demand for children and adult social care has always been large within Croydon and with the additional need to safeguard these groups in our community has resulted in further resource pressures, this is not a specific Croydon issue. With growing numbers of both young and older residents, and other demographic changes, Croydon is affected by these national issues more than most.
- 2.7 As a Council facing financial challenges Croydon is certainly not alone, but many of the issues impacting its finances are unique to the borough.
- 2.8 Croydon is one of the capital's largest boroughs by population and, although situated in outer London, it has over time inherited a raft of traditionally Inner London issues that impact its budget but this has not been reflected in changes to Central Government financial support. Which have not been significantly revised to reflect changes in need.

3.0 Covid-19 Pandemic

- 3.1 Covid -19 has had a profound impact on the Council's finances. Financial pressures have arisen as a result of additional costs, lost income and unachieved delivery of savings. The pandemic has required the Council to divert resources to deliver some of the most urgent services to the most vulnerable in the Community and this has resulted in less staff time being dedicated to some of the key efficiency deliveries that had been required.
- 3.2 The Council has faced significant pressures within its Adult Social Care and Children Social Care departments as the services needed to ensure older people and vulnerable children are effectively safeguarded. The Council has lost significant income in various key services such as parking income, planning and through various fees and charges due to reduced activities and demand during the past 11 months.

3.3 Whilst MHCLG has provided further grant funding in order to tackle the extra costs and loss of income, the funding provided has not been sufficient to cover all Covid-related pressures the Council has faced. As a direct consequence of Covid, as at the end of January the Council has faced additional expenditure pressures of £39.76m, lost income of £28.7m and unachieved savings of £10.87m, however until end of December had only received £32.9m in funding from Government. This creates a £46.34m pressure directly attributed towards Covid.

3.4 The Council has administered significant number of other initiatives introduced by the Government to support the community during the pandemic. Table below details additional work the Council took on during the pandemic and also details the grants the Council received to support those initiatives.

Table 1: Covid Grants

Service Specific Covid Grants	£m
Infection control fund for adult social care (tranche 1)	8.075
Test and Trace	1.998
Welfare support grant	0.447
Next Steps Accommodation Programme	0.635
Test and trace support grants	0.338
LA compliance & Enforcement grant	0.218
Clinically Extremely Vulnerable Support Grant	0.195
Covid Winter Grant	1.199
Cold Weather Payment (housing)	0.050
Contain Outbreak Management Fund	3.094
Estimated S.31 grants paid in advance	7.017
Business Grants Fund	49.525
Cashflow measures	14.474
C-19 Business Rates reliefs	56.831
Discretionary Business Grants Fund	3.029
Reopening High Streets Safely	0.342
Additional Restrictions Grant.	7.734
Local Restrictions Support Grant (Closed) addendum	5.846
Cold Weather Payment (housing)	0.050
Hardship Fund	4.388
Total	165.485

3.5 The Covid pandemic has created significant uncertainty on Local Authority Finances going forward as it casts doubt in regards to future activity and public behaviour in terms of demand for services and in particular income from the use of facilities. Whilst it's difficult to predict what that change will be this will need to be closely monitored by the Council across a range of services to ensure risks are flagged early on and to find mitigations where possible.

4.0 Financial Performance Quarter 3 2020/21

4.1 As at month 9/Quarter 3 the general fund revenue outturn forecast stood at £64.7m overspend, which was after the inclusion of both anticipated

and received Covid19 funding from the MHCLG of £41.9m.

4.2 To note that there are a number of risks totalling £31.8m that could materialise which would see the variance increase further. These are within services due to the current pandemic, potential impact from finalisation of the 2019/20 accounts and in relation to groups structures particularly around interest income from Brick by Brick. Should all of these risks crystalize the total forecast overspend would increase to £96.5m by the year end.

4.3 The Council has requested a capitalisation directive to cover the deficit for the current year, this is part of an overall request for £150 million, at the time of publication no decision has been made on this request.

5.0 S114 Notice

5.1 In November 2020 with a substantial increase in the projected outturn for 20/21 and lack of progress on cost reductions and efficiencies the S151 Officer issued a Section 114 notice, as it was clear that the council could not meet its forecast expenditure for 2021/22 within its available revenue resources including reserves.

5.2 Councils are required by law both to set a balanced budget, but to also ensure that expenditure can be funded from revenue resources. If a council can't find a way to finance their expenditure a section 114 must be issued, as effectively expenditure becomes unlawful.

5.3 The notice has had the effect of the council stopping all non-essential spending – and cannot enter into new agreements which will incur a cost. A Spend Control Panel was set up to oversee expenditure taking place within the council.

5.4 The Council continued to ensure that essential services were maintained particularly to those community members who were vulnerable and that included the ongoing response to the Covid-19 pandemic. The following criteria was applied when allowing spend to take place:

- existing staff and payroll costs,
- expenditure on goods and services which have already been received
- expenditure required to deliver the council's statutory services at a minimum possible level
- urgent expenditure to safeguard vulnerable residents
- contractually committed expenditure
- expenditure through ring fenced grants
- expenditure that will improve the council's financial situation – that is necessary to reduce overall costs.

5.5 Within 21 days of issuing a S114 notice the council is required to decide whether it agrees with the views in the report and what action if any it proposes to take. If the expenditure cannot be met from revenue resources it must then issue another notice. On 2nd December a second S114 notice was issued and the Council has continued to remain in a S114 since.

6.0 RIPI

- 6.1 On 23rd October 2020, before the issuance of the S114 notice, the Council's External Auditors, Grant Thornton, issued a Report in Public Interest. The report detailed concerning the Council's financial position and related governance arrangements.
- 6.2 The Report was published as the external auditor were of the opinion that the Council:
- i. Had experienced deteriorating financial resilience for a number of years
 - ii. Had significant issues relating to its financial sustainability
 - iii. Had not responded promptly to previous audit recommendations and concerns
 - iv. And that this needed to be brought formally to the public's attention
- 6.3 The council has taken these serious recommendations onboard and is proactively looking at addressing the auditor's concerns. In fact this MTFS and the 21/22 Budget transparently deals with all known pressures the council has faced and had ensured these are provided for within the overall growth requests.

7.0 Renewal Plan

- 7.1 With the move to a S114 being enacted and further scrutiny being provided by our Auditors through the Report in Public Interest, it is evident that the council will need to embark on a significant financial improvement initiative.
- 7.2 In addition to the S114 and the RIPI, the council has had significant scrutiny and oversight various other stakeholders and groups. This has included from the internally set Financial Review Panel to the Rapid Review that was conducted by MHCLG. There are currently around 400 recommendations and actions already developed from different plans and there will be further output for incorporation into existing plans. Some of the recommendations and actions are likely to be cross-cutting, many may duplicate each other and the council will need to use best practice frameworks and recognised programme management methodology to track progress and reporting.
- 7.3 The renewal plan is a big change programme for the council, which sets out how we will respond to the financial challenges and wider improvement asks – whilst making sure that priority services are delivered effectively, sustainably and within our financial means.
- 7.4 The Renewal Plan is made up of the **Financial Recovery Plan** which will set out how we'll deliver a sustainable budget in the medium term and a **Corporate Improvement Plan** to deliver the required changes. Different strands of work within the renewal plan will include:
- New priorities and ways of working

- Improvements to governance and leadership practice
- Improvements to management practice
- Service improvements to manage demand and cost
- A new system of internal control – finance, performance and risk
- A new approach to involving residents and partners
- A new engagement and involvement programme with staff to create a working environment that values all our staff
- A new approach to ensuring respect for all and equity of opportunity for our staff
- A review of the member and officer code of conduct to fully embed the Nolan Principles in all work.

7.5 The Renewal plan was presented to Cabinet in 25th November 2020 and was endorsed by Cabinet colleagues. It was then presented to Council on 30th November. Work is currently underway to ensure our objectives within the Renewal plans are being implemented and that the Council begins to deliver a financially sustainable MTFs by 2023/24.

7.6 One of the fundamental reviews the Council is in relation to its Housing Company, Brick by Brick. The Cabinet at its meeting on 25th November 2020, received a report on a strategic review by PwC of the Council's group of companies and other entities. As a result of that review a number of specific recommendations were made concerning Brick by Brick.

These were to:

- i) Authorise the initial further work required on the options identified by PwC regarding the Council's interest in BBB in order to best inform further consideration and decision at the January Cabinet meeting.
- ii) Agree that funding of BBB shall continue in line with current loan arrangements and conditions subject to that further decision, provided that all funding for construction, and completed unit purchases be reviewed on a site by site basis.
- iii) Agree that all site transfers to BBB, be halted until the Council has completed the options appraisal and taken a final decision on the options.

7.7 The Council has also received and agreed a number of recommendations regarding Brick by Brick in the Report in the Public Interest report by Grant Thornton. In particular that report contained four specific recommendations regarding the Council's future relationship with Brick by Brick. These were:

- i) The Cabinet and Council should reconsider the financial business case for continuing to invest in Brick by Brick before agreeing any further borrowing.
- ii) The Cabinet and Council should review and reconsider the ongoing financial rationale for the Council in the

equity investment arrangement with Brick by Brick.

- iii) The s151 officer and monitoring officer should monitor compliance with loan covenants with Brick by Brick and report any breaches to Members.
- iv) The Cabinet and Council should review its arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, and the long-term impact of the subsidiaries on the Council's financial position and how the Council's and taxpayers interest is safeguarded.

7.8 Since the Cabinet meeting on 25th November the Council has carried out a second stage review of the options available to the Council to reduce the financial exposure with Brick by Brick. A report was presented to Cabinet on 18th February 2021 which detailed the next steps.

7.9 From a financial perspective the 18th February report considered various proposals in regards to future operations of Brick by Brick. The recommended course of action involves allowing Brick by Brick to continue building out schemes at an advanced stage, reviewing sites no longer proposed for development, disposing of sites at intermediate stage or sell the shares of the Company.

7.10 At the point of writing this report the actions of the second stage review were at the early stages of being worked through. At the Cabinet meeting it was recommended that, with any option, there will be further costs/resourcing (in particular the sale of the business option, in order to ensure the proper advice is obtained regarding valuation, legal and financial implications) and some write off of the Council's investment (as further explained in the restricted report) is likely. These risks are factored within the 21/22 Budget.

8.0 Local Government Finance Settlement 2021/22 - Nationally

8.1 The 2021/22 local government finance settlement is for one year only and is based on the Spending Review 2020 (SR20) funding levels. Within Spending Round 2020, information regarding 2021/22 funding allocations was provided. The provisional settlement confirms these previous announcements; the main points of which are set out below:

8.2 Most of the proposals set out in Spending Review 2020 have been confirmed.

Core Spending Power (CSP) will increase by £2.2 billion (4.5 per cent) nationally and £311 million (4.3 per cent) across London boroughs. Settlement Funding Assessment will increase by £13 million (0.1 per cent) and £3 million for London boroughs.

- The main tax referendum principle remains at 2 per cent.
- The flexibility to raise the Social Care Precept will be increased to 3 per cent for relevant authorities.

- The Improved Better Care Fund will remain at 2020/21 levels (the England total will be nearly £2.1 billion, of which London boroughs will receive £336 million).
- The Social Care Grant will increase by £300 million to £1.71 billion (as set out in SR20) London boroughs will receive £223 million of this (an increase of 24 per cent).
- Funding for New Home Bonus will decrease by over £285 million (31% per cent) nationally from £907 million to £622 million. London boroughs will receive £185 million of this, a decrease of £60 million (32 per cent).
- Business Rates Multiplier Compensation will increase by 30 per cent from £500 million to £650 million nationally. London boroughs will receive £115 million in 2021/22.
- There is a new Lower Tier Services Grant of £111 million within CSP (£24 million for London boroughs).
- Allocations have not yet been published for the Public Health Grant, Flexible Homelessness Support Grant, Homelessness Reduction Grant, Rough Sleeping Initiative Fund and the Independent Living Fund.
- £125 million was announced to implement the Domestic Abuse Bill (although allocations are TBC)
- A consultative paper has been published setting out further details on Covid-19 funding, including the £1.55 billion of further general funding in 2021/22 (£274 million to London boroughs), and seeking views on how the £670 million of CT Support funding, 75 per cent tax compensation scheme and continued SF&C compensation scheme will be calculated.

Core Spending Power - Overall

- 8.3 The National Core Spending Power figures for the period 2016/17 to 2021/22 are shown in Table 2 below. As previously announced at Spending Review 2020, it shows an increase
- 8.4 The National Core Spending Power figures for the period 2016/17 to 2021/22 are shown in Table 2 below. It shows an in year increase of 4.21% for 2021/22 and an overall of 4.5% for 2021/22 and an overall change for the period 2015/16 to 2021/22 of 14.7m.

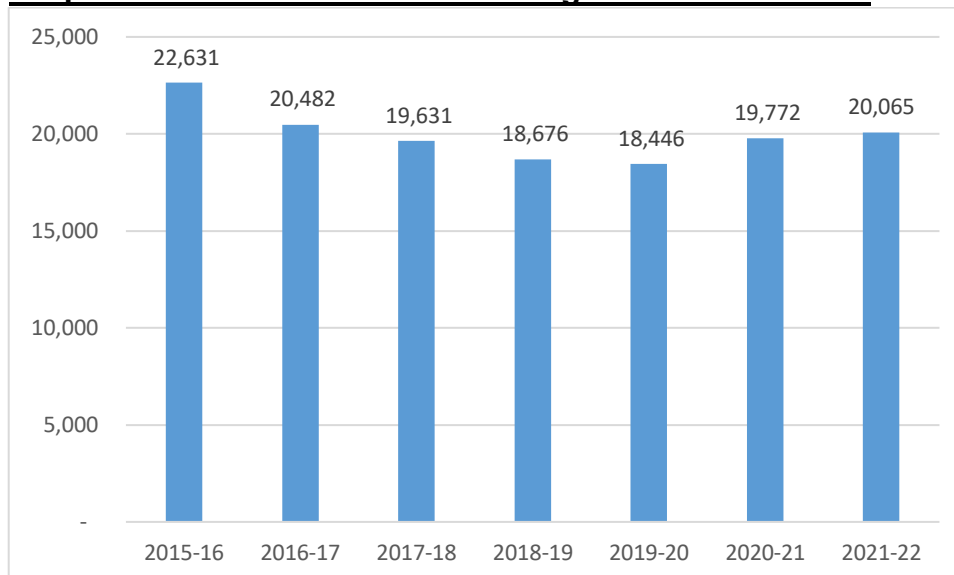
Table 2: Core Spending Power figures for England 2015/16 to 2020/21

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m	£m	£m
Settlement Funding Assessment	18,602	16,633	15,574	14,560	14,797	14,810
Under-indexing the BR multiplier	165	175	275	400	500	650
Council Tax	23,247	24,666	26,332	27,768	29,370	31,145
Improved Better Care Fund	-	1,115	1,499	1,837	2,077	2,077
New Homes Bonus	1,462	1,227	947	918	907	622
New Homes Bonus returned funding	23	25	-	-	-	-
Rural Services Delivery Grant	81	65	81	81	81	85
Transition Grant	150	150	-	-	-	-
Adult Social Care Support Grant	-	241	150	-	-	-
Winter Pressures Grant	-	-	240	240	-	-
Social Care Support Grant	-	-	-	410	1,410	1,710
Lower Tier Services Grants						111
Core Spending Power	43,730	44,296	45,098	46,213	49,142	51,210
Change %	-2.10%	1.29%	1.81%	2.47%	6.34%	4.21%
Cumulative Change %	-2.10%	-0.83%	0.96%	3.46%	10.02%	14.65%
Real Terms Change %	-4.00%	-2.50%	-1.40%	0.10%	3.10%	3.10%
Cumulative Real Terms Change %	-4.00%	-6.40%	-7.80%	-7.70%	-4.80%	-4.80%

Core Spending Power: Excluding Council Tax

8.5 Graph 1 below shows the level of central government funding to local government between 2015/16 and 2020/21 excluding Council Tax. It shows a reduction of £2.8bn from £22.6bn to £19.8bn, a reduction of 13%.

Graph 1 – Local Government Funding 2015/16 to 2020/21



9.0 Local Government Finance Settlement 2021/22 Croydon

9.1 The published Core Spending Power (CSP) figures for Croydon are shown in the table below. Croydon's CSP for 2021/22 is £319.4m, an increase of £10.7m on the 2020/21 amount. However, it should be remembered that the CSP figures for the Settlement Funding Assessment and Council Tax are Ministry of Housing Communities and Local Government (MHCLG) forecast amounts only; with actual resources determined by the amount of business rates and council tax collected locally.

Table 3 Croydon's Funding Allocations 2016/17 to 2020/21

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Settlement Funding Assessment	114.6	101.7	94.5	86.8	88.2	88.2
Under-indexing the business rates multiplier	1	1	1.6	2.4	3	3.9
Council Tax	143.5	155.1	167.4	180	193.1	208.49
Improved Better Care Fund	-	5.5	7.1	8.3	9.7	9.7
New Homes Bonus	11.8	8.5	6.3	6.7	7.3	5.2
New Homes Bonus returned funding	0.2	0.2	-	-	-	-
Transition Grant	0.4	0.4	-	-	-	-
The Adult Social Care Support Grant	-	1.4	0.9	-	-	-
Winter pressures Grant	-	-	1.4	1.4	-	-
Social Care Support Grant	-	-	-	2.4	7.4	7.8
Core Spending Power	271.5	273.8	279.2	288	308.7	323.9
Population	386,700	390,100	393,600	397,000	400,200	400,200
Core Spending Power Per Head	702	702	709	725	771	809

- 9.2 Table 3 shows an increase in funding for Croydon over 2016/17 to 2021/22 of £51.8m in cash terms or 15.2%. However, it is important to note that this includes forecast increased council tax revenues over the period of £64.9m. Excluding Council Tax revenues sees a cash reduction in funding over the period of £12.5m. 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.

New Homes Bonus

- 9.3 Croydon's New Homes Bonus (NHB) allocation for 2021/22 is £5.2m, as shown in table 4 below. This is comprised of £3.6m legacy payments from previous years and an in-year payment of £1.6m.

Table 4 Croydon's NHB Forecast Funding Allocations 2019/20 to 2022/23

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23* £m
2016/17 allocation	2.1	0	0	0
2017/18 allocation	1	1	0	0
2018/19 allocation	1.8	1.8	1.8	0
2019/20 allocation	1.8	1.8	1.8	0
2020/21 allocation	0	2.7	1.6	1.6
No future years' allocations forecast	0	0	0	0
Equals NHB Funding (£m)	6.7	7.3	5.2	1.6

**projected*

Social Care Grants

- 9.4 The Social Care Support Grant will increase by £300 million to £1.71 billion (as set out in SR20) London boroughs will receive £223 million of this (an increase of 24 per cent). For Croydon this is an increase in funding of £0.4m, from £7.4m in 2020/21 to £7.8m in 2021/22.

Homelessness Funding/Homelessness Prevention Grant

- 9.5 The £310m Homelessness Prevention Grant combines and uplifts what was previously the Flexible Homelessness Support Grant and Homelessness Reduction Grant. For 2021-22 both grants have been combined and uplifted by £47m. In 2021/22 Croydon will receive £7.4m an increase of £2.2m over 2020/21

Public Health Grant

- 9.6 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.

- 9.7 The ring-fenced 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.
- 9.8 A review of the services that are commissioned as well as a detailed review of the resources that are provided for services within the Council was carried out during 2019/20 to ensure that the funding is utilised in the most effective manner and delivers on public health outcomes.
- 9.9 Funding for 2021/22 remains unconfirmed at the time of writing this report. Flat funding should be expected until allocations confirmed by Public Health England in Feb 21/22. In 2020/21 Public Health Grant was £21.8m.
- 9.10 Croydon's response to the Provisional Local Finance Settlement for 2021/22 is included as Appendix E to this report.

Local Taxation & GLA Taxation

- 9.11 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2021. 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 8th March 2021.
- 9.12 It is recommended that there is a 1.99% increase in council tax for the Croydon element of the charge and a 3.00% increase based on the Adult Social Care Precept as set by the Chancellor. The GLA are proposing a 9.5% increase in their element of the charge and that is due to be agreed by the GLA on the 24th February 2021. The overall headline increase is 5.83%. The effect of this increase on Band D is set out in table 5 below.

Table 5 – Local Taxation & GLA Taxation increase (Band D comparison)

Band D	2021/22	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,354.02	1.99%	28.9	0.56
Adult Social Care Precept	170.47	3.00%	43.56	0.84
Greater London Authority	363.66	9.50%	31.59	0.61
Total	1,888.15	5.83%	104.05	2.00

10 Wider Local Government Funding Issues

- 10.1 A summary of wider local government funding issues is set out below.
- 10.2 The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. 2020/21 will be the final year of the pool as councils

in London have decided to discontinue the pool due to the volatility in business rates following the pandemic and possible reduction in business rates income. Therefore, Councils will return to the usual business rates shares for 2021/22 which will be 30% for Croydon, 37% for the GLA and 33% for Central Government.

- 10.3 **Levy/Safety Account** - As would perhaps be expected, given the level of uncertainty regarding 2020/21 business rates income, there was no announcement regarding the allocation of potential funds from the BRR levy/safety net account.
- 10.4 **Local Government Funding Reforms** - There were no additional papers published or mentioned relating to the local government funding reforms that are planned for introduction from April 2021 (i.e. Fair Funding, 75% Business Rates Retention, the full reset of the business rates baselines or the potential Alternative Business Rates Retention System).
- 10.5 **COVID-19 Support** - Further details have been published regarding the support for local authorities in 2021/22 for COVID-19. These are in the form of a policy paper that can be found by clicking [here](#). This funding is not included in the Core Spending Power figures. The paper covers the following areas.
- 10.6 **£1.55bn Grant Funding** - Details of the additional £1.55bn of COVID funding for 2021/22 is available [here](#). This will represent un-ringfenced grant support and uses the COVID-RNF developed in July 2020 and applied to the third tranche of funding announced in July (and retrospectively all four tranches in October 2020). MHCLG has indicated that they are aiming to make payments to local authorities in April 2021.
- 10.7 **£0.67bn local council tax support grant** - The government has indicated that it is providing this to broadly meet the additional costs associated with increases in local council tax support caseloads in 2021/22. The funding will be un-ringfenced and can be used to provide other support to vulnerable households, including through local welfare schemes.
- 10.8 MHCLG are proposing to distribute the £670m of grant funding based on working-age Local Council Tax Support caseloads in each billing authority's area, using data from quarter 1 and quarter 2 of 2020/21. They are also proposing to adjust this distribution, based on the ratio of the average bill per dwelling in the billing authority's area in 2020/21, compared to the average bill per dwelling in England in 2020/21. Using this distribution methodology, MHCLG hope to be in a position to make up-front lump sum section 31 payments directly to billing and major precepting authorities in April 2021. The funding allocations have not been published today, but MHCLG indicate that details of the provisional funding allocations will be published in due course.
- 10.9 Local tax income guarantee for 2020/21 (i.e. business rates and council tax deficits) - The government has also announced, as part of a consultative policy paper, the details of its proposed scheme for compensating for irrecoverable local taxation losses.
- 10.10 Sale, Fees and Charges Support MHCLG - are seeking views to continue

the current support for the first quarter of 2021/22 and continue to use 2020/21 budgeted income as the baseline to assess losses.

- 10.11 Other - MHCLG are proposing to continue (a more streamlined) COVID-19 financial impact survey and are also seeking views on priority areas for data collection going forward

11 Medium Term Financial Strategy (MTFS)

- 11.1 The Council last updated its Medium Term Financial Strategy [MTFS] and presented those plans to Council in October 2018. Best practice, set out in the CIPFA Financial Management Code, requires a three year MTFS to be prepared each year alongside the annual budget setting process to recognise future budget pressures and to allow planning for meeting identified pressures to be made in sufficient time to meet those challenges. This budget report meets those requirements by consideration of a three year position rather than just the following single year.

- 11.2 Work in refreshing the three year MTFS planning horizon from that previously agreed in October 2018 began at the start of summer 2020. Improvements to the process have included:

- a) planning for three years instead of a single year;
- b) the development of revenue proposal forms which include consideration not just the financial impact, but risks, impact on stakeholders and key milestones required for delivery, and budget holder sign-off;
- c) budget challenge sessions in both officer only and officer/member sessions;
- d) comparison of spending requirements and income generating budgets to benchmarking data across similar authorities;
- e) external review of significant budgets and change proposals by external bodies including the LGA, CIPFA and PWC; and
- f) the implementation of a monitoring process and system to continuously track the progress of savings proposals delivery across the Council, to be regularly reported to and reviewed by Corporate Leadership Team and members.

- 11.3 The outcome of the budget setting and MTFS processes undertaken over the last nine months has, subject to confirmation of the requested capitalisation direction support from MHCLG, delivered a balanced budget for 2021/22. Delivery of savings, the management of risk, and control of expenditure to live within proposed budgets set out throughout this report will be required to ensure that net overspends over next year's budget period are managed and mitigated.

- 11.4 The medium term (years 2022/23 and 2023/24) budget positions set out in this MTFS are predicated on central government support in relation to

Revenue Support Grant and Localised Business Rates remaining broadly unchanged except for inflationary increases and anticipated movements in taxbase. Deferred by ministers due to the covid-19 pandemic are proposals to review the operation of the local government funding regime and policy changes with regard to a Fair Funding Review, operation of the Localised Business Rates system; and a business property revaluation exercise are expected over the following years. The MTFS recognises these potential changes but assumes that whilst such individual funding streams may vary, the overall level of core funding will remain broadly neutral.

- 11.5 The Budget and MTFS position set out in this report provides a balanced budget position for 2021/22, but over the longer term sees further efficiencies that will need to be developed to balance future years (with or without further capitalisation direction requests) for which MHCLG have indicated they are unable to determine at this date as those years fall outside of the current Spending Review period. In order to provide sufficient time for such proposals to be developed and implemented, work will begin on refreshing the MTFS in the near future.

12.0 Corporate Assumptions - 2021/21 budget

Grants

- 12.1 As set out in section 2 of the draft settlement. There has been a number of changes in grant income that have to be taken into account in the 2021/22 budget.

Inflation

- 12.2 The budget for 2021/22 needs to take account of changes in the cost of living/inflation. A pay award of at least 2% for all staff has been assumed, although the unions have put in a substantially higher claim. Additionally a number of council contracts are subject to indexation each year. The MTFS has provided for £10.4m for contractual and pay inflation and this needs to be managed within the Council's overall budget. The overall increase in the budget for inflation for both the pay award and inflation will be held corporately and will then be allocated out to departments in year.

- 12.3 The council's capital programme assumes the taking out of new borrowing to fund projects that require debt. The assumption overall is that there will be borrowing of circa £60.4m in 2021/22 and an additional amount of £0.87m has been added to the revenue budget to fund the associated interest payments.

London Business Rates Pilot / Pool

- 12.4 Under the Localised Business Rates system, the council ordinarily retains 30% of the business rates collected from business premises within the borough and as such benefits from any growth above baseline funding levels. The Greater London Authority retaining 37% and the remaining 33% being returned to central government.

- 12.5 Pilot status was awarded to London boroughs, who collectively formed a business rates pool, in 2018/19 and 2019/20 which reduced the amount

of growth returned to MHCLG to 0% and then 25% in the two years respectively. This pilot status was withdrawn by central government for the current financial year and reduced the collective amount of benefit from business rate growth that was retained by London boroughs. That said, London boroughs continued to operate pooling arrangements in 2020/21 as, despite no benefit being derived from MHCLG receiving a smaller share, the pooling of Levy and Safety Net positions was forecast to deliver an overall benefit for London Boroughs.

- 12.6 The coronavirus pandemic has had a significant impact on the business environment across London and as a consequence total yield across the region is expected and forecast to reduce as a result of business failure and significant levels of appeals of rateable value due to material change in circumstances. The result of these changes has been to erode the potential benefit for London borough's to continue pooling and it has collectively been decided that a pool will not operate for the year 2021/22.
- 12.7 The 2020/21 budget for the Council assumed a pooling benefit of £0.5m, which is unlikely to now materialise as a result of the changes to the economic environment, but will be subject to final clarification pending completion of all London borough business rate accounts returns in May 2021. This reduction in previously estimated gains from pooling is reflected in both the current year forecast outturn position and built into MTFs assumptions.

Settlement Funding Assessment per head across London

- 12.8 Table 6 below shows the Settlement Funding Assessment per head for each London Borough (excluding the City of London) and shows Croydon ranked as 21st, receiving £237 per head in 2021/22, whereas neighbouring Lambeth will receive £447 per head. If Croydon were funded at the London average of £382 per head for 2021/22 it would receive an additional £56m.
- 12.9 Croydon has an average of £237 per head over the five year period; this compares to the London average of £382.

Table 6 – Settlement Funding Assessment per head

	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(1-33)
	2017/18	2018/19	2019/20	2020/21	2021/22	Average	Rank
SFA (£ PER RESIDENT)							
City of London	2803.19	2707.54	2592.05	2615.05	2600.16	2663.60	1
Hackney	567.10	536.71	504.16	507.58	503.94	523.90	2
Southwark	523.22	493.58	462.34	465.95	463.12	481.64	3
Westminster	511.39	480.89	449.06	450.44	445.98	467.55	4
Islington	503.61	473.29	441.53	445.02	442.46	461.18	5
Tower Hamlets	497.65	464.45	430.64	429.71	423.30	449.15	6
Lambeth	483.89	457.53	429.06	434.19	433.14	447.56	7
Camden	482.60	448.27	413.31	414.34	409.95	433.69	8
Hammersmith And Fulham	470.61	442.40	412.25	415.59	413.22	430.81	9
Newham	455.88	431.84	406.39	409.86	407.84	422.36	10
Kensington And Chelsea	458.10	428.82	395.73	402.21	402.62	417.49	11
Lewisham	444.82	419.60	392.68	396.21	394.11	409.49	12
Haringey	425.52	401.98	376.18	381.46	381.12	393.25	13
Greenwich	417.07	392.27	366.25	368.46	365.53	381.92	14
Barking And Dagenham	389.83	369.19	347.05	350.81	349.67	361.31	15
Brent	378.43	356.01	332.13	335.69	334.53	347.35	16
Waltham Forest	357.71	335.72	312.27	315.65	314.59	327.19	17
Wandsworth	324.79	307.37	288.59	291.47	290.26	300.50	18
Ealing	312.92	293.84	272.88	277.72	278.40	287.15	19
Enfield	309.43	290.04	269.06	272.82	272.59	282.79	20
Croydon	263.98	244.57	223.78	226.72	226.27	237.07	21
Hounslow	250.42	232.06	212.50	215.25	214.89	225.02	22
Sutton	248.57	227.43	205.17	207.35	206.49	219.00	23
Redbridge	240.67	223.74	205.56	208.34	207.99	217.26	24
Merton	235.44	216.50	196.00	198.99	198.95	209.18	25
Hillingdon	208.68	190.56	171.73	173.51	172.78	183.45	26
Harrow	200.16	181.68	161.91	164.32	164.19	174.45	27
Barnet	199.57	180.21	160.07	161.32	160.19	172.27	28
Bexley	194.04	176.24	157.51	159.33	158.67	169.16	29
Havering	172.82	154.23	135.08	136.25	135.32	146.74	30
Kingston upon Thames	148.90	128.89	122.16	123.48	122.90	129.27	31
Bromley	141.30	124.24	113.14	114.34	113.74	121.35	32
Richmond upon Thames	124.60	109.73	111.71	112.99	112.52	114.31	33

13 Department Assumptions 2021/22 budget

13.1 Alongside the corporate assumptions that underpin the 2021/22 budget, work has been ongoing to ensure that departmental and service estimates are accurate. This is the key element of the budget where movement in resources between services can be identified. This reflects growth, savings and income. Appendix A sets out the detailed list of growth, savings and options across the four departments of the council. Table 7 below shows the movements within departments and at a corporate level from 2020/21 to 2021/22.

Table 7 – Cash Limit Movement

Department	Cash Limits 20/21	Growth	Savings	Other Movements	Capitalisation Direction	Cash Limits 21/22
	£M	£M	£M	£M		£M
Children, Families and Education	86.892	20.433	-9.433	-0.282	0.000	97.610
Health, Wellbeing and Adults	121.177	29.251	-17.494	0.000	0.000	132.934
Place	45.766	10.102	-12.759	-0.186	0.000	42.923
Resources	37.682	13.585	-4.982	0.468	0.000	46.753
Service Total	291.517	73.371	-44.668	0.000	0.000	320.220
Corporate Items	-291.517	26.879	-5.582	0.000	-50.000	-320.220

- 13.2 The projected department overspend in 2020/21 is £96.5m which includes all risks. The main areas of overspend are from demand led services, loss of income and unachievable savings as a result of the pandemic. Details of this can be found within the 20/21 Q3 Financial Performance Report which is a separate item on this Agenda.

14 Croydon Services

Children, Families and Education including UASC

- 14.1 Croydon's Children's Services were rated as good in February 2020, an outcome achieved through the successful implementation and deliver of the Children's Services Improvement Plan accompanied by significant additional resources allocated as part of the 2018/19 and 2019/20 Children's Social Care budgets in addition to one-off investment funding via the Council's Transformation Reserve.
- 14.2 2020/21 had been a year of consolidation of staffing requirements in the department, whilst the LA has reviewed the strategic action to be taken to ensure that there is sufficient accommodation for children and young people with who are looked after and for those leaving care, the budget allocation available for the current cohort of Croydon's looked after children (excluding UASC), care leavers and children with disabilities is insufficient to fund the accommodation required year on year. This pressure is reflected in the Quarter 3 financial monitoring reported to Cabinet.
- 14.3 In addition, the exceptional items reported to Cabinet in the Quarter 3 financial monitoring report relate to UASC, NRPF and Appeal Rights Exhausted (ARE). We are continuing to engage in positive dialogue with various government departments to mitigate this financial burden. As stated, the UASC pressure is as a result of the number of UASC remaining in Croydon, above the National Transfer Scheme rate of 0.07% of the borough's child population, together with the failure to recognise the gateway authority-specific costs and the sheer number of former UASC

who have remained as care leavers until they reach the age of 25 years old. Whilst our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate.

- 14.4 The Home Office increased the rates of reimbursement from April 2020 to £240 per care leaver per week and £143 per child per night for those LAs supporting UASC at, or in excess of, 0.07% of their child population, as at 31 March 2020.
- 14.5 The total 2020/21 forecast cost of Asylum seeking children and care leavers for the Council is £5.3m and includes Children's Social Care costs, along with costs associated with education and health for these young people. Modelling indicates that if the number of children and young people in the council's care remains the same the numbers will reduce to 0.07% by 2031-32. Until that time Croydon is accommodating asylum seeking children and young people at an annual cost of between £5.4m - £6.7m. Support from the Department for Education and the Home Office is being sought to secure a solution that addresses the disproportionate financial burden on Croydon council now and in future years.

Health, Wellbeing and Adults

- 14.6 Adult social care continues to be under pressure nationally and locally. In Croydon, Adult Social Care has continued to see increases in demand for services above budget and there is a projected net overspend as at Q3 of £21.3m in 2020/21. Areas of significant overspend continues to be in 25-65 Disability Service and Older People and following agreed in year savings, overspends are £11.7m and £4.8m respectively. This is the result of inherent pressures within the budget, additional costs due to the Covid-19 pandemic, in addition to rising demand in Domiciliary Care, Nursing and Residential placements where there is an increase in placement costs and complex cases which are exacerbated by Covid-19. The service has had a strong partnership with health during the pandemic. Ensuring that people are moved efficiently from a hospital setting to the most appropriate follow on care setting in the community.
- 14.7 On the advice of the Local Government Association (LGA) finance lead, the council aims to set a revised budget to reflect current activity in Adult Social Care. In 2021/22, £28.9m growth has been allocated to match current demand and allow for in year demographic growth. The long term impact of Covid -19 is currently unknown nationally and may adversely impact social care expenditure in future years. To mitigate the increasing costs in Adult Social Care, the council is committed to reducing spend by changing the way social care is delivered and live within available resources. The council is working with social work practice and finance leads from the LGA and have accepted their view that Croydon's spending on younger and older adults is significantly higher than that of comparable boroughs. Therefore, by reducing spend in line with the average level of spending in London or England as appropriate, there is scope to make significant savings in the medium term, following the budget being set at the right level to match current activity. Savings and change programmes are being developed with key LGA guidance taken into consideration.

Housing Assessment and Needs

- 14.8 The number of households supported by the Emergency and Temporary Accommodation teams has continued to rise. It is expected that the short to medium term will see a further influx in numbers as the temporary hold on evictions due to Covid-19 is lifted. Ring-fenced funding from MHCLG is continuing in the form of the £7.2m Homelessness Prevention Grant, replacing two previously issued grants. This grant will be split between funding accommodation and prevention work to minimise numbers of residents entering the service. The council is also working on reviewing housing contracts, including supported housing, emergency accommodation and temporary accommodation. This is expected to lead to a new strategy for temporary accommodation, new routes to purchase private sector housing and new contracts for the provision of supported housing.

Place and Resources

- 14.9 The Place directorate continue to face challenging budgetary pressures for 2020-21 as a result of Covid-19. The service is showing a reduced level of income collection in the Parking division following government advice for travel to be reduced to a minimum for most of the year. The reduced level of transactions processed has impacted on the projected income from parking.

The new Private Landlord Selective Licensing Scheme which was supposed to be operative from October 2020 to mark the commencement of the five year scheme for private landlords is not going ahead in 2020-21. This is largely due to the delay in MHCLG approving the scheme to be fully operational this financial year (2020-21). The service is looking into strategies to mitigate overspends in year by aligning its workforce and resources to the delivery of its objectives. In 2021-22, the budget for Selective Licensing is amended to reflect a delay in the start of the scheme to October 2021.

Corporate Budget

- 14.10 The corporate budget consists of the council's central costs that are not distinguishable across any specific Directorate.
- 14.11 The Corporate Budget provides for various strategic income and expenditure items such as income from general Grants, Investment income, Levies, minimum revenue provision and financing costs. The total net Corporate Budget is £270.220m.

Savings and Growth

- 14.12 The full list of savings and income options included in the 2021/22 budget are set out in Appendix A.
- 14.13 The Council has set up a Steering Board that will oversee the delivery of these Savings over the course of 21/22. Each saving options has a designated Project Manager (PM) and a Senior Responsible Officer (SRO) who will be held accountable to deliver savings assigned to them.

- 14.14 Table 8 below provides an indication of the savings and growth that has been allocated to each Directorate.

Table 8 – Growth and Savings per Directorate

		2021/22 £m	2022/23 £m	2023/24 £m	TOTAL 2021/24 £m
Children, Families and Education	Savings	-9.433	-4.694	-2.296	-16.423
	Growth	20.433	0.085	0.077	20.595
Health Wellbeing and Adults	Savings	-17.494	-10.745	-9.505	-37.744
	Growth	29.251	6.919	6.880	43.049
Place	Savings	-12.759	-7.378	-3.513	-23.650
	Growth	10.102	0.800	1.000	11.902
Resources	Savings	-4.982	-1.693	-1.277	-7.952
	Growth	13.585	-0.720	-0.863	12.002

15 Local Taxation Charge for 2021/22

- 15.1 The council tax change for the Croydon element of the charge for 2021/22 is recommended to be **4.99%** in accordance with Appendix D of the report.
- 15.2 This decision includes a 3.0% increase for the Government's' adult social care precept that was approved as part of the Local Government Finance Settlement. This is contained in Appendix C, with the Band D effect shown in table 9 below.

Table 9 – Local Taxation for 2021/22

Band D	2021/22 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,354.02	1.99%	28.9	0.56
Adult Social Care Precept	170.47	3.00%	43.56	0.84
Total	1,524.49	4.99%	72.46	1.39

- 15.3 Table 10 gives details of both the increases to the Croydon element of the council tax and the Adult Social Care precept over the last 4 years and the increase being recommended for 2021/22.

Table 10 – Croydon Council percentage increase since 2018/19

	2018/19	2019/20	2020/21	2021/22
Croydon Council Percentage change	2.99%	2.99%	1.99%	1.99%
Adult Social Care Precept	2%	1%	2%	3%

- 15.4 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 B.

Council tax

- 15.5 Budgeted Council Tax revenues for 2020/21 are £193m and comprise 69% of the Council's overall Net Budget Requirement for this year of £277m – the balance of funding being derived from localised business rate income and Revenue Support Grant [RSG]. The charge for 2020/21 saw a maximum increase of 3.99% (1.99% General Demand increase and 2.00% increase through an additional Adults Social Care Precept) that was permitted and assumed in government's Core Spending Power assessment of local government funding without breaching the general level of increase that would have required a referendum to be held for the increase. The Band D charge of £1,524.49 (excluding the GLA precept of £363.66) is the fifth highest charge amongst London Boroughs.
- 15.6 Budget proposals set out in this report assume and recommend that the Council Tax charge is increased in 2021/22 by the maximum allowed under government regulations without triggering the need to hold a referendum on the increase. For 2021/22 those limits are 1.99% General Demand increase and 3.00% Social Care Precept – a total of 4.99%. Any higher proposed increase would require a referendum to be held at the Council's expense, unless permission were sought from the Secretary of State for a higher threshold for Croydon than currently set out in regulations.
- 15.7 The 4.99% increase outlined in the paragraph above would see the annual charge on a Band D property increase by £28.90 per year for the General Demand whilst the Social Care Precept increase of 3.00% adds £43.56 – collectively an increase of £72.46 and equivalent to £1.39 per week for a Band D Council Tax payer. In addition, the GLA has proposed a 9.51% increase for its General and Metropolitan Police charges. Collectively these proposed increases would result in a total Band D charge of £1,888.15 – an increase of £104.05 (5.83%), equivalent to £2.00 per week increase for a Band D household with two or more residents. The following table illustrates the composition and the impact of the proposed changes on each property banding.

Table 11: Change in Council Tax charge

Band	Band D Ratio	2020/21 Charges				2021/22 Charges				Weekly Change	
		General Demand (£'s)	Social Care (£'s)	GLA Precept (£'s)	Total Charge (£'s)	General Demand (£'s)	Social Care (£'s)	GLA Precept (£'s)	Total Charge (£'s)	Croydon (£'s)	GLA (£'s)
A	6 9ths	883.41	84.61	221.38	1,189.40	902.68	113.65	242.44	1,258.77	0.93	0.41
B	7 9ths	1,030.65	98.71	258.28	1,387.63	1,053.13	132.59	282.85	1,468.57	1.08	0.47
C	8 9ths	1,177.88	112.81	295.17	1,585.87	1,203.57	151.53	323.25	1,678.35	1.24	0.54
D	9 9ths	1,325.12	126.91	332.07	1,784.10	1,354.02	170.47	363.66	1,888.15	1.39	0.61
E	11 9ths	1,619.59	155.11	405.86	2,180.57	1,654.91	208.35	444.47	2,307.73	1.70	0.74
F	13 9ths	1,914.05	183.31	479.66	2,577.03	1,955.81	246.23	525.29	2,727.33	2.01	0.88
G	15 9ths	2,208.53	211.52	553.45	2,973.50	2,256.70	284.12	606.10	3,146.92	2.32	1.01
H	18 9ths	2,650.24	253.82	664.14	3,568.20	2,708.04	340.94	727.32	3,776.30	2.79	1.22

- 15.8 The amount raised in Council Tax receipts for the Council is a function not only of the Band D charge itself, but the number and composition of properties eligible to pay the charge. This quantum is referred to as the “Taxbase” and was required to be determined and notified to precepting bodies by the 31st January 2021. Having made that determination, any further changes to that assumed quantum are, by way of required technical accounting adjustments, withheld from impacting next year’s General Fund revenue position, instead being held in an unusable collection fund adjustment reserve until the following year.
- 15.9 The estimated taxbase for 2020/21 was determined in January 2020 to be 132,729.4 Band D equivalent properties (after adjusting for the estimated number of properties in each banding; relevant discounts and exemptions; and anticipated collection rate). The equivalent number of properties for 2021/22 has been estimated to be 129,940.8 Band D equivalents – a decline of 2,788.6.
- 15.10 The change in taxbase is predominantly the result of anticipated growth in property numbers not materialising as originally assumed, but is also impacted by the number of householders becoming eligible for discounts due to their economic circumstances and reduced collection rates – all of which have been significantly impacted by the coronavirus pandemic.
- 15.11 The decline in projected number of Band D equivalent properties has an impact on the base budget for 2021/22. At the current 2020/21 Band D charge for Croydon (£1,452.03), a fall of 2,788.6 in the taxbase sees a reduction of £4.0m in income derived from Council Tax. However, the proposed increase of 4.99% in the Band D charge for the Council offsets this fall with the General Demand Increase (£28.90) and Social Care Precept (£43.56) respectively generating an additional £3.8m and £5.7m.
- 15.12 Taken collectively, the impact of the proposed Council Tax charge increases and change in taxbase see the current budgeted income from Council Tax of £193m increase by £5m in 2021/22 to £198m.
- 15.13 In setting out forecasts over the longer three-year MTFs planning horizon, future years Band D charges are assumed to increase by 1.99% year-on-year in accordance with current year referendum limits (and at Bank of England target inflation rate) whilst taxbase growth is assumed to return to a higher level (last four year average) and collection rates also trend back up to 98.5% as the impact of the coronavirus pandemic diminishes. The MTFs assumptions see future increases in net yield of £8m and then £7m in 2022/23 and 2023/24 as a result.
- 15.14 As referred to earlier in this section, technical accounting adjustments required under regulations ensure that any deficit in Council tax receipts actually chargeable to that forecast at the start of the year are offset and thus impact in the future year. These adjustments are held in the unusable reserve Collection Fund Adjustment Account. The lower than previously anticipated growth in the taxbase during 2020/21, as well as seeing a detrimental impact in receipts in 2021/22, also has an adverse impact on the 2020/21 position and results in a deficit in the Collection Fund. This is ordinarily recovered as an adjustment in the following year, but recent

regulations allow and require the 2020/21 deficit to be recovered over a three rather than one year period.

- 15.15 However, one-off additional grant funding has recently been announced as part of government funding to local councils for covid impacts which will mitigate deficit that would otherwise be seen. Collectively these adjustments see a £0.9m additional pressure on the budget position next year which remains over the three-year life of the MTFS due to the three-year spreading arrangements introduced by the latest amended regulations.

Projected Collection Fund Surplus / Deficit

- 15.16 Council Tax and Business Rate income is collected by the Council as the Billing Authority on its own behalf and the GLA (and in the case of business rates a 33% share for central government). All income and costs, such as write-offs; refunds and appeals repayments, are in the first instance credited to the Collection Fund account – an unusable reserve in the Council's balance sheet and distributed by means of precepts by the relevant bodies on that account.
- 15.17 Substantially as the result of the impact of the Covid-19 pandemic, the growth in the number of residential properties has seen fewer properties added to the Council Tax property list in the current year as well as declining collection rates that has led to the need to increase bad debt provisions at year end for potential losses. Similarly, in-year business rate yield has been impacted by the number of properties being declared vacant (and subject to three-month empty property relief) and the level of appeals against property valuations increasing leading to refunds where successful and provisions for those still pending determination by the Valuation Office Agency. In both cases these circumstances have led to forecast deficits for the current financial year.
- 15.18 Technical adjustment required under statute require that the amounts estimated to be distributed in any financial year represented the amount originally budgeted to be distributed and any in-year surplus or deficit is retained within the Collection Fund account and impact on general reserves in the following financial year. In-year deficits caused by factors outlined above, whilst not impacting on the current year General Fund budget thus affect next year's budget position.
- 15.19 Recognising the impact the current Covid-19 pandemic has had on all local authority positions with regard to both Council Tax and business rates, additional statutory regulations have been issued to require significant elements of any in-year deficit to be held in the Collection Fund and spread over a three year period rather than the usual one year – the re-phasing of these deficits are included in the proposals set out in this Budget Setting and three-year MTFS report.
- 15.20 The total projected deficit on the Council Tax element of the Collection Fund was estimated to be £9.167m and notified to preceptors on 25th January 2020. Croydon's share of that deficit is £7.458m – being spread over three years being 2.503m per year. A final variance on the 2019/20 outturn of £0.052m reduces the net transfer in 2021/22 only.

15.21 Against a 2020/21 base budget Croydon share of a deficit of prior year business rates Collection Fund deficits, an increase of £0.185m to a total of £1.910m. Under regulations this element cannot be spread over three years and becomes a one-off charge in 2021/22. In addition, a further £2.391m deficit has been forecast which is spread over three years, representing an annual cost over the MTFS period of £0.797m.

16.0 Greater London Authority Precept 2021/22

16.1 On 15th December 2020, the Mayor of London announced his provisional proposal to increase his share of council tax by 1.99%, £6.64. This was revised on 12th January 2021 to 9.5%, £31.59 of which £15 will go towards helping fund the Metropolitan Police and £15 for Transport of London subsidies for children and over 60s. The remaining £1.59 per-household would go towards helping the fire service respond to changes recommended by the Grenfell Tower inquiry.

In order to implement the proposed increases for TfL, the GLA requires approval from the government to amend its referendum limits as the increase would be greater than its current 2% limit before a referendum was required.

16.2 This overall resultant council tax increase is set out in table 12 below.

Table 12– Local Taxation increase and the GLA Tax increase

Band D	2021/22	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,354.02	1.99%	28.9	0.56
Adult Social Care Precept	170.47	3.00%	43.56	0.84
Greater London Authority	363.66	9.50%	31.59	0.61
Total	1,888.15	5.83%	104.05	2.00

16.3 The overall increase on the total bill for the residents Croydon is 5.83%.

17.0 DSG CROYDON

17.1 In 2019, the government announced additional in education funding over a three year period from 2020/21 and national schools funding will increase by £4.8 billion in 2021/22 and £7.1 billion in 2022/23 compared to funding levels in 2019/20. In addition, funding continues to be provided to fund the recent increase in pension costs for teachers, worth £1.5bn a year.

17.2 Croydon's DSG allocation has increased accordingly and in 2021/22, Croydon will receive £390.567m in funding through the Dedicated Schools Grant (DSG), an increase of £25.3m in funding, of which £12.9m relates

to the teacher's pay and pension grant element, or 6.9% since 2020/21, compared to 6.6% increase across London and 8.1% nationally.

- 17.3 The increase in funding from 2020/21 follows a decade of real term reductions in per pupil funding for statutory school aged pupils (5 – 16 years old). In January 2020, the Department for Education (DfE) released trend data on school revenue funding revealing that the total amount of funding through specific grants¹, in cash terms, allocated to English schools for 5-16 year olds had grown over the last nine years as the total pupil population has grown. The total funding allocated to schools was £44.5 billion in 2019/20, an increase of 27.4% compared to the £35.0 billion allocated in 2010/11.
- 17.4 Total funding also grew over this time in real terms (adjusted for price changes using the GDP deflator), increasing by 8.8%. Funding increased in real terms in each year during that period with the exception of a slight fall in 2016/17 compared to 2015/16.
- 17.5 On a per-pupil basis the total funding allocated to schools for 5-16 year olds, in cash terms, in 2019/20 was £5,940, a 14.8% increase compared to £5,170 allocated per pupil in 2010/11. In real terms, funding per pupil was broadly flat between 2010/11 and 2015/16 at just over £6,000 in 2019/20 prices. It then fell by 4.2% over 2016/17 and 2017/18, but subsequently increased by 1.9% over 2018/19 and 2019/20, in part as a result of additional funding provided in respect of teacher pension employer contribution costs.
- 17.6 Over a shorter period, in cash terms Croydon's per pupil funding increased to £6,166 in 2019/20, a 7.1% increase compared to £5,757 allocated for statutory school age pupils in 2013/14. In real terms, funding per pupil over the same period fell by 3%. Since 2019/20, with the exclusion of the teacher's pay and pension grant element, per pupil funding has increased to £6,831, a 10.7% increase since 2019/20. Croydon's total DSG (excluding the Early Years Block) changes, in cash and real terms, since 2018/19 is summarised in the table 13 below.

Table 13- Funding per pupil

DSG Block	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Schools	243.87	247.51	262.96	269.16
High Needs	60.21	61.09	66.8	72.40
Central School Services	6.18	6.12	5.83	5.97
Total DSG (exc Early Years)	310.26	314.72	335.59	347.53
Pupil numbers	50,777	51,037	51,023	50,875
Per pupil funding	£6,110.29	£6,166.47	£6,577.45	£6,831.09
Funding change	2.50%	0.90%	6.70%	3.90%
Inflation (CPI)	2.70%	2.50%	1.80%	0.90%
Real terms funding change	-0.20%	-1.60%	4.90%	3.00%

Dedicated schools grant (including the schools block, most of the high needs block and the central school services block (CSSB); but excluding the early years block and post-16 funding in the high needs block); Pre-16 high needs place funding in non-maintained special schools, special and alternative provision free schools; Pupil premium; Supplementary free school meals grant; Teachers' pay grant (TPG); and Teachers' pension employer contribution grant (TPECG).

Schools Block

- 17.7 The Schools Block 2021/22 allocation is £281.313m (before recouPMENT), which is an increase of £18.35m since 2020/21 mainly due to the inclusion of the teacher's pay and pension grant element of £12.154m and to accommodate the overall increase in Education funding for 2021/22.
- 17.8 The minimum funding guarantee (MFG) will continue to be applied, hence every school or academy will see an increase in funding of at least 0.5% per pupil compared to its 2020/21 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.
- 17.9 The NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. In 2021/22, the respective funding rates are £4,821 and £6,433. The 2020/21 rates per pupil were £4,505 for primary pupils and £5,987 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 23rd out of 32 London boroughs. This ranking has risen by one place since 2020/21. 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 our nearest inner London neighbours is funded compared to Croydon.

Early Years

- 17.10 The Early Years 2021/22 indicative allocation is £30.108, an increase of £0.352m since 2020/21 again mainly to accommodate the overall increase in Education funding for 2021/22. The final allocation will be adjusted following the January 2021 census.
- 17.11 The Early Years block allocation for Croydon is based on a nationally set rate of a:
- £5.21 hourly rate for three and four year olds; and
 - £5.74 for two year olds
- This has increased from funding rates of £5.13 and £5.66, respectively.

The proposed rates based on the indicative 2021/22 allocation remain as they were in 2020/21 at:

- £4.87 for three and four year olds; and
- £5.74 for two year olds

High Needs

- 17.12 Funding for High Needs provision continues to be area of increased budget pressure nationally and Councils including Croydon have developed Special Educational Needs and Disability (SEND) strategies to

ensure services are delivered efficiently and effectively to meet demand and need. Croydon Council has reviewed SEND demand, practice and provision and engaged with stake-holders, including parents, young people and schools to inform the development of five year SEND Strategy that was implemented in 2019/20.

- 17.13 The High Needs 2021/22 allocation is £73.1m, which is an increase of £6.586m since 2020/21, including the teacher's pay and pension grant element of £0.696m. This allocation is based on the October 2020 census, with further adjustments to be made for January 2021 census.
- 17.14 At as the end of 2019/20, the High Needs block forecast overspend was £18.477 m (including previous years overspends). The 2020/21 Quarter 3 High Needs Block forecast overspend is £4.575m, bringing the cumulative High Needs deficit to £23.052m.
- 17.15 The budget pressures are principally attributable to the increase in demand, which has led to an over-reliance on the independent / non-maintained sector, due to shortage of local state funded special schools and / or resourced provision. This is being addressed and a strategy developed to move to a more sustainable framework. Table 14 below illustrates the increase in the number of Education and Health Care Plans compared to the increase in High needs funding since the introduction of the EHCP regulations in 2014/15.

Table 14 Impact of EHCP regulations

Year	Funding £'m	Funding Change	Number of EHC Plans	Percentage increase in number of EHC Plans	Percentage of Total Pupils
2014/15	48.90		2,044		4.5%
2015/16	51.41	5.1%	2,074	1.5%	4.5%
2016/17	51.24	-0.3%	2,217	6.9%	4.8%
2017/18	51.63	0.8%	2,491	12.4%	5.0%
2018/19	58.82	13.9%	2,693	8.1%	5.3%
2019/20	60.21	2.4%	2,999	11.4%	5.9%
2020/21	66.80	10.9%	3,163	5.5%	6.2%

The increase in 2021/22 will mean there will have been a 30.4% real terms increase in funding since 2014/15. However, over the same timescale, we will have seen an increase in EHC plans of over 53%

- 17.16 Croydon Council has a long term plan to increase special schools, Enhanced Learning Provision and post 16 specialist places, including a new free special school with 150 places opening in September 2020. Through this strategy the intention is to provide an effective pathway of local education provision for young people which is an efficient use of resources and supports young people in becoming independent in or near their local community.
- 17.17 That, together with an approach that manages reliance on Education, Health and Care Plans (EHCP) for children with lower levels of SEND, reduces demand and ensure placements of children are delivered through

the continuum of state-funded education provision at efficient values. The increase in the number of EHCP plans following the change of regulations has also had a financial impact on the Council's revenue budget providing home to school transport, with cost rising annually.

- 17.18 The increase in EHCPs has a direct correlation on the increase in students eligible for travel assistance.

Table 15– Analysis of SEN

Academic year	Number of students with EHCPs	Number of students on Traditional transport	Number of students on a PTB	Number of students travel trained
2015/2016	2406	1121 not including post 16	79	41
2016/2017	2691	1127 not including post 16	84	56
2017/2018	2783	1156 not including post 16	88	63
2018/2019	2940	1203 not including post 16	96	24
2019/2020	3163 (to date) plus approx. 35 pupils on assessment places *	1258 (+ 100 post 16)	105 to date	12 to date

*pupils who were given specialist provision on an assessment place and not registered as having an EHCP but still eligible for transport.

- 17.19 A number of Innovative strategies continue to be implemented to try and deal with the unprecedented demand for SEN travel assistance which include
- Investment in our in-house travel training service, gaining an excellent reputation from other boroughs
 - Route sharing with neighbouring boroughs
 - Amendment of Croydon's post-16 travel policy in 2019 following a detailed consultation process which allows for the default position of a personal transport budget for 16-18 year old eligible students who are not suitable for independent travel training
 - The Promotion of Personal transport budgets
 - Review of high cost, complex cases
 - Joint strategic working with SEN, Schools and parents (placement decisions)

Central Services Schools

- 17.20 In 2018/19, the NFF created a fourth block within the DSG called the Central Services Schools Block (CSSB). This block is made up of two parts – Reported spend on Ongoing Functions and Reported spend on Historic Commitments.

17.21 Ongoing Functions

The Reported spend on Ongoing Functions includes services such as School Improvement and Education Welfare, totals £2.833m, including £0.08m for the teacher's pay and pension grant element.

The 2021/20 allocation for ongoing functions (without the pay and pension adjustment) has reduced by £0.079m based on a reduction in the CSSB unit of funding decreasing by 2.5% year on year from £55.49 per pupil in 2020/21.

17.22 Historic Commitments

The reported spend on Historic Commitments consists of the prudential borrowing costs for SEND provision (£3.0m) and historic teacher pension costs (£0.213m), totalling £3.213m and has remained the same allocation as 2020/21.

17.23 The Education and Skills Funding Agency (ESFA) has a previously stated policy of reducing the funding that LAs receive for historic commitments made prior to 2013/14 and each year, the LA has made (successful) representations to the ESFA to maintain the current level of funding due to the impact on the General Fund of any reduction – particularly on the prudential borrowing costs of a capital programme with a pay-back period of 10 years (up to 2025/26). The ESFA have not yet determined how they will continue to unwind this in future years and commit to ensuring information about future years will be provided with as much notice as possible.

17.24 The 2021/22 budget for the Schools, Early Years, High Needs and Central School Services Blocks has been agreed by Schools Forum. The Schools Block funding formula was approved by Cabinet on 18th January 2021 and submitted to the DfE on the 20th January 2021 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 2021.

DSG Management Plan

17.25 As a condition of the 2021/22 DSG, LAs with an overall DSG deficit of one per cent or more at the end of the previous financial year are required to submit recovery plans for that deficit and Croydon submitted the original DSG Deficit Recovery Plan to recover the 2018/19 in-year High Needs Block deficit (£5.611 million) over a five year period to the DfE, as agreed with the School Forum and Chief Finance Officer and endorsed by this Sub Committee in July 2019.

17.26 The five-year recovery period is in line with the five year SEND strategy with key areas to be targeted. The intention is to improve our SEND provision while reducing the expenditure in order to ensure that we can fulfil our statutory duty to be meet the needs of all pupils with special education needs.

- 17.27 In response to the request from the DfE (30th October 2019) to revise the plan in light of the additional DSG funding announced for 2020/21, a revised DSG Recovery Plan was presented and noted by the School Forum on 9th December 2019 and subsequently submitted to the DfE. The DfE has not responded to this revision.
- 17.28 The DfE letter of response informed Croydon that as the High Needs Block allocation for 2020/21 would be increased and that subsequent year's allocations for 2021/22 and 2022/23 were under review, the Council would need to review and revise the previously submitted recovery plan.
- 17.29 More recently, a new template and accompanying guidance for a [DSG Management Plan](#) was released in September 2020 and the DfE has, again, recognised that the management of DSG balances, both bringing spend in line with income and repaying deficits, will take time for some LAs. Croydon is currently revising their existing DSG Recovery Plan and in accordance with the template accompanying that guidance will be planning to bring the High Needs Block expenditure within the High Needs Block funding allocation by Year 3 (2023/24) with recovery of the cumulative deficit to follow in future years.
- 17.30 In October 2020, the Council's external auditor, Grant Thornton, in issuing a Report in the Public Interest (RIPI) concerning the Council's financial position and related governance arrangements, highlighted concerns in respect of not managing the Dedicated School Grant within existing budgets.
- 17.31 The Council fully accepts the findings of the Report and the recommendations that have been made, including Recommendation 5 that the General Purposes and Audit Committee (GPAC) should receive reports on the actions being taken to address the Dedicated Schools Grant deficit and challenge whether sufficient progress is being made.
- 17.32 To implement the action plan in response to those recommendations, specifically in respect of the DSG deficit, the LA will report the progress against the DSG deficit management plan to the School Forum, in accordance with DfE guidance and as set out above, as an additional level of scrutiny prior to the progress being reported, more generally, to Cabinet as part of the usual quarterly budget monitoring report and more specifically to the General Purposes and Audit Committee (GPAC) in adherence to the specific recommendation of the Report.
- 17.33 The DSG management plan will be presented to the School Forum on 8th February, prior to approval and submission to the DfE, followed by GPAC on 4th March 2021.

18 Capital Budget – 2020/21 to 2023/24

- 18.1 The Council's draft Capital Programme was presented to Cabinet on 18th January 2021. It was noted that in order to move the Council to a financial sustainable footing, work continues on reviewing operational and service delivery costs to bring them to a more appropriate level and this approach applies to the Capital Programme it better reflects the Council's priorities in light of its ongoing financial challenges.
- 18.2 Whilst the 18th January Cabinet report presented a draft capital programme, this report provides the final confirmed capital programme report. Furthermore, this report also provides for the Housing Revenue Account (HRA) Capital programme, which is further detailed within Table 17 and Section 18.24.
- 18.3 The Council has worked to re-align the capital programme to ensure that it is in proportion to its corporate priorities in light of the current financial challenges. Council will need to prioritise delivery of the Capital Programme based on affordability and critical needs. Other projects which are already in progress will be scaled back accordingly. The projects within the capital programme in para 18.8 which are funded from borrowing will be subject to further review, in the light of the impact on the Council's revenue budget and no contractual commitment should be entered into until a review of revenue affordability has been concluded
- 18.4 The Capital Programme is typically made up of recurring key projects and programmes linked to the Council's statutory duties such as highways maintenance programme and the Education Estates maintenance Programme. It also includes various upkeep of the Council's own assets such as digital infrastructure, the corporate property Programme. Whilst these are not statutory this spend is important to ensure that the Council's infrastructure is repaired and maintained to protect the value of these assets and ensure they are fit for purpose to deliver vital services to the public.
- 18.5 As indicated in para 18.3 a large proportion of the Capital Programme is funded using borrowing. There is a direct impact of additional borrowing on the Council's revenue account from borrowing as the Council will need to pay for interest costs that arise from taking on borrowing. In addition, as per the Local Government Act 2003, all Local Authorities are required to provide for Minimum Revenue Provision within its MTFS, which as becomes an additional charge to the Revenue account. Both these costs are factored within the interest payable & MRP line within the corporate budgets. The Council will work with the GLA to seek further grant funding to support the acquisition of Brick by Brick properties and thus reduce reliance on borrowing.
- 18.6 As part of the Council's regular budget monitoring requirements the Council will provide regular updates on the progress of the delivery of the capital programme.
- 18.7 Table 16 below provides a detailed breakdown of various schemes per Directorate.

Table 16 – Capital Programme

Description	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget 2021/24
	£000s	£000s	£000s	£000s
DFG	2,400	2,400	2,400	7,200
Empty Homes Grants	500	-	-	500
Bereavement Services - burial land	600			600
Bereavement services – crematorium	465	-	-	465
Health, Wellbeing and Adults	3,965	2,400	2,400	8,765
Education – Fire Safety Works	1,200	300	-	1,500
Education – Fixed term expansion	260	34	-	294
Education – Major Maintenance	2,945	3,000	3,000	8,945
Education – Permanent Expansion	180	44	-	224
Education – Special Educational Needs	8,892	352	555	9,799
Education – other	200	-	-	200
Children, Families and Education Sub Total	13,677	3,730	3,555	20,962
Asset Management	155	-	-	155
Clocktower chillers	462	-	-	462
Corporate Property	2,000	2,000	2,000	6,000
Feasibility Fund	330	330	330	990
Fieldway Cluster (Timebridge community centre)	121	-	-	121
Grounds Maintenance Insourced Equipment	1,200	-	-	1,200
Leisure centre invest to save	140	70	-	210
Libraries Investment	1,610	-	-	1,610

Measures to mitigate travellers	73	73	73	219
Museum archives	100	-	-	100
Parking	475	475	-	950
Play equipment	815	-	-	815
Safety - Digital Upgrade of CCTV	655	-	-	655
SEN Transport	1,275	-	-	1,275
Signing	112	-	-	112
South Norwood Regeneration	53	849	74	976
Waste and Recycling	1,558	-	-	1,558
Waste and Recycling - Don't Mess with Croydon	768	-	-	768
Place sub-total	11,902	3,797	2,477	18,176
ICT Refresh & Transformation	6,200	6,200	6,200	18,600
People ICT Programme	1,521	-	-	1,521
Uniform ICT upgrade	-	-	3,719	3,719
Finance and HR System	400	-	-	400
Resources sub-total	8,121	6,200	9,919	24,240
Highways	17,231	8,051	0	25,282
Electric Vehicle Charging Points	500	-	-	500
Growth Zone	4,000	0	0	7,500
Asset management - Stubbs mead	3,132	-	-	3,132
Total	24,863	8,051	0	32,914
General Fund	62,528	24,178	18,351	105,057
MHCLG capitalisation direction	50,000	25,000	5,000	80,000
Total Including Capitalisation	112,528	49,178	23,351	185,057
Major Repairs and Improvements Programme	26,771	26,771	26,771	80,313
Special Transfer Payments	180	180	180	540
BxB Properties Acquired	54,535	0	0	54,535
HRA Total	81,486	26,951	26,951	135,388
Capital Programme Total	194,014	76,129	50,302	320,445

Table 17 DRAFT Capital Programme Resourcing 2021/22 to 2023/23

	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total MTFS budget
	£000s	£000s	£000s	£000s
Borrowing	36,497	10,687	5,722	52,906
Borrowing – GZ	4,000	0	0	7,500
S106	771	-	-	771
CIL	6,800	6,800	6,800	20,400
School Condition Allocation	4,145	3,300	3,000	10,445
Special Provision Capital Funding	897	152	355	1,404
Basic Need Funding	640	78	-	718
ESFA	5,003	-	-	5,003
Other grant – DFG	2,400	2,400	2,400	7,200
Other grant - Football Foundation				0
Other grant - London Marathon				0
Other Grant - ORCS	300	-	-	300
Historic England	374	511	74	959
Other grants – GLA	701	250	-	951
Total Funding	62,528	24,178	18,351	105,057
MHCLG capitalisation direction	50,000	25,000	5,000	80,000
Total General Fund Funding after Capitalisation	112,528	49,178	23,351	185,057
Major Repairs Allowance	13,668	21,209	21,209	54,924
HRA - Revenue Contribution	8,186	1,742	1,742	14,484

HRA - Use Of Reserves	19,805	4,000	4,000	27,805
GLA Funding of BxB Properties	8,500	0	0	8500
Borrowing BxB Properties	31,327	0	0	29675
HRA FUNDING	81,486	26,951	26,951	135,388
Overall Funding Requirement	194,014	76,129	50,302	320,445

- 18.8 The capital programme detailed in tables 16 and 17 above does not include expected slippage from the 2020/21 capital programme. Estimated slippage is detailed in the quarter 3 financial monitoring report as part of this Cabinet meeting and also attached as Appendix H. It is currently estimated that there will be scheme slippage of approx. £112.6m but this is subject to any changes arising between now and the year end. The final slippage will be reported to this Cabinet as part of the annual July Financial Review report once the financial year has closed. 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.
- 18.9 There are a number of key projects supported in the 2021/22 programme, including:
- 18.9.1 Continued investment in the school estate from 2021/22 to 2023/24 of £20.9m. This includes £15.67m for the New Addington Valley SEN School on the Timebridge site which the Education and Skills Funding Agency (ESFA) commissioned Croydon to lead on. The school will offer 150 places to children aged 2-19 years, with autism and learning difficulties, with the aim of providing a local pathway from the early years to adulthood. The proposed date for the opening of the school September 2021. The project will be fully funded by the ESFA under its "Invest to Save" programme.
- 18.9.2 Continued 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. The Council will need to continue to borrow to maintain the highways network following reduction in TFL funding. Additional borrowing has been included to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.
- 18.9.3 Continued investment in the Council's ICT infrastructure to provide a fit for purpose service to staff and residents. Add in further info
- 18.9.4 The HRA capital programme set out in Table 18 shows the planned capital expenditure in 2020/21 is £35.7m and total is

£102.6m over the 3 years to maintain homes to a decent homes standard and purchase new BxB homes using GLA grant under its Building Council Homes for Londoners programme to fund part of the cost:

18.9.5 Work is continuing to ensure fire safety within residential blocks owned or leased by the Council is compliant and meets current standards in order to provide safe homes for our residents. A £5m reserve will be set aside from existing reserves, with no additional borrowing required for this amount.

18.9.6 The capital programme includes £26.7m planned for ongoing and essential works identified, these include replacement/upgrade of flat front entrance doors, installation/upgrade of emergency lighting and fire alarm systems where required and blocks with spandrel panels which may need to be replaced.

18.10 No new capital schemes will be added to the programme without a business case being approved, a report being submitted to cabinet and then the funds will be released subject to the revenue costs of any scheme being affordable, this applies to both General Fund and HRA capital schemes.

Growth Zone

18.11 The Croydon Growth Zone is a Tax Incremental Financing (TIF) model which harnesses business rates uplift to enable borrowing to fund infrastructure. The Croydon Growth Zone programme consists of a range of transport, public realm social infrastructure and technology projects as reported to Cabinet in December 2017. They are deemed essential to mitigate the impact and maximise the opportunities of the growth planned (as detailed in the Croydon Local Plan 2018, Croydon Opportunity Area Planning Framework 2013 and the London Plan) in Croydon for the benefit of existing and future residents, businesses and visitors.

18.12 As reported to Cabinet in February 2020 in more detail, and subject to approval, the Growth Zone programme has been re profiled, with the total funding required for the period 2021/22 to 2022/23 of £4m. Table 18 below sets out the programme over that period.

Table 18 – Growth Zone Projects

Project	2021/22 to 2023/24 (£'000s)
Transport	500
Public Realm	1,600
Construction Logistics	400
Parking	300
Culture	500
Smart Cities	400
Social Infrastructure	300
Employment and Skills	0
Energy	0
TOTAL	4,000

Section 106 and Community Infrastructure Levy (CIL)

- 18.13 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.
- 18.14 The Council's Section 106 balance as at September 2020 was £4.7m. 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.
- 18.15 Set out below in table 19 is the Council's detailed Section 106 balance sheet.

Table 19– S106 breakdown of funds

Section 106 – Head of Term	Balance
Affordable Housing	£1,026,483.00
Air Quality	£148,328.50
Bus Improvements	£80,590.42
Carbon Offset	£536,910.66
Culture	£51,679.49
East Croydon Station	£298,657.56
Education	£278,845.18
Employment and Skills Training	£298,098.00
Environmental Improvements	£27,466.00
Equality Programme	£21,957.00
Footways & Pedestrian Environment	£2,468.12
Health	£106,728.05
Highways	£84,375.29
Libraries	£62,942.00
Open Space	£431,248.77
Parking	£25,000.00
Public Art	£26,500.93
Public Realm	£450,548.97
Renewable Energy	£56,964.00
Skyline	£1,000.00
Sustainable Transport	£514,448.59
Tree Planting & Maintenance	£14,282.75
West Croydon	£172,781.56
TOTAL	£4,718,322.84

- 18.16 In terms of future Section 106 assignment, the Council is actively working (with partners as appropriate) on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon and mitigate the development the contribution arose from. Section 106 assignment will continue to be governed by the Council's Infrastructure Finance Group and Capital Board.
- 18.17 A total of £3,582,344 of Section 106 income was assigned to specific projects during 2019/20 in accordance with the Section 106 parent agreement and Infrastructure Finance Group Terms of Reference. During 2019/20 a total of £775,674 of money secured under s106 agreements was spent on specific projects across the borough.
- 18.18 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.
- 18.19 Borough CIL balance at 01/04/20 was £12,544,170.93. This income is available to be spent on infrastructure types and projects included on the Council's CIL Infrastructure List

- 18.20 Regulation 121A of the Community Infrastructure Levy Regulations 2010 (as amended) requires the Council to produce a statement of the infrastructure (CIL Infrastructure List) projects or types of infrastructure which the charging authority intends will be, 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.
- 18.21 In addition to allocations in 2019/20, and based on current CIL balances and forecast CIL receipts, it has been assumed that £6.8m of Borough CIL money will be available to fund the capital programme. Also, £2m of Borough CIL money has been assigned to the Council's Education Estates Strategy as agreed by Cabinet on Monday 18th January 2021 and £2.1m has been assigned to Leisure, libraries and open space maintenance. The specific projects to enjoy borough CIL funding will be defined through the governance of the Infrastructure Finance Group and Capital Board to ensure CIL legislative compliance. The specific project assignment will occur post the approval of this report and be published in the Council's CIL Infrastructure Statement.
- 18.22 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.
- 18.23 The CIL Local Meaningful Proportion balance at 01/04/20 was £3.91m. The Local Meaningful Proportion will fund the Community Ward Budgets for 2020/21. Also, as set out in the September 2020 Cabinet Emergency Budget Report, CIL Local Meaningful Proportion will significantly contribute to the costs of the 2020/21 Community Fund Projects that meet the CIL legislative requirements.

Housing Programme

- 18.24 The Council is committed to delivering affordable housing in the borough through a range of measures:
- In order to accelerate the delivery of new homes for Croydon residents, the Council established Brick by Brick, an independent development company. Brick by Brick receives borrowing and equity investment from the Council. It is expected that the HRA will purchase up to 190 completed units of affordable housing within 2021/22 from Brick by Brick, based on availability and an agreement of a fair purchase price that will be sustainable for HRA borrowing.
 - The properties purchased from Brick by Brick are expected to charge London Affordable Rent levels (LAR), however are subject to Cabinet Approval.
 - The Council entered in to three separate limited liability partnerships (LLPs) with Croydon Affordable Homes, a local charity to develop units across the borough and street purchased properties as

affordable rented homes. In order to fund their acquisition activities, the Council gifted retained right to buy receipts to the LLPs, with the Council acting as lender for the balance of the funds needed. The Council has completed phase 1 and 2 of its street property acquisition programme for the provision of affordable rent. This has enabled acquisitions of 346 street properties for the provision of affordable rent in the borough.

- The Council has been awarded GLA grant funding under the Mayor of London's £1 billion Building Council Homes for Londoner's programme for social housing. The grant funding has been used to part fund the purchase of new build Brick by Brick properties, transferring them into the HRA.

Repair and Improvement of council stock

18.25 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard. Croydon has invested in its HRA properties to ensure that it meets, and continue to achieve the decent homes standard. The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, 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 continues to invest in maintenance and improvement works in order to maximise the life of the assets

18.26 The HRA budget for proposed major repairs and improvement programme for 2021/22 will remain at circa £27m, although available budget unspent at the end of 2010/21 will be carried forward, taking the estimated total spend to £30m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. In order to enable the Council to respond quickly to any additional or changing fire safety regulations, a £5m reserve has been ringfenced in the HRA account.

19.0 Housing Revenue Account (HRA)

19.1 The Housing Revenue Account (HRA) is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets which includes shops and garages on council housing estates. It is funded primarily from tenants' rents and service charges. The services provided to tenants and leaseholders which includes responsive repairs, management and supervision services and caretaking as examples are resourced from this account.

19.2 Croydon's HRA consists of approximately 13,400 homes. In addition to the HRA, there are approximately 800 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to

maintain good quality accommodation, and offer temporary accommodation to families most in need.

19.3 Longer term planning for the HRA is continuing to take place through the 30-year business plan which is updated annually to reflect changes in legislation and assumptions which underpin the financial projections. This includes the impact of increasing rents by CPI+1%, which will enable the HRA to be more financial sustainable. The lifting of the HRA borrowing cap will also enable the Council to consider developments funded directly by the HRA.

19.4 The budget for 2021/22, Table 20, shows a balanced position as required by statute and was reported with the proposed rent and other charges to the Tenants and Leaseholders Panel on the 9th February 2021.

Table 20 – 2021/22 HRA Revenue Budget

DESCRIPTION	ORIGINAL	BUDGET
	2020/21	2021/22
	£000	£000
Employees	13,976	15,162
Premises related expenditure	18,904	17,740
Supplies and Services	2,510	3,081
Third Party Payments	406	363
Transfer Payments	156	656
Transport related expenditure	30	44
Capital Charges	35,776	33,824
Intangible Charges	59	122
REFCUS	180	180
Corporate support services bought in	6,705	6,705
Recharges from other services	9,348	10,988
TOTAL EXPENDITURE	88,050	88,865
Government Grants	-	-
Other Grants, reimbursements and contributions	(209)	(185)
Customer and Client Receipts	(85,771)	(86,591)
Interest Receivable	-	-
Recharges to other services	(2,070)	(2,089)
TOTAL INCOME	(88,050)	(88,865)
NET EXPENDITURE	-	-
Contributions to / (from) Reserves	-	-

19.5 All investment in new-build is currently being undertaken outside of the HRA by either the Council's Development Company, Brick by Brick, or other partners. However, as part of the rent setting policy and with the change in policy with regard to Brick by Brick, the Council will subject to affordability, commence preparations for developing housing within the HRA during 2021/22.

19.6 Croydon Affordable Homes (the charity set up by the Council in partnership to deliver affordable rented properties across the borough) will be renting out local homes at a maximum of 65% of the market rent to borough residents and remaining units will be available through shared ownership.

19.7 Prior to the announcement removing the borrowing cap in 2019/20, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside of the HRA.

Housing demand

19.9 It is considered that for at least the next 10 years that the housing market in London and the South east will be characterised by rising demand and increased barriers to entry caused by rising house prices, rising rents and population growth. Beyond 10 years it is difficult to predict with any certainty what housing policy will be in place or what structural housing market changes may have occurred.

19.10 The mix of new housing supply continues to be influenced by numbers of applicants on the Council's housing register locally and the forecasts of future housing need.

19.11 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.

19.12 The 'A new deal for social housing' Green Paper consultation outcome is awaited. Recent changes and proposals impacting HRA are set out below.

- The government has confirmed that from 2020/21 rent increases will apply at CPI+1% (Consumer Price Index) on social housing rented properties which is equal to 2.7%
- The government has proposed making Right to Buy (RTB) receipts to be available for 50% of social rented new build costs rather than 30%. We are waiting for the government's final decision on this.
- The government has proposed extending use of existing RTB receipts to 5 years with new receipts being available for 3 years. We are waiting for the government's final decision on this.

19.13 However, assumptions about these policy changes and the current legislation, % increase in rental income, have been incorporated into the 40 year business plan and annual budget setting. These are explained below.

Right to Buy

19.14 Croydon Council entered into a retention agreement with the government in April 2012. Under the terms of the agreement, the government requires that local authorities can only retain the receipts from right to buy (RTB)

sales if they spend it within three years of retention to create new stock by match funding the purchase of this new supply on a 70:30 basis.

- 19.15 The implication of this is that the RTB receipts can only fund 30% of new property development or acquisition costs with the remaining balance of 70% funded through the council's HRA or other resources. Interest is repayable to the government on retained receipts not used within 3 years.
- 19.16 The Council's Housing LLP has used retained RTB receipts which the HRA had been unable to use due to the limited resources in the HRA before the government announced the lifting of the borrowing cap, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. As explained above, if the Council did not use the retained RTB receipts in this manner, it would need to repay the unused receipts to central government with interest.
- 19.17 The current 2020/21 HRA budget and business plan assumes there will be 80 right to buy sales in the 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.
- 19.18 The table below shows the RTB sales since 2012 compared to the assumptions in the Self-Financing (SF) settlement.

Table 21 – RTB sales since 2012

	Actual Sales (Forecast from 2020/21)	Assumed Sales (in SF Settlement)
2012/13	36	14
2013/14	51	17
2014/15	135	19
2015/16	143	20
2016/17	148	20
2017/18	90	20
2018/19	83	20
2019/20	58	20
2020/21	60	20
2021/22	80	20
Total	884	190

Rent Setting and Changes

- 19.19 The Welfare Reform and Work Act 2016 required all registered providers of social housing in England to reduce rents by 1% a year for four years from 2015/16 levels to 2019/20. This reduction commenced in 2016/17, making 2019/20 final year. Rents for new tenants must also reflect the 1% per annum reduction. Central government has announced that rents can increase from 2020/21, by CPI + 1% which is equal to 1.5% for the 21/22 uplift.

19.20 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.

19.21 Social rents in Croydon are currently approximately 32%-35% of the private sector equivalent, as shown in the table below. New build council properties are let at a London Affordable Rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent.

Table 22 – Comparison of rents in Croydon

Number of Bedrooms	Social Rent (per month) 2020/21	Social Rent (per month) 2021/22	London Affordable Rent (per month) 2020/21	London Affordable Rent (per month) 2021/22	Social rent as % of local market rent	LAR as % of average local market rent
1	£459.51	£466.40	£682.33	£692.56	34%	73%
2	£518.14	£525.91	£722.37	£733.21	33%	54%
3	£590.85	£599.71	£762.54	£773.98	32%	43%

Service Charges

19.22 In 2021/22, it is proposed that service charges increase by 1.5%, following a 2% increase in 2020/21. This will ensure that the level of service charge reflects the costs incurred. A full review of the costs was delayed due to the events of 2020 but will be considered as part of the forward plans for the HRA

19.23 The charges for 2021/22 will therefore be:

Table 23 –2021/22 Tenant Service Charges

	2020/21	2021/22	Change
Tenant Service Charges			
Caretaking	£10.38pw	£10.54	£0.16
Grounds Maintenance	£2.14pw	£2.17	£0.03

Heating charges

19.24 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 be adjusted to ensure that they align to actual costs incurred. This will result in some increases and some decreases for tenants of no more than 5%.

Garages and parking spaces

- 19.25 Rents for garages and parking spaces were not increased for 2020/21 and so it is proposed that an increase to garage rents will be applied for 2021/22. Any proposed increase to parking charges on must be consulted upon – this is planned to increase charges for 2022/23

Table 24– 2021/22 Parking and Garage Charges

	2020/21	2021/22	Change
Parking Spaces			
Tenants	£7.00pw	£7.00pw	£0.00pw
Non-Tenants	£9.62pw	£9.62pw	£0.00pw
Garages			
Avg. Rent*	£13.13	£13.33	£0.20pw

Voids and Bad Debts

- 19.26 The loss of income associated with void properties is assumed at 0.9% for 2021/22.

20.0 Treasury Management

- 20.1 The 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.
- 20.2 The prime function of the treasury management operation is to ensure that cash flow is adequately managed. This requires careful management of all cash balances within the Council's bank accounts. The contribution the treasury management function makes to the achievement of the Council's objectives is critical, as the balance of debt and investment operations ensures liquidity or the ability to meet spending commitments as they fall due, either as day-to-day revenue spend or for larger capital projects. The treasury operation carefully assesses the balance of the interest costs of debt and the investment income arising from cash deposits as this impacts directly on the Council's finances.
- 20.3 The Treasury service are also responsible in managing the Council's debt balances. The Council has a debt balance of £1.47bn as at the end of December 2020 which incurs significant interest and Minimum Revenue Provision (MRP) charge. It is important that the Council considers strategies that proactively reduces this debt balance and to help improve the direct charges to the Revenue account, which will bring the Council into a better financial position.

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

- 21.1 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 their advice throughout the year in the preparation of the budget for 2021/22. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Interim Director of Finance, Investment and Risk. This is his statement under the Section 25 requirement of the Act.

- 21.2 All Members of the Council have been advised of the financial challenges the Council faces over the next financial year, the medium and longer term. The levels of government funding for 2021/22 have been clearly identified in this report and it must be recognised and understood that a one year funding settlement creates a level of future year uncertainty and therefore creates a financial planning risk. In addition, in regards to the request for Capitalisation Direction a response from MHCLG has not at the time of writing this report been received. The Council is seeking £150m in capitalisation direction support which is necessary to balance this budget and deal with 2020/21 overspends.
- 21.3 Until 2019/20 the Council in common with other local authorities experienced substantial reductions to Local Government funding. 2020/21 saw a slight increase in our baseline funding however the pressures experienced since the start of 2020/21 have had a significant impact on the Council's financial position. A marginal increase in baseline funding into 2021/22 and the ability to raise Council Tax by 4.99% has further supported increased funding. 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.
- 21.4 These continue to be very challenging times for Croydon Council and therefore it is certain that further difficult choices will be required over the coming budget cycle if the Council is to develop a solid financial foundation and achieve the delivery of a balanced outturn in 2021/2022 and in future years. The refreshed Medium Term Financial Strategy which will be presented to Cabinet in July 2021 will provide an update for Members on the future financial challenges the Council expects to face as well as progress made on the 21/22 Budget and the Renewal Plan. This refreshed document will include the full impact of the review of the Council's company and property investments with a view to limiting liabilities and proposals for transforming the operation of its services so as to deliver good performance on an affordable basis. This will form a strong robust platform and tool to develop and manage future budgets. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves this position has been reviewed in detail with the Chief Executive and Executive Leadership Team and my conclusions and assumptions have been reported to the Cabinet as part of the Council's overall governance and financial stewardship arrangements. It is important that there is buy in and ownership at all levels from both political leadership and officers that there is a need for a more robust financial process for providing services within budget, than has hitherto existed and the expectation must be that services can be and must be delivered within the budget as set.

21.5 All Members must also 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 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.

21.6 With regard to the Housing Revenue Account, in 2020/21 where Local Authorities were allowed to raise Housing Rents by CPI+1%. This proposal continues into 2021/22 and this will ensure that the years of lost income from the 1% reduction in rents better supports the upkeep of our housing stock and support tenants in a better way. The updated 30 year HRA Business Plan shows a stable position however the Council need to keep a close eye on pressures in regards to repairs and maintenance and more importantly the investment that will be needed to for Fire Safety works. The development of new housing units within the HRA including the purchase of any units will need to be cost neutral in terms of revenue income covering the costs of managing and maintaining the new units and servicing debt.

Growth, Savings and income options in service expenditure

21.7 Proposals for growth, savings and income generation in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough within the available revenue resources. 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 whilst always having regard to the need to remain with the statutory requirement to balance the budget and to keep within that budget and available reserves once the budget is set. This report forms part of that advice.

The Level of Reserves and Balances

21.8 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.

21.9 The Current level of Reserves are very low for the size of Croydon and historic mismanagement of this reserve balance has resulted in placing the Council in very weak position. The exact level of current bought forward reserves is currently under discussion with the External Auditor and cannot be firmed up until the 2019/20 audit of the accounts has been completed. In the light of this it is not possible to state with certainty as required under section 25 (1)(b)of the Local Government Act 2003; that the reserves are adequate until the audit is completed, however it should be noted that the 2021/22 Budget and the MTFs includes a clear plan to build up the reserve balance and £20m is being earmarked as part of the 20/21 planned capitalisation directive for contribution to the General Balance. With further a further increase of £10m 21/22. In light of the

Covid-19 pandemic the need to have a stronger reserve balance is clear as it allows the Council to create a necessary buffer to tackle unforeseen risks.

21.10 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 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 £10m at the end of 2020/21. This is a position that needs to be kept under review. The Council has previously relied upon the increased flexibility on the use of capital receipts which allowed the authority to use these to support transformation projects. This funding pays for capacity that would previously have to be funded from earmarked reserves. This option will need to be kept under review as capital receipts become available.

21.11 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of the delivery of efficiency savings as well as managing demand led pressures and income generation. The Council has set in place plans to deliver departmental efficiencies and generate an additional income of £40m. Discussions with MHCLG have drawn attention to the need for potential flexibility in granting the capitalisation directive to enable the Council to deal with any proper accounting adjustments with regard to bad debt provision or impairment costs which will still be being crystallised. This flexibility is assumed in making this statement.

The external financial environment does remain volatile due to the pandemic. However, subject to:

- the Council introducing a strong corporate process to review and monitor spend throughout the year (mirroring to a degree the current s114 spending control panel),
- corporate and political buy in to the new arrangements combined with , prioritising the improvement of and compliance with the financial management arrangements,
- vigorously reducing expenditure as set out in Appendix A and
- subject to the receipt of the capitalisation directive at the sum requested

it is confirmed that the estimates as set out are robust as required by section 25 (1) (a) of the Local Government Act 2003

22.0 PRE-DECISION SCRUTINY

22.1 The 2021/21 budget has been presented to Scrutiny and Overview committee on 16th February 2021. The committee had the opportunity to scrutinise the budget setting process as part of the Cabinet Member for Finance and Resources question time.

22.2 At the Scrutiny meeting the draft budget and all savings, income and growth options were presented. This report enabled members to be briefed on the financial context and challenges the Council faces and

updated the Committee on the assumptions made in setting the 2021/22 budget.

23.0 SUMMARY AND CONCLUSIONS

- 23.1 As all Members are aware, setting a budget for 2021/22 that is robust, balanced and deliverable has been extremely challenging particularly as the Council is within a S114 and has had to deal with historic financial management issues. This has involved a number of difficult decisions for the Council and a lot of work has gone into building the budget to deal with historic issues and errors. The Council faces increasingly challenging choices over the medium term to longer term within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.
- 23.2 This budget report is based on the current financial outturn projections for the current year. If any of the projections change significantly, these will have to be taken in to account either in year and urgent action taken to reduce expenditure in 2021/22.
- 23.3 Appendix C and D contains the legally required recommendations to Council for setting the budget and Council Tax for 2021/22.

24.0 FINANCIAL CONSIDERATIONS

- 24.1 The report contains the financial implications of the options to deliver a balanced budget for 2021/22 and the draft capital programme for 2021/20 to 2023/24.

25.0 LEGAL CONSIDERATIONS

Budget and Council Tax Setting

- 25.1 The Head of Commercial and Property Law comments on behalf of the Interim Director of Law and Governance that, as noted earlier in this report, due to the Council's financial position, a notice under section 114 of the Local Government Finance Act 1988 has been issued on two occasions in the last financial year. In considering the recommendations in this report, Cabinet and Full Council needs to have full regard to the Council's overall financial position as detailed in this report.
- 25.2 The provisions of the Local Government Finance Act 1992 sets out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of the Council's section 151 officer. The setting of the budget is a function reserved to full Council, which needs to consider the draft budget which has been recommended for approval by Cabinet. Once the budget has been agreed by full Council, the Executive cannot make any decisions which conflict with it although variations and in-year changes can be made in accordance with the Council's financial regulations.

- 25.3 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.
- 25.4 Section 30(6) of the Local Government Finance Act 1992 provides that the Council is required to set its budget (including Council Tax rates) before 11th March 2021 for the financial year 2021/22, although failure to set a budget within the deadline does not invalidate the budget. A delay to agreeing the budget may, however, have significant financial administrative and legal implications including potentially an individual liability for those members who contributed to the failure to set the budget. Failing to set the budget would also make the Council vulnerable to a judicial review challenge initiated potentially by the Secretary of State or any other person with a sufficient interest in the Council setting a budget (which could include a council tax payer). 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
- 25.5 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. 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 Thresholds for 2021-22 provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if council tax is to be increased by 5% or more. Council tax for general spending requires a referendum if it rises by 2% or more, alongside a maximum 3% 'social care precept'. The 'adult social care precept' is technically not a 'precept' but additional headroom within the referendum regime for selected local authorities.
- 25.6 The procedure to be followed in developing the budget proposals as detailed in the report are set out in the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council's Constitution. 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 as detailed more fully in the Equalities Considerations, section 23 below.

Approved by Sean Murphy, Head of Commercial and Property Law (Deputy Monitoring Officer) on behalf of the Interim Director of Law and Governance

26.0 HUMAN RESOURCES IMPACT

26.1 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.

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

Pay Policy Statement

26.3 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.

26.4 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 2021/22 on:

26.4.1 The remuneration of its senior staff including chief officers

26.4.2 The remuneration of its lowest paid employees

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

26.5 The pay policy statement is at Appendix G. 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 2nd March 2020.

Approved by: Sue Moorman – Director of Human Resources

27 EQUALITIES CONSIDERATIONS

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

27.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

27.3 Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief.

27.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively.

27.5 As a result, budget proposals have been subject to the Council's own equality impact analysis processes (EIA) between December 20 and January 21, as part of a risk-based approach to analyse potential equalities impact of budget proposals. Budget holders have identified where proposals are likely to have a disproportionate impact on those with protected characteristics (i.e. race, sex, disability, religion or belief, sexual orientation, pregnancy and maternity, and age).

In some instances budget holders have extended the equalities consideration to include analysis of non-statutory factors - such as language, socio-economic and health and social wellbeing. Where adverse impact has been identified mitigating actions have been specified.

27.6 In developing its detailed budget proposals for 2020/21 the Council has sought 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 ensuring that it is able to respond positively to increases in demand for essential services, and meet its legal equality obligations at the same time. In doing so it endeavours to best meet the specific needs of residents, including those groups that share a "protected characteristic".

27.7 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 is guided by the broad principles of equality and inclusion and has carried out equality impact assessments to secure delivery of that duty, including such consultation as required.

27.8 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 those on low and fixed incomes and in particular those affected by changes to the benefit system and no longer 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 Black Asian and Minority ethnicity 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. The additional income will benefit Croydon's most vulnerable adults and families, likely to also be in this protected group. 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.

27.9 As part of wider overall welfare support provided, residents having difficulties with their payments are offered practical budgeting advice and support as well as help in finding work through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

27.10 In respect of specific proposals as outlined in Appendix A, it is likely that some proposals may result in new policies or policy or service changes, in this instance each proposal will be accompanied by an equality analysis which will inform the final proposal and its implementation, on a case by case basis made available at the time of decision.

Approved by Barbara Grant on behalf of Yvonne Okiyo, Equalities Manager

28.0 ENVIRONMENTAL IMPACT

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

29.0 CRIME AND DISORDER REDUCTION IMPACT

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

30.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

31.0 OPTIONS CONSIDERED AND REJECTED

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

REPORT CONTACT: Nish Papat, Interim Head of Corporate Finance

APPENDICES:

Appendix A – Revenue savings, income and growth options

Appendix B – Summary of Revenue Estimates

Appendix C – Council Tax Bands

Appendix D – Council Tax Recommendations

Appendix E – Response to Provisional Local Government Settlement

Appendix F – Dedicated Schools Grant

Appendix G – Pay Policy Statement

Appendix H – 20/21 Q3 Budget Monitoring Report

BACKGROUND DOCUMENTS: None

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Children, Families and Education

Children, Families and Education			2021/22	2021/22	2022/23	2023/24	TOTAL 2021/24
Proposal Ref	Proposal Name:	Savings/Income and Growth	FTE	£ m	£ m	£ m	£m
CFE Sav 02	Reconfiguration of Early Help Services	Saving	0.0	(0.424)	(0.185)	0.000	(0.609)
CFE Sav 03	Reconfiguration of Adolescent Services	Saving	0.0	(1.608)	0.000	0.000	(1.608)
CFE Sav 04	Review of Children with Disabilities Care Packages	Saving	0.0	(0.384)	(0.384)	(0.384)	(1.152)
CFE Sav 05	Reduction in the numbers of children in care	Saving	0.0	(0.794)	(1.654)	(1.385)	(3.833)
CFE Sav 06	Review Support for Young People where Appeal Rights Exhausted	Saving	0.0	(0.295)	(0.560)	(0.142)	(0.997)
CFE Sav 07	Improve Practice System Efficiency	Saving	0.0	(1.065)	(1.450)	(0.385)	(2.900)
CFE Sav 08	Embed Systemic Practice Model	Saving	0.0	(0.272)	0.000	0.000	(0.272)
CFE Sav 17	Release of one off investment / full year effect of savings from 2020/21	Saving	0.0	(1.462)	0.000	0.000	(1.462)
CFE Sav 15/C	Staffing Review	Saving	0.0	(1.471)	0.000	0.000	(1.471)
CFE Sav 09	Review Children's Centres Delivery Model	Saving	0.0	(0.660)	(0.240)	0.000	(0.900)
CFE Sav 10	Reduce Non-Statutory Education Functions	Saving	0.0	(0.587)	(0.221)	0.000	(0.808)
CFE Sav 12	Early Learning Collaboration Contract	Saving	0.0	(0.082)	0.000	0.000	(0.082)
CFE Sav 14	Cease Family Group Conference Service	Saving	0.0	(0.203)	0.000	0.000	(0.203)
CFE Sav 13	Croydon Music & Arts (CMA)	Saving	0.0	(0.126)	0.000	0.000	(0.126)
Total Savings			0.0	(9.433)	(4.694)	(2.296)	(16.423)
CFE Gro 01	Children Looked After Placements - fund Demographic and Cost Pressures	Growth	0.0	8.431	0.085	0.077	8.593
CFE Gro 02	Leaving Care - fund Demographic and Cost Pressures	Growth	0.0	2.031	0.000	0.000	2.031
CFE Gro 03	Children with Disabilities - fund Demographic and Cost Pressures	Growth	0.0	6.477	0.000	0.000	6.477
CFE Gro 08	Realignment of Budgets where other funding sources have ceased	Growth	0.0	1.719	0.000	0.000	1.719
CFE Gro 07	Realignment of Budgets from 2020/21	Growth	0.0	0.909	0.000	0.000	0.909
CFE Gro 04	SEND Strategy - support inclusion and access to local provision	Growth	0.0	0.866	0.000	0.000	0.866
Total Growth			0.0	20.433	0.085	0.077	20.595
Total For Children, Families & Education Department			0.0	11.000	(4.609)	(2.219)	4.172

Health, Wellbeing, Adults

			2021/22	2021/22	2022/23	2023/24	TOTAL 2021/24
Proposal Ref	Proposal Name:	Savings/Income and Growth	FTE	£ m	£ m	£ m	£m
HWA Sav 01	Reduction of Welfare Rights	Saving	(5.0)	(0.442)	(0.088)	0.000	(0.530)
HWA Sav 06	Baseline Savings - Disabilities Operational Budget	Saving	0.0	(3.015)	(4.371)	(5.570)	(12.956)
HWA Sav 07	Stretch Savings - Disabilities Operational Budget	Saving	0.0	(1.367)	(1.213)	0.293	(2.287)
HWA Sav 08	Review of Contracts - OBC Commissioning, Working Age Adults	Saving	0.0	(0.600)	(0.586)	0.000	(1.186)
HWA Sav 09	Baseline Savings - Mental Health Operational Budget	Saving	0.0	(0.459)	(0.683)	(0.881)	(2.023)
HWA Sav 10	Stretch Savings - Mental Health Operational Budget	Saving	0.0	(0.225)	(0.201)	0.047	(0.379)
HWA Sav 13	Reduction in Placements & Accommodation NRPF Budget	Saving	0.0	(0.200)	(0.100)	(0.100)	(0.400)
HWA Sav 15	Croydon Discretionary Support - Reduction in service	Saving	(1.0)	(0.285)	(0.007)	0.000	(0.292)
HWA Sav 16	Croydon Discretionary Support - Deletion of service	Saving	(2.0)	(0.235)	(0.007)	0.000	(0.242)
HWA Sav 17	Contact centre and Access Croydon - Reduction in line management	Saving	(2.0)	(0.087)	(0.008)	0.000	(0.095)
HWA Sav 18	Restructure in Gateway Services	Saving	(2.0)	(0.114)	(0.021)	0.000	(0.135)
HWA Sav 19	Savings on care provision - ASC Older People	Saving	0.0	(2.599)	(3.195)	(3.019)	(8.814)
HWA Sav 22	Income from Care UK Beds released to self-funders	Saving	0.0	(0.254)	(0.264)	(0.275)	(0.793)
HWA Sav 24	Savings on TFL Freedom Pass due to reduction in usage	Saving	0.0	(2.375)	0.000	0.000	(2.375)
HWA Sav 25	Increase in Homelessness Prevention Grant	Saving	0.0	(1.679)	0.000	0.000	(1.679)
HWA Sav 23	Staffing Review	Saving	0.0	(3.558)	0.000	0.000	(3.558)
Total Savings			(12.0)	(17.494)	(10.745)	(9.505)	(37.743)
HWA Gro 02	Growth to fund current Activity/Run Rate	Growth	0.0	19.048	0.000	0.000	19.048
HWA Gro 06	Growth to fund Cost Inflation in Care UK Contract	Growth	0.0	0.254	0.264	0.275	0.793
HWA Gro 07/	Growth to fund care packages/placements projected demographic and cost Pressures	Growth	0.0	5.221	5.209	5.065	15.495
HWA Gro 05	Emergency/Temporary Accommodation Officers	Growth	7.0	0.311	0.000	0.000	0.311
HWA Gro 10	Care package/placements inflation above Corporate Allowance	Growth	0.0	0.000	1.387	1.479	2.866
HWA Gro 11	Progression Team	Growth	0.0	0.360	0.000	0.000	0.360
HWA Gro xx	Rebase income from Health Budget	Growth	0.0	4.000	0.000	0.000	4.000

HWA Gro xxx	Growth to fund demographic and inflation pressures in Community Equipment Service	Growth	0.0	0.057	0.059	0.061	0.176
Total Growth			7.0	29.251	6.919	6.880	43.049
Total For Health, Wellbeing, Adults Department			(5.0)	11.757	(3.826)	(2.625)	5.306

Place

			2021/22	2021/22	2022/23	2023/24	TOTAL 2021/24
Proposal Ref	Proposal Name:	Savings/Income and Growth	FTE	£ m	£ m	£ m	£m
PLA Sav 03	Closure of Libraries Buildings	Saving	7.7	0.009	(0.404)	0.000	(0.395)
PLA Sav 20	Closure of South Norwood Library	Saving	2.0	0.000	(0.100)	0.000	(0.100)
PLA Sav 21	Combining posts across Museum and Libraries	Saving	0.1	(0.073)	0.000	0.000	(0.073)
PLA Sav 05	Economic Development Team Streamlined Service	Saving	(5.6)	(0.208)	(0.052)	0.000	(0.260)
PLA Sav 06	Move to Streamlined Regeneration Team	Saving	(3.0)	(0.153)	(0.051)	0.000	(0.204)
PLA Sav 18	Economy & Jobs - Remove pressure from general fund	Saving	(1.3)	(0.066)	0.000	0.000	(0.066)
PLA Sav 26	Savings on Building Closures / Disposals	Saving	0.0	(0.126)	(0.452)	(0.112)	(0.690)
PLA Sav 25	Savings on Facilities Management	Saving	0.0	(0.333)	0.000	0.000	(0.333)
PLA Sav 19	Merge parks and green spaces	Saving	(2.0)	(0.369)	(0.080)	0.000	(0.449)
PLA Sav 07	Reduce Spatial Planning (Local Plan Team and Place Making Team)	Saving	0.0	0.000	(0.484)	0.000	(0.484)
PLA Sav 11	Cease Specialist Nursery Transport	Saving	0.0	(0.113)	(0.057)	0.000	(0.170)
PLA Sav 10	ANPR camera enforcement	Saving	0.0	(5.025)	(3.180)	(3.401)	(11.606)
PLA Sav 24	Parking Charges Increases	Saving	0.0	(3.014)	0.000	0.000	(3.014)
PLA Sav 08	Public Realm - Staffing Review	Saving	8.0	(0.270)	(0.090)	0.000	(0.360)
PLA Sav 23	Providers' Savings Proposals	Saving	0.0	(0.166)	0.000	0.000	(0.166)
PLA Sav 12	Revised Landlord Licensing Scheme	Saving	0.0	1.500	(2.300)	0.000	(0.800)
PLA Sav 13	Night Time Noise Reduction Service	Saving	(2.0)	(0.085)	(0.028)	0.000	(0.113)
PLA Sav 22	Re-introduce bulky waste charges	Saving	0.0	(0.307)	0.000	0.000	(0.307)
PLA Sav 09	Reviewing provision of Household Reuse and Recycling Centres (HRRCs)	Saving	0.0	(0.011)	(0.100)	0.000	(0.111)
PLA Sav 01	Reduce the Antisocial Behaviour Team	Saving	0.0	(0.080)	0.000	0.000	(0.080)
PLA Sav 04	Reduce Functions and Team in the Violence Reduction Unit	Saving	0.0	(0.204)	0.000	0.000	(0.204)
PLA Sav 27	15% Immediate Measures Staffing Savings	Saving	0.0	(3.665)	0.000	0.000	(3.665)

Total Savings			3.9	(12.759)	(7.378)	(3.513)	(23.650)
PLA Gro 06	Unachievable FM Staff Savings	Growth	0.0	0.100	0.000	0.000	0.100
PLA Gro 09	Reduction of recharges of revenue costs to capital	Growth	0.0	1.360	0.000	0.000	1.360
PLA Gro 05	Highways Maintenance Growth	Growth	0.0	0.400	1.000	1.000	2.400
PLA Gro 10	Active Lives PH Funding	Growth	0.0	0.418	0.000	0.000	0.418
PLA Gro 01	Violence Reduction Management - Sufficient Revenue Costs	Growth	0.0	0.082	0.000	0.000	0.082
PLA Gro 07	Investment Property Income Decline	Growth	0.0	6.445	(0.150)	0.000	6.295
PLA Gro 08	Landlords Rent Growth	Growth	0.0	1.297	(0.050)	0.000	1.247
Removed	Building Control	Growth	0.0	0.000	0.000	0.000	0.000
Total Growth			0.0	10.102	0.800	1.000	11.902
Total For Place Department			3.9	(2.657)	(6.578)	(2.513)	(11.748)

Resources

Proposal Ref	Proposal Name:	Savings/Income and Growth	2021/22 FTE	2021/22 £ m	2022/23 £ m	2023/24 £ m	TOTAL 2021/24 £m
RES Sav 11	Voluntary Community Services Small Grants	Saving	0.0	(0.100)	0.000	0.000	(0.100)
RES Sav 10	Rent Subsidy	Saving	0.0	(0.244)	0.000	0.000	(0.244)
RES Sav 09	Policy Team Reduction	Saving	(2.0)	(0.110)	0.000	0.000	(0.110)
RES Sav 07	Communities Team Reduction	Saving	(2.0)	(0.123)	0.000	0.000	(0.123)
RES Sav 20	Community Safety Fund Reduction	Saving	0.0	0.000	(0.400)	0.000	(0.400)
RES Sav 29	Stop Your Croydon publication	Saving	0.0	(0.050)	0.000	0.000	(0.050)
RES Sav 13	Reduction to the Communications Team	Saving	(7.6)	(0.218)	0.000	0.000	(0.218)
RES Sav 27	Removal of campaigns and stop campaigns budget	Saving	0.0	(0.050)	0.000	0.000	(0.050)
REV Sav 26	Restructure of Croydon Digital Services to provide a reduced service for support and maintenance of core ICT for staff	Saving	0.0	(0.175)	(0.030)	0.000	(0.205)
RES Sav 24	Croydon Digital Services Reduction in IT contract costs due to smaller workforce	Saving	0.0	(0.050)	(0.100)	0.000	(0.150)
RES Sav 23	Extensions or procurements of core IT contracts	Saving	0.0	(0.340)	(0.150)	(0.250)	(0.740)
RES Sav 25	Rent out LBC capacity to Brent	Saving	0.0	(0.072)	0.000	0.000	(0.072)

RES Sav 22	Croydon Digital Services Large Format Digital Advertising	Saving	0.0	0.000	(0.045)	(0.150)	(0.195)
RES Sav 16	Reduce staffing in Mayor's Office	Saving	0.0	(0.098)	0.000	0.000	(0.098)
RES Sav 15	Deliver governance Review in cost neutral way	Saving	0.0	(0.250)	0.000	0.000	(0.250)
RES Sav 18	Scale back members special responsibility allowances	Saving	0.0	(0.303)	0.000	0.000	(0.303)
RES Sav 04	Deletion of legacy oracle financials	Saving	0.0	0.000	0.000	(0.060)	(0.060)
RES Sav 03	Reduce Learning and Organisational Development service	Saving	0.0	0.000	0.000	(0.135)	(0.135)
RES Sav 05	Redesign core teams within the human resources service based on workflow assessment	Saving	0.0	0.000	0.000	(0.200)	(0.200)
RES Sav 06	HR Management Team Reorganisation	Saving	0.0	0.000	0.000	(0.210)	(0.210)
RES Sav 01	Deletion of Learning and Development manager post	Saving	0.0	(0.080)	0.000	0.000	(0.080)
RES Sav 30	Consolidation of Training Spend	Saving	0.0	(0.200)	0.000	0.000	(0.200)
RES Sav 12	HWA contract reductions	Saving	0.0	(0.242)	(0.110)	(0.075)	(0.427)
RES Sav 32	Community Equipment Service Income Generation	Saving	0.0	(0.075)	0.000	(0.050)	(0.125)
RES Sav 31	Business intelligence	Saving	(1.0)	(0.065)	0.000	0.000	(0.065)
RES Sav 33	Review of staffing portfolio across C&P services (Procurement, HWA, Place, CFE and P&B)	Saving	(5.0)	(0.260)	(0.175)	(0.100)	(0.535)
RES Sav 36	Consolidate debt collection	Saving	0.0	0.000	(0.060)	0.000	(0.060)
RES Sav 37	Simpler Council Tax Support Scheme	Saving	0.0	0.000	(0.250)	0.000	(0.250)
RES Sav 38	Automation Of Revenue Processes	Saving	(1.0)	(0.050)	(0.100)	0.000	(0.150)
RES Sav 39	Digital by default for billing	Saving	0.0	0.000	(0.120)	0.000	(0.120)
RES Sav 40	ICT savings	Saving	0.0	(0.010)	(0.153)	(0.047)	(0.210)
RES Sav 41	15% Immediate Measures Staffing Savings	Saving	0.0	(1.817)	0.000	0.000	(1.817)
Total Savings				(18.6)	(4.982)	(1.693)	(1.277)
RES Gro 07	Agency rebate internal model	Growth	0.0	3.610	0.000	0.000	3.610
RES Gro 12	Croydon Equipment Service Pension Cost Shortfall	Growth	0.0	0.308	0.000	0.000	0.308
RES Gro 11	Business Intelligence Team - permanent resource	Growth	3.0	0.212	0.000	0.000	0.212
RES Gro 04	Correction of reliance on capital funding for business as usual works	Growth	0.0	4.054	(0.325)	(0.355)	3.374
Seth A	Cost of May 2022 Election (Net of Reserve)	Growth	0.0	0.000	0.250	(0.250)	0.000
Seth A	Cost of Directly Elected Mayor Referendum	Growth	0.0	0.650	(0.650)	0.000	0.000
RES Gro 05	Build resilience for the finance team	Growth	10.0	1.000	0.000	0.000	1.000
RES Gro 03	Corporate Programme Management Office	Growth	4.0	0.480	0.000	0.000	0.480
RES Gro 09	Unachieved 20/21 Saving - Recharges to HRA	Growth	0.0	2.000	0.000	0.000	2.000

RES Gro 08	Unachieved 20/21 Saving - Recharges to Capital	Growth	0.0	0.500	0.000	0.000	0.500
RES Gro 14	Removal of Gateway Income Virement Pressure	Growth	0.0	0.218	0.000	0.000	0.218
RES Gro 13	Growth to remove unachievable parking permits saving	Growth	0.0	0.300	0.000	0.000	0.300
RES Gro x	Additional HR Capacity to Support Organisational Change	Growth	0.0	0.253	0.005	(0.258)	0.000
Total Growth			17.0	13.585	(0.720)	(0.863)	12.002
Total For Resources Department			(1.6)	8.603	(2.413)	(2.140)	4.050
TOTAL FOR ALL DEPARTMENTS			(2.7)	28.703	(17.426)	(9.497)	1.780

Corporate Items

Proposal Ref	Proposal Name:	Savings/Income and Growth	2021/22	2021/22	2022/23	2023/24	TOTAL 2021/24
			FTE	£ m	£ m	£ m	£m
COR Sav 05	Pension Contribution	Saving	0.0	(0.589)	(0.589)	0.000	(1.178)
COR Sav 06	Increased social Care Grant	Saving	0.0	(0.405)	0.000	0.000	(0.405)
COR Sav 07	Lower Tier Services Grant	Saving	0.0	(0.634)	0.000	0.000	(0.634)
COR Sav 17	Fees and Charges	Saving	0.0	(1.000)	(0.200)	(0.200)	(1.400)
COR Sav 14	Use of NNDR Smoothing Risk Reserve	Saving	0.0	(7.000)	7.000	0.000	0.000
COR Gro 22	Business Rates s31 Grant Funding	Saving	0.0	(18.072)	24.199	0.000	6.127
COR Gro 19	Interest Payable	Saving	0.0	(0.077)	(0.490)	(2.569)	(3.136)
COR Sav 15	Local Council Tax Income Guarantee 20/21 Grant	Saving	0.0	(4.536)	4.536	0.000	0
COR Sav 04	Revenue Support Grant	Saving	0.0	(0.078)	(0.284)	(0.290)	(1)
COR Sav 11	Business Rates Top-Up Grant	Saving	0.0	0.000	(2.883)	(0.733)	(4)
COR Sav 12	Locally Retained Business Rates	Saving	0.0	(0.134)	(0.526)	(0.751)	(1)
COR Sav 01	Council Tax - Tax Base Changes	Saving	0.0	4.045	(4.357)	(2.920)	(3)
COR Sav 02	Council Tax - Social Care Precept	Saving	0.0	(5.660)	0.000	0.000	(6)
COR Sav 03	Council Tax - Band D General Increase	Saving	0.0	(3.755)	(4.033)	(4.176)	(12)
Total Savings			0.0	(37.895)	22.373	(11.639)	(27.161)
COR Gro 01	Pay Inflation Provision	Growth	0.0	2.804	3.814	3.890	10.508

COR Gro 02	Contract Inflation Provision	Growth	0.0	5.142	6.859	6.996	18.997
COR Gro 03	New Homes Bonus	Growth	0.0	2.161	3.400	1.768	7.329
COR Gro 05	Bad Debt Provision	Saving	0.0	0.100	0.000	0.000	0.100
COR Gro 06	Contingency Provision	Growth	0.0	3.000	5.000	5.000	13.000
COR Gro 09	Precepts and Levies	Growth	0.0	0.030	0.031	0.031	0.092
COR Gro 24	Asylum Seekers Budget Correction	Growth	0.0	2.137	0.000	0.000	2.137
COR Gro 20	Cessation of Flexible Homelessness Support Grant	Growth	0.0	1.100	0.000	0.000	1.100
COR Gro 27	Improvement Costs	Growth	0.0	1.000	0.000	0.000	1.000
COR Gro 17	Interest on Brick by Brick Loans	Growth	0.0	4.592	6.908	0.000	11.500
COR Gro 18	Dividend on Brick by Brick Investment	Growth	0.0	5.200	0.000	0.000	5.200
COR Gro 25	Other Interest Receivable	Growth	0.0	1.871	0.000	0.000	1.871
COR Gro 26	Minimum Revenue Provision Charges	Growth	0.0	0.949	1.461	0.584	2.994
COR Gro 11	Contribution to GF Balances	Growth	0.0	5.000	5.000	5.000	15.000
COR Gro 04	Collection Fund (Surplus) / Deficit - Council Tax	Growth	0.0	2.451	0.052	0.000	2.503
COR Sav 16	LCIG 20/21 Grant Transfer To/(From) Earmarked Reserve	Growth	0.0	3.024	(4.536)	0.000	(1.512)
COR Gro 23	Business Rates s31 Grant Smoothing Reserve	Growth	0.0	17.649	(17.649)	0.000	0.000
COR Sav 13	Collection Fund (Surplus) / Deficit - NNDR	Growth	0.0	0.185	(1.910)	0.000	(1.725)
COR Gro 21	NNDR Collection Fund 20-21 Deficit - Spreading Cost	Growth	0.0	0.797	0.000	0.000	0.797
Total Growth	Resources - Growth		0.0	59.192	8.430	23.269	90.891
Total For Corporate items			0.0	21.297	30.803	11.630	63.730

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SUMMARY OF REVENUE ESTIMATES - FINANCIAL STRATEGY PLANNING MODEL

Appendix B

SERVICE DEPARTMENT	2021/22 Budget £'m	Estimated 2022/23 Budget £'m	Estimated 2023/24 Budget £'m
Health, Wellbeing and Adults	143.368	139.542	136.916
Children, Families and Education	115.670	111.061	108.842
Place	61.819	55.241	52.728
Resources	31.776	29.363	27.223
Corporate Items	8.984	18.790	29.476
NET EXPENDITURE	361.617	353.997	355.185
Contribution to provisions for Doubtful Debts	1.150	1.150	1.150
Interest (Net)	23.182	29.600	27.031
MRP	10.796	12.257	12.841
Capitalisation Direction	(50.000)	(25.000)	(5.000)
Revenue Expenditure Funded by Capital Under Statute (REFCUS)	(4.574)	(4.574)	(4.574)
Capital Asset Charges Adjustment	(33.300)	(33.300)	(33.300)
Contingency	1.955	6.955	11.955
Core Grants	(35.941)	(25.991)	(24.223)
Levies	1.534	1.544	1.575
Contribution to / (from) General Balances	10.000	15.000	20.000
Contribution to / (from) Earmarked Reserves	(7.000)	0.000	0.000
Budget Gap	0.000	38.278	60.411
TOTAL ADJUSTED BUDGET REQUIREMENT	279.419	369.917	423.051
Financed by:			
Revenue Support Grant	(14.205)	(14.489)	(14.779)
Business Rates Top Up Grant	(34.192)	(37.075)	(37.808)
Business Rates Income	(37.482)	(38.008)	(38.759)
Collection Fund Surplus/Deficit	4.554	2.696	2.696
Croydon Tax Element	(198.094)	(206.484)	(213.580)
Greater London Authority Precept Element	(47.254)	(47.254)	(47.254)
TOTAL COUNCIL TAX REQUIREMENT	(245.348)	(253.738)	(260.834)

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COUNCIL TAX INCREASES

Band	2020/21 Croydon Council Tax	2020/21 Croydon Adult Social Care Precept	2020/21 Croydon Tax	2020/21 GLA Precept Draft	2020/21 Overall Tax
	£	£	£	£	£
A	883.41	84.61	968.02	221.38	1,189.40
B	1,030.65	98.71	1,129.36	258.28	1,387.64
C	1,177.88	112.81	1,290.69	295.17	1,585.87
D	1,325.12	126.91	1,452.03	332.07	1,784.10
E	1,619.59	155.11	1,774.70	405.86	2,180.56
F	1,914.06	183.31	2,097.37	479.66	2,577.03
G	2,208.53	211.52	2,420.05	553.45	2,973.50
H	2,650.24	253.82	2,904.06	664.14	3,568.20

2021/22 Croydon Council Tax	2021/22 Croydon Adult Social Care Precept	2021/22 Croydon Tax	2021/22 GLA Precept Draft	2021/22 Overall Tax
£	£	£	£	£
902.68	113.65	1,016.33	242.44	1,258.77
1,053.13	132.59	1,185.72	282.85	1,468.57
1,203.57	151.53	1,355.10	323.25	1,678.35
1,354.02	170.47	1,524.49	363.66	1,888.15
1,654.91	208.35	1,863.26	444.47	2,307.73
1,955.81	246.23	2,202.04	525.29	2,727.33
2,256.70	284.12	2,540.82	606.10	3,146.92
2,708.04	340.94	3,048.98	727.32	3,776.30

Band D % Change			
Croydon Council Tax	Croydon Adult Social Care Precept	GLA Precept	Overall Increase
1.99%	3.00%	9.50%	5.83%
£28.90	£43.56	£31.59	£104.05
£0.56	£0.84	£0.61	£2.00
			Per Annum
			Per Week

2020/21	Annual increase	Weekly Increase
BAND	£	£
A	69.37	1.33
B	80.93	1.56
C	92.49	1.78
D	104.05	2.00
E	127.17	2.45
F	150.30	2.89
G	173.42	3.33
H	208.10	4.00

OVERALL CHANGE
5.83%

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RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2021/22

The Cabinet has considered a report in respect of the level of Council Tax for 2021/22 and the setting of the Council's Revenue and Capital Budgets for the forthcoming financial year. .

In summary, the Cabinet recommends to the Council a 2021/22 Council Tax at Band D for Croydon purposes of £1,325.12, in addition a 3.0% increase for the Adult Social Care Levy £126.91, GLA Precept of £332.07, giving an overall Band D charge, £1,888.15, a 1.99% increase for Croydon Council, a 3.00% increase for the adult social care levy and a 5.9% increase for the GLA.

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

- (1) Approve the 2021/22 Revenue Budget of £279.421m, an increase in budget requirement of 0.78%
- (2) Approve the 2021/22 Council Tax Requirement of £198.094m.

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		876,888	
(ii)	allowance for contingencies		3,830	
(iii)	transfer to General Reserves		10,000	
(iv)	transfer to Earmarked Reserves		-7,000	
(v)	transfer from the General Fund from the Collection Fund in respect of prior year deficit on the Collection Fund,		4,554	
				888,272
	<i>Less</i>			
(B)	Income and other credit items (in Section 31A(3) (a) to (d) of the Act)			
(i)	Income from services		518,358	
(ii)	Transfer to the General Fund from the Collection Fund in respect of prior year surplus on the Collection Fund,			
(iii)	Income from Government			
	Capitalisation	50,000		
	Core Grants	35,941		
	Business Rates Top Up Grant	34,192		
	Business Rates Income	37,482		
	Revenue Support Grant	14,205		
			171,820	690,178
	<i>Equals</i>			
(C)	The Council Tax Requirement, i.e. the amount by which the expenditure and other charges exceed the income and other credits.*			198,094
	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			198,094
	<i>Divided by</i>			
(D)	The Council's Tax base			129,941
	<i>Equals</i>			
(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)			1,524.49
	* The exact figure is	£198,093,755.09		

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

Council Tax for Croydon for 2021/22	
Band A	6/9 x £1,524.49 = £1,016.33
Band B	7/9 x £1,524.49 = £1,185.72
Band C	8/9 x £1,524.49 = £1,355.10
Band D	9/9 x £1,524.49 = £1,524.49
Band E	11/9 x £1,524.49 = £1,863.26
Band F	13/9 x £1,524.49 = £2,202.04
Band G	15/9 x £1,524.49 = £2,540.82
Band H	18/9 x £1,524.49 = £3,048.98

(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 2021/22	
Band A	242.44
Band B	282.85
Band C	323.25
Band D	363.66
Band E	444.47
Band F	525.29
Band G	606.10
Band H	727.32

(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 2021/22 for each of the categories of dwellings shown below:-

Total Council Tax For 2021/22	
Band A	1,285.77
Band B	1,468.57
Band C	1,678.35
Band D	1,888.15
Band E	2,307.73
Band F	2,727.33
Band G	3,146.92
Band H	3,776.30

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Consultation response pro-forma

Provisional Local Government Finance Settlement 2021-22

If you are responding to this consultation by email or in writing, please reply using this questionnaire pro-forma, which should be read alongside the consultation document.

You should save the pro-forma on your own device, from which you can complete the survey at your own pace and submit when you are ready.

There are 9 questions. You do not have to answer every question should you not wish to.

Should you wish to attach further evidence or supporting information, you may attach and send this with the pro-forma.

Please **email responses to:**

LGfsettlement@communities.gov.uk

Alternatively, **written responses should be sent to:**

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Your opinions are valuable to us. Thank you for taking the time to read the consultation document and respond.

Your Details (Required details are marked with an asterisk (*))

Full Name*	LISA TAYLOR
Organisation*	LONDON BOROUGH OF CROYDON
Address*	BERNARD WEATHERILL HOUSE
Address 2	8 MINT WALK
Town/City*	CROYDON
Postcode*	CR0 1EA
Country	
Email address*	lisa.taylor@croydon.gov.uk
Phone Number	0208 760 5768 X 61438

Consultation response pro-forma

Are the views Expressed on this form an official response from a:

London Borough.

We welcome the opportunity to comment on the 2021/22 provisional local government finance settlement consultation and the above inflation uplift in overall funding. We are disappointed the vast majority (85%) of the uplift will fall directly on council tax-payers through assumed council tax increases.

We believe the overall increase in core spending power should have come from central government funding rather than leaving councils with little choice but to raise council tax by the maximum amount, with so much pressure already on residents struggling through the pandemic.

Question 1

Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2021-22?

Yes

Additional comments

Croydon Council agrees with the proposed approach to distributing the Revenue Support Grant in 2021/22. We would welcome greater certainty with a multiyear settlement, which would enable us to have a greater focus on medium term financial planning.

We do remain concerned that the drivers in the formula, e.g. population, deprivation, other aspects of need, are out of date and so does not accurately reflect Croydon's needs.

Consultation response pro-forma**Question 2**

Do you agree with the proposed package of council tax referendum principles for 2021-22?

No

Additional comments

We do not agree with the proposed package of council tax referendum principles for 2021/22. Council tax is the only locally determined tax and local authorities must have full flexibility in how it is used as well as how it is set that strikes the appropriate balance between local needs and local resources. Capping creates significant central control over the only locally determined tax.

Given that the Adult Social Care Precept is proposed to continue for a further year, we would urge the Government to allow full flexibility for it to be spent on both adult and children's social care.

Consultation response pro-forma

Question 3

Do you agree with the Government's proposals for the Social Care Grant in 2021-22?

Yes

Additional comments

The additional £300 million uplift in funding for social care is welcome and much needed. We also welcome the fact that the Social Care Grant will remain unringfenced, and conditions or reporting requirements will not be attached.

However, we continue to disagree with the proposed method for distributing funding for both children and adult social care using solely the adult social care relative needs formula. If the intention is for this funding to alleviate pressure on both adult and children's social care, its distribution should reflect relative levels of needs in both services.

We note that this settlement represents a continuation of a short-term approach to social care funding. We therefore welcome the Government's commitment to set out its long-awaited visions for social care reform in 2021, and look forward to engaging with this process.

Consultation response pro-forma

Question 4

Do you agree with the Government's proposals for iBCF in 2021-22?

Yes

Additional comments

We welcome the continuation of the iBCF and agree with the proposals.

Consultation response pro-forma**Question 5**

Do you agree with the Government's proposals for New Homes Bonus in 2021-22?

Yes

Additional comments

We welcome the proposed New Homes Bonus allocations. We are however disappointed in the reduction of this funding stream, and the phasing out of legacy payments. The forthcoming consultation, is an important step towards providing more certainty regarding the future of the scheme, and we look forward to inputting on any future reforms.

Consultation response pro-forma**Question 6**

Do you agree with the Government's proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?

Yes

Additional comments

We welcome the Lower Tier Services Grant, as it provides a much-needed funding increase for service areas that have been hit hard by pandemic (including homelessness and leisure services). We also agree in principle with a no loss principle that a minimum funding floor implements.

Consultation response pro-forma**Question 7**

Do you agree with the Government's proposals for Rural Services Delivery Grant in 2021-22?

No

Additional comments

Croydon Council disagrees with the provision of additional funding to rural areas through this mechanism. All funding allocated through this separate grant could have been distributed more fairly across all local authorities in England based on proven need.

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 increased potential for Covid transmission in densely populated areas. 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, including Croydon.

Consultation response pro-forma**Question 8**

Do you have any comments on the Government's plan not to publish Visible Lines?

Yes

Additional comments

We agree with the removal of visible lines from the settlement which, as stated in the consultation document, are notional as the core settlement is not ring fenced. We question why this decision has been taken now, and not last year, when the underlying logic (removing decisions taken in previous spending reviews) has not changed.

Consultation response pro-forma

Question 9

Do you have any comments on the impact of the proposals for the 2021-22 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside the consultation document? Please provide evidence to support your comments.

No comment

Additional comments

DEDICATED SCHOOLS GRANT (DSG)**Table 1 – 2021/22 DSG Funding Breakdown**

DSG Funding Blocks	Total £m
Schools Block (before recoupment)	281.313
High Needs Block (before recoupment)	73.100
Central Schools Services Block	6.046
Early Years Block	30.108
Total DSG Funded Services	390.567

2021/22 DSG allocation for Croydon

In 2021/22 the total DSG settlement for Croydon (including academies) is £390.567m. Academy recoupment is estimated to be in excess of £190m in 2021/22 reducing the DSG total to £200.6m. 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 NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. In 2021/22, the respective funding rates are £4,821 and £6,433. The 2020/21 rates per pupil were £4,505 for primary pupils and £5,987 for secondary pupils.

The latest pupil numbers used to calculate the DSG funding are 51,022.5 for the Schools Block and 9,648 (part time equivalent two to four year olds) within Early Years. These numbers are based on the October 2020 Pupil Level Annual School Census (PLASC) count, although the Early Years Census in January 2021 will be used to update Croydon's DSG allocation with more accurate Early Years pupil numbers during 2021/22.

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Croydon Council

Pay Policy Statement 2021-22

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. This Pay Policy Statement sets out the Council's policy relating to the pay of its workforce (excluding school-based employees) as required under the Localism Act 2011. The Localism Act requires the Council to have considered, approved and published a Pay Policy Statement for each financial year.
- 1.3. 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 2021/22 on:
- The remuneration of its senior staff designated 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
- 1.4 Where this policy refers to Chief Officers, this means the Chief Executive, Executive Directors, and Directors. Where the policy refers to the Council's lowest-paid employees this means those that are paid on the lowest established grade and scale point i.e. Grade 1, point 02. This definition of lowest-paid employees has been adopted because it reflects the lowest salary payable under the Council's job evaluation scheme and grading structure.
- 1.4.1 The Council is proposing to introduce a new JNC pay scale for Chief Officers, excluding the Chief Executive in line with new senior management structure proposals. The new grading structure for Croydon Chief Officer Grades is at Appendix B and is proposed for adoption during the financial year 2021/22.
- 1.5 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.
- 1.6 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. Government guidance is that Full Council takes decisions about remuneration packages for new appointments of £100,000 per year or more, as well as severance packages of £100,000 or more

1.7 Once approved, all remuneration paid to officers will comply with this policy for the 2021-22 financial year. The statement will be reviewed in accordance with legislation prevailing at the time.

1.8 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 senior staff covered by the Joint National Council for Chief Officers. Grading and conditions of service for senior 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”

1.9 Subject to circumstances it may be necessary to amend this Pay Policy statement during the financial year. Any changes or amendments made will be subject to full Council approval.

2. Pay structure

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

2.2. The Council will determine the appropriate grade for each job in accordance with either the Greater London Provincial Council (GLPC) Job Evaluation Scheme or the Hay Job Evaluation Scheme depending upon the job requirements and the level of responsibility of its employees within the organisation. The GLPC scheme considers posts graded from Grade 1 to Grade 17 and the Hay scheme is used for posts graded Croydon Special Range A and B and will be used for the introduction and maintenance of newly determined local grades for JNC senior staff, Croydon Chief Officer Grades 1-5 to be introduced during the 2021/2022 financial year..

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. This will also be the case for the proposed Croydon Chief Officer Grades to be implemented during the 2021/2022 financial year.

b) The basic pay for teachers, lecturer, youth workers and Soulbury staff 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. Social Workers and social work managers in children's social care services receive recruitment and retention payments to reflect key skills shortages in this sector.

- 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.
- 2.3. 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.
- 2.4. 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 and any increase will be payable with effect either from 1 April for NJC and or 1 September (for Soulbury, Youth and Centrally Appointed Teachers).
- 2.4.1 With the introduction of the anticipated Croydon Chief Officer Grades during the 2021/22 financial year, with the exception of the Chief Executive and Head of Paid Service the Council will reflect the JNC pay award payable from 1st April, as per national pay bargaining for those who will in future be paid on those grades.
- 2.5. Employees who have joined the Council as a result of a Transfer of Undertakings Protection of Employment (TUPE) transfer may have different arrangements. In accordance with TUPE the Council will comply with any such contractual arrangements in relation to the pay for such employees. Should conditions arise which support a business case for staff to be offered an opportunity to move to Council terms and conditions this will be considered in accordance with legal obligations.

3. Remuneration

- 3.1. For the purpose of this pay policy statement, Chief Officers include:
- a) The Chief Executive and Head of Paid Service; Executive Directors; Directors;
- 3.2. Current remuneration for Chief Officers is set out below:
- a) The Chief Executive and Head of Paid Service is to be paid a spot salary of £192,474, The salary, is subject to review every two years and is next due to be reviewed in April 2022.
- b) Executive Directors and Directors are currently 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 last review being 01 April 2019
- c) It is anticipated that during 2021/22 a new pay range for Croydon Chief Officer Grades will be introduced in line with a proposed senior

management structure. This will include new Corporate Director roles and Director posts. These roles will be placed on a grade and salary within the Croydon Chief Officer Grades 1-5, following evaluation of their post using the Hay job evaluation scheme with provision for incremental progression to the top spinal point of the grade. Salaries will be reviewed in line with national awards, as determined by the JNC for Local Authority Chief Executives.

3.3 For the purposes of this pay statement posts defined as deputy chief officers are those paid on Croydon Special Range grades who report to Directors, and include:-

a) Heads of Service and certain senior staff in posts above grade 17 but below Chief Officer. These posts are placed on a salary within Croydon Special Range A and B following evaluation using the Hay job evaluation scheme with provision for incremental progression to the top spinal point of the grade. Salaries are reviewed in line with national joint council pay awards

The grades and salary structures for Chief Officers and Croydon Special Range A and B are shown in Appendix A.

The proposed Croydon Chief Officer Grades are shown in Appendix B

3.4 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.

Additional remuneration elements

3.5 The Council does not apply any bonuses or performance payments to its senior 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 but by formal exception may be up to 20% of base pay. Any market supplement for the Chief Executive and Chief Officers will be recommended by the Director of Human Resources and Chief Executive and 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 Chief Officers. 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 C.

- 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 senior staff who undertake additional and/or higher level responsibilities for example when covering the duties of a vacant Chief Officer post. Such payments are temporary and subject to periodic review.

Remuneration on appointment

- 3.6 Where employees are appointed to a grade, 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 or in the case of senior staff, the Appointments Committee
- 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 D.
- 3.8 Appointments to Chief Officer posts will be made within the grade and salaries stated for the respective post as set out in Appendix A. With the introduction of the proposed Croydon Chief Officer Grades, once these are implemented, appointments will be made within the grade and salaries stated for the respective post as set out in Appendix B

Redundancy payments and payments on leaving and the Restriction of Public Sector Exit Payments Regulations 2020

- 3.9 The Council has a single redundancy scheme which applies to all employees including Chief Officers (see Appendix D). 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 1.6 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, the Council's reputation and whether the payment would have the effect of improving the Council's financial situation.
- 3.11 On 4th November 2020, the Restriction of Public Sector Exit Payments Regulations 2020 came into force. The Regulations placed a £95,000 cap on public sector exit payments in connection with people leaving employment or vacating office. The £95,000 cap applied to redundancy payments (whether compulsory or voluntary) (including statutory and contractual redundancy payments) and, significantly also covered, pension strain costs, which arise when a Local Government Pension Scheme pension is paid unreduced before a member's normal pension age.
- 3.12 On 12th February 2021, the Government announced that it will be revoking the Restriction of Public Sector Exit Payments Regulations 2020 and issued Treasury Directions, the Exit Payment Cap Directions 2021 which came into force on 12th February 2021, to suspend the Restriction of Public Sector Exit Payments Regulations 2020 whilst the formal process of revocation takes place. The Government also issued Guidance which states at paragraph 3.2: *'In light of the withdrawal of the Regulations, employers are encouraged to pay to any former employees who had an exit date between 4th November 2020 and 12th February 2021 and to whom the cap was applied, the additional sums that would have paid but for the cap. Given that the cap has now been disapplied, it is open to employers to do so and HM Treasury's expectation is that they will do so.'* The Council will therefore comply with the Exit Payment Cap Directions 2021 and Guidance.
- 3.13 It is noted that the Guidance at paragraph 1.5 states that *'HM Treasury will bring forward proposals at pace to tackle unjustified exit payments'*, therefore it may be necessary to amend this Pay Policy Statement and the Pensions Discretion Statement in 2021, should any further changes to the law be made.

Re-employment of officers previously made redundant and retirement

- 3.14 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.

- 3.15 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 Corporate Director of Resources in consultation with the Director of Human Resources, 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 i.e. Grade 1, scale point 02. Workers, such as apprentices, who are engaged on fixed term training contracts, are excluded from this definition.
- 4.2 The Council is a Real Living Wage (formerly the London Living Wage) employer and will pay the Real 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 Real Living Wage with effect from the 01 April following announcement of the increase. With effect from 01 April 2021 the full-time equivalent annual pay of the lowest paid employee will be £21,030, which equates to an hourly rate of pay of £11.20 (this reflects the current Real Living Wage London which is £10.85 per hour).

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 Guidance produced under section 40 of the Localism Act recommends that a pay multiple is included in these statements as a way of illustrating the Council's approach to pay dispersion and the Council has decided to publish its pay multiples to aid transparency and future benchmarking:
- The multiple for 2021-22 between the lowest paid employee and the chief executive and head of paid service is a ratio of 1:9

- The multiple between the lowest paid employee and the median chief officer is a ratio of 1:59
- The multiple between the median pay and the chief executive and head of paid service's pay is a ratio of 1:35
- The multiple between the median pay and the average chief officers' pay is a ratio of 1:47

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 Council's 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 third 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
Corporate Director	£775 - £900
Chief Executive	£1200 - £1500

6.4 Workers engaged directly by the Council will be assessed to establish whether they fall within the scope of the IR35 legislation using the HMRC employment status tool.

Workers who fall within scope will have Income Tax and National Insurance Contributions deducted and paid over to HMRC.

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 management 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 Chief Officers**Chief Officers: 01 April 2021 to 31 March 2022**

Post	Spot Salary
Chief Executive	£192,474
Executive Director of Resources (Monitoring Officer) , Executive Director of Place	£156,060
Executive Director of Children, Families & Schools*	£147,000
Executive Director Health, Wellbeing & Adults, Executive Director,(Localities and Residents programme - 2 year fixed term)	£137,700
Director of Finance, Investment & Risk (S151 Officer)	£130,050
Director of Growth, Employment & Regeneration, Director of Public Health, Director of Early Help & Children Social Care, Director of Procurement & Commissioning, Chief Digital Officer, Director of Law & Governance, Director of Operations	£119,646
Director of Planning & Strategic Transport, Director of Education & Youth Engagement, Director of Public Realm, Director of Homes & Social Investment ,	£109,140
Director of Human Resources, Director of Residents Gateway Services, Director of Housing Assessments & Solutions, Director of Innovation and Integration, Director of Policy & Partnerships	£98,838

Croydon Special Range 01 April 2021 to March 2022

Grade	Scp	Salary *
Croydon Special Range A	1	£65,589
	2	£67,744
	3	£72,053
Croydon Special Range B	4	£82,703
	5	£85,339
	6	£87,968

** as at 2020/21 rates cost of living NJC national pay award for 2021/22 yet to be negotiated*

Appendix B**Croydon Chief Officer Grades**

CCOG	Grade	Minimum	Mid-point	Maximum
Director	Grade 1	£94,986	£96,896	£98,834
Director	Grade 2	£104,902	£107,000	£109,140
Director	Grade 3	£115,000	£117,300	£119,646
Corporate Director	Grade 4	£134,750	£137,445	£140,194
Corporate Director	Grade 5	£141,965	£144,804	£150,547

** as at 2020/21 rates cost of living JNC national pay award for 2021/22 yet to be negotiated*

Appendix C

Car allowances and mileage payments**Car Mileage Rates**

From 1 April 2011 the compulsory car allowance and mileage rates for higher engine banding payments are only to be paid to employees whose vehicles fall within the DVLA bandings A-E for CO2 emissions. Employees whose vehicles fall outside these DVLA bandings will be restricted to the payments for the lower engine size banding, irrespective of the size of their vehicle's engine.

	<u>451 - 999cc</u>	<u>1000</u> - <u>1200</u> -	<u>1199cc</u>	<u>1450cc</u>
<u>Compulsory car users</u>		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	
<u>Casual users</u>		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	

Motorcycle Rate

This will be paid in accordance with the [HMRC approved amount](#) which is 24p per mile.

Bicycle Rate

This will be paid in accordance with the [HMRC approved amount](#) which is 20p per mile.

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 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 Corporate Director Resources (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

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
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
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.

REPORT TO:	Cabinet 1st March 2021 Council 8th March 2021
SUBJECT:	Croydon's General Fund & HRA Budget 2021/22 to 2023/24
LEAD OFFICER:	Katherine Kerswell, Interim Chief Executive Officer Chris Buss, Interim Director of Finance , Investment and Risk
CABINET MEMBER:	Leader Hamida Ali – Leader of Croydon Council Councillor Stuart King – Cabinet Member for Croydon Renewal Councillor Callton Young – Cabinet Member for Resources and Financial Governance Councillor Jane Avis – Cabinet Member for Homes and Gateway services
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 2021/22 to 2023/24.	
FINANCIAL SUMMARY:	
The report details the revenue and capital budgets for the General Fund for financial Years 2021/22 to 2023/24, the Council Tax position for 2021/22, the revenue and capital budgets for the Housing Revenue Account (HRA) Budget and position on the Housing Rents increases for 2021/22. This report only seeks approval of the Budget for 21/22 but Cabinet and Council are asked to note the Medium Term Financial Plan	
FORWARD PLAN KEY DECISION REFERENCE	
The recommendations in section 1.0 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 1st March 2021. The recommendations in section 1.0 are key executive decisions (reference no.0921CAB). The decisions may be implemented from 1300 hours on the 5 th 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

The Leader of the Council has delegated authority to the Cabinet to make the following decisions:

- 1.0 That Cabinet be recommended to approve the following recommendations to Full Council for consideration at its meeting on 8th March 2021:

The Revenue Budget for 2021/22 and notes the 3 Year Medium Term Financial Plan as detailed within Section 11 which is based upon the:

- 1.1. Council's request for a Capitalisation Direction of £150m covering financial years 2020/21 to 2023/24.
- 1.2. A 1.99% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).
- 1.3. A 3.00% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).
- 1.4. To note the draft GLA increase of 9.5% on the Council Tax precept for 2021/22.
- 1.5. With reference to the principles for 2021/22 determined by the Secretary of State under Section 52ZC (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 3.8 of this report.
- 1.6. The calculation of budget requirement and council tax as set out in Appendix C and D including the GLA increase this will result in a total increase of 5.83% in the overall council tax bill for Croydon.
- 1.7. The revenue budget assumptions as detailed in this report and the associated appendices
- 1.8. The programme of revenue savings, income and growth by department for Financial Years 2021/22 to 2023/24 (Appendix A).
- 1.9. The Capital Programme as set out in Section 18, table 17 and 18 of this report, except where noted for specific programmes are subject to separate Cabinet reports.
- 1.10. To agree that in light of the impact on the Council's revenue budget no Capital contractual commitment should be entered into until a review of revenue affordability has been concluded.
- 1.11. To approve that any receipts that come from the Council's Housing company Brick by Brick will first be applied to the accrued interest and any subsequent receipts will be used to pay down the principle loan balance.
- 1.12. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2021/22.
- 1.13. The adoption of the Pay Policy statement at Appendix G

That Cabinet agree:

- 1.14. The Housing Revenue Account's 2021/22 Budget as detailed within section 19
- 1.15. A rent increase for all Council tenants for 2020/21, in line with the Government's social rent policy which has legislated to increase social rents by CPI + 1%, which is equal to 1.5%
- 1.16. 2% increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 12.

That Cabinet note:

- 1.17. 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.
- 1.18. The progress being made towards balancing the Council's financial position for 2020/21 as at Quarter 3 and the current projected outturn forecast of £64.7m as set out in the Budget Monitoring report as part of this Cabinet in Agenda Item 5b and also attached in Appendix H.
- 1.19. The response to the provisional local government settlement which is attached at Appendix E.
- 1.20. That pre-decision scrutiny of the proposed budget 2020/21 took place at the Scrutiny and Overview Committee on the 10th February 2020. The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.
- 1.21. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2.0 Executive Summary

- 2.1 This report sets out the Council's 2021/22 Budget and the indicative position for following 2 years. This budget has been set on the backdrop of one of the most difficult years financially for the Council and Local Government as a whole. This report expands on challenges faced by the Council in setting a balanced budget for the financial year 2021/22, and gives an update on the key issues from the Spending Review presented by the Chancellor of the Exchequer on 25th November 2020.
- 2.2 This report also provides further details on challenges faced by Croydon Council in terms of its continued financial pressures and resources available to deliver the key services for the authority.
- 2.3 The report also provides details on the current financial and economic environment in which the Council is operating, impacted significantly by

Covid, and together with the local policy context set out an approach to identifying savings.

- 2.4 The Council started the year with significantly low reserve levels and began the financial year with the nation forced into lockdown due to the Covid-19 pandemic. With rising costs and increased demand for services, the Council's finances had become increasingly precarious in recent years. However, Covid-19 and its impact on Council's budgets, in particular the ability to introduce planned savings meant the Council was unable to, cover its costs from reserves and was therefore forced to issue a Section 114 (S114) notice under the Local Government Finance Act 1988.
- 2.5 During the Covid-19 pandemic the Council has experienced significant financial pressures across all its services. From increased support and care to the most vulnerable in the community and provision of additional services to significant risks to income sources such as parking income. This has meant that the Council has faced a two sided impact from increased costs and reduced income.
- 2.6 The demand for children and adult social care has always been large within Croydon and with the additional need to safeguard these groups in our community has resulted in further resource pressures, this is not a specific Croydon issue. With growing numbers of both young and older residents, and other demographic changes, Croydon is affected by these national issues more than most.
- 2.7 As a Council facing financial challenges Croydon is certainly not alone, but many of the issues impacting its finances are unique to the borough.
- 2.8 Croydon is one of the capital's largest boroughs by population and, although situated in outer London, it has over time inherited a raft of traditionally Inner London issues that impact its budget but this has not been reflected in changes to Central Government financial support. Which have not been significantly revised to reflect changes in need.

3.0 Covid-19 Pandemic

- 3.1 Covid -19 has had a profound impact on the Council's finances. Financial pressures have arisen as a result of additional costs, lost income and unachieved delivery of savings. The pandemic has required the Council to divert resources to deliver some of the most urgent services to the most vulnerable in the Community and this has resulted in less staff time being dedicated to some of the key efficiency deliveries that had been required.
- 3.2 The Council has faced significant pressures within its Adult Social Care and Children Social Care departments as the services needed to ensure older people and vulnerable children are effectively safeguarded. The Council has lost significant income in various key services such as parking income, planning and through various fees and charges due to reduced activities and demand during the past 11 months.

3.3 Whilst MHCLG has provided further grant funding in order to tackle the extra costs and loss of income, the funding provided has not been sufficient to cover all Covid-related pressures the Council has faced. As a direct consequence of Covid, as at the end of January the Council has faced additional expenditure pressures of £39.76m, lost income of £28.7m and unachieved savings of £10.87m, however until end of December had only received £32.9m in funding from Government. This creates a £46.34m pressure directly attributed towards Covid.

3.4 The Council has administered significant number of other initiatives introduced by the Government to support the community during the pandemic. Table below details additional work the Council took on during the pandemic and also details the grants the Council received to support those initiatives.

Table 1: Covid Grants

Service Specific Covid Grants	£m
Infection control fund for adult social care (tranche 1)	8.075
Test and Trace	1.998
Welfare support grant	0.447
Next Steps Accommodation Programme	0.635
Test and trace support grants	0.338
LA compliance & Enforcement grant	0.218
Clinically Extremely Vulnerable Support Grant	0.195
Covid Winter Grant	1.199
Cold Weather Payment (housing)	0.050
Contain Outbreak Management Fund	3.094
Estimated S.31 grants paid in advance	7.017
Business Grants Fund	49.525
Cashflow measures	14.474
C-19 Business Rates reliefs	56.831
Discretionary Business Grants Fund	3.029
Reopening High Streets Safely	0.342
Additional Restrictions Grant.	7.734
Local Restrictions Support Grant (Closed) addendum	5.846
Cold Weather Payment (housing)	0.050
Hardship Fund	4.388
Total	165.485

3.5 The Covid pandemic has created significant uncertainty on Local Authority Finances going forward as it casts doubt in regards to future activity and public behaviour in terms of demand for services and in particular income from the use of facilities. Whilst it's difficult to predict what that change will be this will need to be closely monitored by the Council across a range of services to ensure risks are flagged early on and to find mitigations where possible.

4.0 Financial Performance Quarter 3 2020/21

4.1 As at month 9/Quarter 3 the general fund revenue outturn forecast stood at £64.7m overspend, which was after the inclusion of both anticipated

and received Covid19 funding from the MHCLG of £41.9m.

4.2 To note that there are a number of risks totalling £31.8m that could materialise which would see the variance increase further. These are within services due to the current pandemic, potential impact from finalisation of the 2019/20 accounts and in relation to groups structures particularly around interest income from Brick by Brick. Should all of these risks crystalize the total forecast overspend would increase to £96.5m by the year end.

4.3 The Council has requested a capitalisation directive to cover the deficit for the current year, this is part of an overall request for £150 million, at the time of publication no decision has been made on this request.

5.0 S114 Notice

5.1 In November 2020 with a substantial increase in the projected outturn for 20/21 and lack of progress on cost reductions and efficiencies the S151 Officer issued a Section 114 notice, as it was clear that the council could not meet its forecast expenditure for 2021/22 within its available revenue resources including reserves.

5.2 Councils are required by law both to set a balanced budget, but to also ensure that expenditure can be funded from revenue resources. If a council can't find a way to finance their expenditure a section 114 must be issued, as effectively expenditure becomes unlawful.

5.3 The notice has had the effect of the council stopping all non-essential spending – and cannot enter into new agreements which will incur a cost. A Spend Control Panel was set up to oversee expenditure taking place within the council.

5.4 The Council continued to ensure that essential services were maintained particularly to those community members who were vulnerable and that included the ongoing response to the Covid-19 pandemic. The following criteria was applied when allowing spend to take place:

- existing staff and payroll costs,
- expenditure on goods and services which have already been received
- expenditure required to deliver the council's statutory services at a minimum possible level
- urgent expenditure to safeguard vulnerable residents
- contractually committed expenditure
- expenditure through ring fenced grants
- expenditure that will improve the council's financial situation – that is necessary to reduce overall costs.

5.5 Within 21 days of issuing a S114 notice the council is required to decide whether it agrees with the views in the report and what action if any it proposes to take. If the expenditure cannot be met from revenue resources it must then issue another notice. On 2nd December a second S114 notice was issued and the Council has continued to remain in a S114 since.

6.0 RIPI

- 6.1 On 23rd October 2020, before the issuance of the S114 notice, the Council's External Auditors, Grant Thornton, issued a Report in Public Interest. The report detailed concerning the Council's financial position and related governance arrangements.
- 6.2 The Report was published as the external auditor were of the opinion that the Council:
- i. Had experienced deteriorating financial resilience for a number of years
 - ii. Had significant issues relating to its financial sustainability
 - iii. Had not responded promptly to previous audit recommendations and concerns
 - iv. And that this needed to be brought formally to the public's attention
- 6.3 The council has taken these serious recommendations onboard and is proactively looking at addressing the auditor's concerns. In fact this MTFS and the 21/22 Budget transparently deals with all known pressures the council has faced and had ensured these are provided for within the overall growth requests.

7.0 Renewal Plan

- 7.1 With the move to a S114 being enacted and further scrutiny being provided by our Auditors through the Report in Public Interest, it is evident that the council will need to embark on a significant financial improvement initiative.
- 7.2 In addition to the S114 and the RIPI, the council has had significant scrutiny and oversight various other stakeholders and groups. This has included from the internally set Financial Review Panel to the Rapid Review that was conducted by MHCLG. There are currently around 400 recommendations and actions already developed from different plans and there will be further output for incorporation into existing plans. Some of the recommendations and actions are likely to be cross-cutting, many may duplicate each other and the council will need to use best practice frameworks and recognised programme management methodology to track progress and reporting.
- 7.3 The renewal plan is a big change programme for the council, which sets out how we will respond to the financial challenges and wider improvement asks – whilst making sure that priority services are delivered effectively, sustainably and within our financial means.
- 7.4 The Renewal Plan is made up of the **Financial Recovery Plan** which will set out how we'll deliver a sustainable budget in the medium term and a **Corporate Improvement Plan** to deliver the required changes. Different strands of work within the renewal plan will include:
- New priorities and ways of working

- Improvements to governance and leadership practice
- Improvements to management practice
- Service improvements to manage demand and cost
- A new system of internal control – finance, performance and risk
- A new approach to involving residents and partners
- A new engagement and involvement programme with staff to create a working environment that values all our staff
- A new approach to ensuring respect for all and equity of opportunity for our staff
- A review of the member and officer code of conduct to fully embed the Nolan Principles in all work.

7.5 The Renewal plan was presented to Cabinet in 25th November 2020 and was endorsed by Cabinet colleagues. It was then presented to Council on 30th November. Work is currently underway to ensure our objectives within the Renewal plans are being implemented and that the Council begins to deliver a financially sustainable MTFs by 2023/24.

7.6 One of the fundamental reviews the Council is in relation to its Housing Company, Brick by Brick. The Cabinet at its meeting on 25th November 2020, received a report on a strategic review by PwC of the Council's group of companies and other entities. As a result of that review a number of specific recommendations were made concerning Brick by Brick.

These were to:

- i) Authorise the initial further work required on the options identified by PwC regarding the Council's interest in BBB in order to best inform further consideration and decision at the January Cabinet meeting.
- ii) Agree that funding of BBB shall continue in line with current loan arrangements and conditions subject to that further decision, provided that all funding for construction, and completed unit purchases be reviewed on a site by site basis.
- iii) Agree that all site transfers to BBB, be halted until the Council has completed the options appraisal and taken a final decision on the options.

7.7 The Council has also received and agreed a number of recommendations regarding Brick by Brick in the Report in the Public Interest report by Grant Thornton. In particular that report contained four specific recommendations regarding the Council's future relationship with Brick by Brick. These were:

- i) The Cabinet and Council should reconsider the financial business case for continuing to invest in Brick by Brick before agreeing any further borrowing.
- ii) The Cabinet and Council should review and reconsider the ongoing financial rationale for the Council in the

- iii) The s151 officer and monitoring officer should monitor compliance with loan covenants with Brick by Brick and report any breaches to Members.
- iv) The Cabinet and Council should review its arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, and the long-term impact of the subsidiaries on the Council's financial position and how the Council's and taxpayers interest is safeguarded.

7.8 Since the Cabinet meeting on 25th November the Council has carried out a second stage review of the options available to the Council to reduce the financial exposure with Brick by Brick. A report was presented to Cabinet on 18th February 2021 which detailed the next steps.

7.9 From a financial perspective the 18th February report considered various proposals in regards to future operations of Brick by Brick. The recommended course of action involves allowing Brick by Brick to continue building out schemes at an advanced stage, reviewing sites no longer proposed for development, disposing of sites at intermediate stage or sell the shares of the Company.

7.10 At the point of writing this report the actions of the second stage review were at the early stages of being worked through. At the Cabinet meeting it was recommended that, with any option, there will be further costs/resourcing (in particular the sale of the business option, in order to ensure the proper advice is obtained regarding valuation, legal and financial implications) and some write off of the Council's investment (as further explained in the restricted report) is likely. These risks are factored within the 21/22 Budget.

8.0 Local Government Finance Settlement 2021/22 - Nationally

8.1 The 2021/22 local government finance settlement is for one year only and is based on the Spending Review 2020 (SR20) funding levels. Within Spending Round 2020, information regarding 2021/22 funding allocations was provided. The provisional settlement confirms these previous announcements; the main points of which are set out below:

8.2 Most of the proposals set out in Spending Review 2020 have been confirmed.

Core Spending Power (CSP) will increase by £2.2 billion (4.5 per cent) nationally and £311 million (4.3 per cent) across London boroughs. Settlement Funding Assessment will increase by £13 million (0.1 per cent) and £3 million for London boroughs.

- The main tax referendum principle remains at 2 per cent.
- The flexibility to raise the Social Care Precept will be increased to 3 per cent for relevant authorities.

- The Improved Better Care Fund will remain at 2020/21 levels (the England total will be nearly £2.1 billion, of which London boroughs will receive £336 million).
- The Social Care Grant will increase by £300 million to £1.71 billion (as set out in SR20) London boroughs will receive £223 million of this (an increase of 24 per cent).
- Funding for New Home Bonus will decrease by over £285 million (31% per cent) nationally from £907 million to £622 million. London boroughs will receive £185 million of this, a decrease of £60 million (32 per cent).
- Business Rates Multiplier Compensation will increase by 30 per cent from £500 million to £650 million nationally. London boroughs will receive £115 million in 2021/22.
- There is a new Lower Tier Services Grant of £111 million within CSP (£24 million for London boroughs).
- Allocations have not yet been published for the Public Health Grant, Flexible Homelessness Support Grant, Homelessness Reduction Grant, Rough Sleeping Initiative Fund and the Independent Living Fund.
- £125 million was announced to implement the Domestic Abuse Bill (although allocations are TBC)
- A consultative paper has been published setting out further details on Covid-19 funding, including the £1.55 billion of further general funding in 2021/22 (£274 million to London boroughs), and seeking views on how the £670 million of CT Support funding, 75 per cent tax compensation scheme and continued SF&C compensation scheme will be calculated.

Core Spending Power - Overall

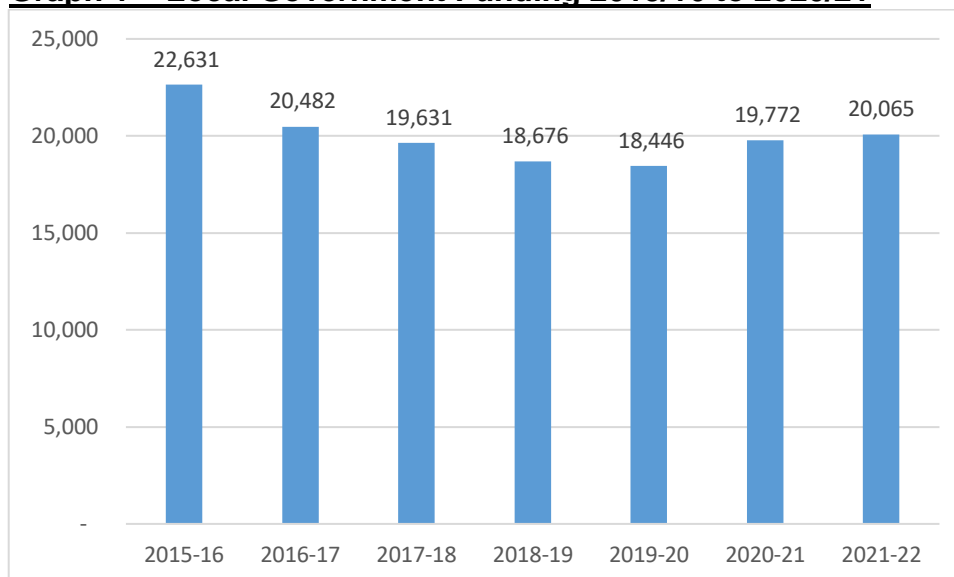
- 8.3 The National Core Spending Power figures for the period 2016/17 to 2021/22 are shown in Table 2 below. As previously announced at Spending Review 2020, it shows an increase
- 8.4 The National Core Spending Power figures for the period 2016/17 to 2021/22 are shown in Table 2 below. It shows an in year increase of 4.21% for 2021/22 and an overall of 4.5% for 2021/22 and an overall change for the period 2015/16 to 2021/22 of 14.7m.

Table 2: Core Spending Power figures for England 2015/16 to 2020/21

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£m	£m	£m	£m	£m	£m
Settlement Funding Assessment	18,602	16,633	15,574	14,560	14,797	14,810
Under-indexing the BR multiplier	165	175	275	400	500	650
Council Tax	23,247	24,666	26,332	27,768	29,370	31,145
Improved Better Care Fund	-	1,115	1,499	1,837	2,077	2,077
New Homes Bonus	1,462	1,227	947	918	907	622
New Homes Bonus returned funding	23	25	-	-	-	-
Rural Services Delivery Grant	81	65	81	81	81	85
Transition Grant	150	150	-	-	-	-
Adult Social Care Support Grant	-	241	150	-	-	-
Winter Pressures Grant	-	-	240	240	-	-
Social Care Support Grant	-	-	-	410	1,410	1,710
Lower Tier Services Grants						111
Core Spending Power	43,730	44,296	45,098	46,213	49,142	51,210
Change %	-2.10%	1.29%	1.81%	2.47%	6.34%	4.21%
Cumulative Change %	-2.10%	-0.83%	0.96%	3.46%	10.02%	14.65%
Real Terms Change %	-4.00%	-2.50%	-1.40%	0.10%	3.10%	3.10%
Cumulative Real Terms Change %	-4.00%	-6.40%	-7.80%	-7.70%	-4.80%	-4.80%

Core Spending Power: Excluding Council Tax

8.5 Graph 1 below shows the level of central government funding to local government between 2015/16 and 2020/21 excluding Council Tax. It shows a reduction of £2.8bn from £22.6bn to £19.8bn, a reduction of 13%.

Graph 1 – Local Government Funding 2015/16 to 2020/21

9.0 Local Government Finance Settlement 2021/22 Croydon

9.1 The published Core Spending Power (CSP) figures for Croydon are shown in the table below. Croydon's CSP for 2021/22 is £319.4m, an increase of £10.7m on the 2020/21 amount. However, it should be remembered that the CSP figures for the Settlement Funding Assessment and Council Tax are Ministry of Housing Communities and Local Government (MHCLG) forecast amounts only; with actual resources determined by the amount of business rates and council tax collected locally.

Table 3 Croydon's Funding Allocations 2016/17 to 2020/21

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Settlement Funding Assessment	114.6	101.7	94.5	86.8	88.2	88.2
Under-indexing the business rates multiplier	1	1	1.6	2.4	3	3.9
Council Tax	143.5	155.1	167.4	180	193.1	208.49
Improved Better Care Fund	-	5.5	7.1	8.3	9.7	9.7
New Homes Bonus	11.8	8.5	6.3	6.7	7.3	5.2
New Homes Bonus returned funding	0.2	0.2	-	-	-	-
Transition Grant	0.4	0.4	-	-	-	-
The Adult Social Care Support Grant	-	1.4	0.9	-	-	-
Winter pressures Grant	-	-	1.4	1.4	-	-
Social Care Support Grant	-	-	-	2.4	7.4	7.8
Core Spending Power	271.5	273.8	279.2	288	308.7	323.9
Population	386,700	390,100	393,600	397,000	400,200	400,200
Core Spending Power Per Head	702	702	709	725	771	809

- 9.2 Table 3 shows an increase in funding for Croydon over 2016/17 to 2021/22 of £51.8m in cash terms or 15.2%. However, it is important to note that this includes forecast increased council tax revenues over the period of £64.9m. Excluding Council Tax revenues sees a cash reduction in funding over the period of £12.5m. 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.

New Homes Bonus

- 9.3 Croydon's New Homes Bonus (NHB) allocation for 2021/22 is £5.2m, as shown in table 4 below. This is comprised of £3.6m legacy payments from previous years and an in-year payment of £1.6m.

Table 4 Croydon's NHB Forecast Funding Allocations 2019/20 to 2022/23

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23* £m
2016/17 allocation	2.1	0	0	0
2017/18 allocation	1	1	0	0
2018/19 allocation	1.8	1.8	1.8	0
2019/20 allocation	1.8	1.8	1.8	0
2020/21 allocation	0	2.7	1.6	1.6
No future years' allocations forecast	0	0	0	0
Equals NHB Funding (£m)	6.7	7.3	5.2	1.6

*projected

Social Care Grants

- 9.4 The Social Care Support Grant will increase by £300 million to £1.71 billion (as set out in SR20) London boroughs will receive £223 million of this (an increase of 24 per cent). For Croydon this is an increase in funding of £0.4m, from £7.4m in 2020/21 to £7.8m in 2021/22.

Homelessness Funding/Homelessness Prevention Grant

- 9.5 The £310m Homelessness Prevention Grant combines and uplifts what was previously the Flexible Homelessness Support Grant and Homelessness Reduction Grant. For 2021-22 both grants have been combined and uplifted by £47m. In 2021/22 Croydon will receive £7.4m an increase of £2.2m over 2020/21

Public Health Grant

- 9.6 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.

- 9.7 The ring-fenced 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.
- 9.8 A review of the services that are commissioned as well as a detailed review of the resources that are provided for services within the Council was carried out during 2019/20 to ensure that the funding is utilised in the most effective manner and delivers on public health outcomes.
- 9.9 Funding for 2021/22 remains unconfirmed at the time of writing this report. Flat funding should be expected until allocations confirmed by Public Health England in Feb 21/22. In 2020/21 Public Health Grant was £21.8m.
- 9.10 Croydon's response to the Provisional Local Finance Settlement for 2021/22 is included as Appendix E to this report.

Local Taxation & GLA Taxation

- 9.11 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2021. 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 8th March 2021.
- 9.12 It is recommended that there is a 1.99% increase in council tax for the Croydon element of the charge and a 3.00% increase based on the Adult Social Care Precept as set by the Chancellor. The GLA are proposing a 9.5% increase in their element of the charge and that is due to be agreed by the GLA on the 24th February 2021. The overall headline increase is 5.83%. The effect of this increase on Band D is set out in table 5 below.

Table 5 – Local Taxation & GLA Taxation increase (Band D comparison)

Band D	2021/22	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,354.02	1.99%	28.9	0.56
Adult Social Care Precept	170.47	3.00%	43.56	0.84
Greater London Authority	363.66	9.50%	31.59	0.61
Total	1,888.15	5.83%	104.05	2.00

10 Wider Local Government Funding Issues

- 10.1 A summary of wider local government funding issues is set out below.
- 10.2 The Council was part of the 2018/19, 2019/20 and 2020/21 London Business Rates Pool. 2020/21 will be the final year of the pool as councils

in London have decided to discontinue the pool due to the volatility in business rates following the pandemic and possible reduction in business rates income. Therefore, Councils will return to the usual business rates shares for 2021/22 which will be 30% for Croydon, 37% for the GLA and 33% for Central Government.

- 10.3 **Levy/Safety Account** - As would perhaps be expected, given the level of uncertainty regarding 2020/21 business rates income, there was no announcement regarding the allocation of potential funds from the BRR levy/safety net account.
- 10.4 **Local Government Funding Reforms** - There were no additional papers published or mentioned relating to the local government funding reforms that are planned for introduction from April 2021 (i.e. Fair Funding, 75% Business Rates Retention, the full reset of the business rates baselines or the potential Alternative Business Rates Retention System).
- 10.5 **COVID-19 Support** - Further details have been published regarding the support for local authorities in 2021/22 for COVID-19. These are in the form of a policy paper that can be found by clicking [here](#). This funding is not included in the Core Spending Power figures. The paper covers the following areas.
- 10.6 **£1.55bn Grant Funding** - Details of the additional £1.55bn of COVID funding for 2021/22 is available [here](#). This will represent un-ringfenced grant support and uses the COVID-RNF developed in July 2020 and applied to the third tranche of funding announced in July (and retrospectively all four tranches in October 2020). MHCLG has indicated that they are aiming to make payments to local authorities in April 2021.
- 10.7 **£0.67bn local council tax support grant** - The government has indicated that it is providing this to broadly meet the additional costs associated with increases in local council tax support caseloads in 2021/22. The funding will be un-ringfenced and can be used to provide other support to vulnerable households, including through local welfare schemes.
- 10.8 MHCLG are proposing to distribute the £670m of grant funding based on working-age Local Council Tax Support caseloads in each billing authority's area, using data from quarter 1 and quarter 2 of 2020/21. They are also proposing to adjust this distribution, based on the ratio of the average bill per dwelling in the billing authority's area in 2020/21, compared to the average bill per dwelling in England in 2020/21. Using this distribution methodology, MHCLG hope to be in a position to make up-front lump sum section 31 payments directly to billing and major precepting authorities in April 2021. The funding allocations have not been published today, but MHCLG indicate that details of the provisional funding allocations will be published in due course.
- 10.9 Local tax income guarantee for 2020/21 (i.e. business rates and council tax deficits) - The government has also announced, as part of a consultative policy paper, the details of its proposed scheme for compensating for irrecoverable local taxation losses.
- 10.10 Sale, Fees and Charges Support MHCLG - are seeking views to continue

the current support for the first quarter of 2021/22 and continue to use 2020/21 budgeted income as the baseline to assess losses.

- 10.11 Other - MHCLG are proposing to continue (a more streamlined) COVID-19 financial impact survey and are also seeking views on priority areas for data collection going forward

11 Medium Term Financial Strategy (MTFS)

- 11.1 The Council last updated its Medium Term Financial Strategy [MTFS] and presented those plans to Council in October 2018. Best practice, set out in the CIPFA Financial Management Code, requires a three year MTFS to be prepared each year alongside the annual budget setting process to recognise future budget pressures and to allow planning for meeting identified pressures to be made in sufficient time to meet those challenges. This budget report meets those requirements by consideration of a three year position rather than just the following single year.

- 11.2 Work in refreshing the three year MTFS planning horizon from that previously agreed in October 2018 began at the start of summer 2020. Improvements to the process have included:

- a) planning for three years instead of a single year;
- b) the development of revenue proposal forms which include consideration not just the financial impact, but risks, impact on stakeholders and key milestones required for delivery, and budget holder sign-off;
- c) budget challenge sessions in both officer only and officer/member sessions;
- d) comparison of spending requirements and income generating budgets to benchmarking data across similar authorities;
- e) external review of significant budgets and change proposals by external bodies including the LGA, CIPFA and PWC; and
- f) the implementation of a monitoring process and system to continuously track the progress of savings proposals delivery across the Council, to be regularly reported to and reviewed by Corporate Leadership Team and members.

- 11.3 The outcome of the budget setting and MTFS processes undertaken over the last nine months has, subject to confirmation of the requested capitalisation direction support from MHCLG, delivered a balanced budget for 2021/22. Delivery of savings, the management of risk, and control of expenditure to live within proposed budgets set out throughout this report will be required to ensure that net overspends over next year's budget period are managed and mitigated.

- 11.4 The medium term (years 2022/23 and 2023/24) budget positions set out in this MTFS are predicated on central government support in relation to

Revenue Support Grant and Localised Business Rates remaining broadly unchanged except for inflationary increases and anticipated movements in taxbase. Deferred by ministers due to the covid-19 pandemic are proposals to review the operation of the local government funding regime and policy changes with regard to a Fair Funding Review, operation of the Localised Business Rates system; and a business property revaluation exercise are expected over the following years. The MTFS recognises these potential changes but assumes that whilst such individual funding streams may vary, the overall level of core funding will remain broadly neutral.

- 11.5 The Budget and MTFS position set out in this report provides a balanced budget position for 2021/22, but over the longer term sees further efficiencies that will need to be developed to balance future years (with or without further capitalisation direction requests) for which MHCLG have indicated they are unable to determine at this date as those years fall outside of the current Spending Review period. In order to provide sufficient time for such proposals to be developed and implemented, work will begin on refreshing the MTFS in the near future.

12.0 Corporate Assumptions - 2021/21 budget

Grants

- 12.1 As set out in section 2 of the draft settlement. There has been a number of changes in grant income that have to be taken into account in the 2021/22 budget.

Inflation

- 12.2 The budget for 2021/22 needs to take account of changes in the cost of living/inflation. A pay award of at least 2% for all staff has been assumed, although the unions have put in a substantially higher claim. Additionally a number of council contracts are subject to indexation each year. The MTFS has provided for £10.4m for contractual and pay inflation and this needs to be managed within the Council's overall budget. The overall increase in the budget for inflation for both the pay award and inflation will be held corporately and will then be allocated out to departments in year.

- 12.3 The council's capital programme assumes the taking out of new borrowing to fund projects that require debt. The assumption overall is that there will be borrowing of circa £60.4m in 2021/22 and an additional amount of £0.87m has been added to the revenue budget to fund the associated interest payments.

London Business Rates Pilot / Pool

- 12.4 Under the Localised Business Rates system, the council ordinarily retains 30% of the business rates collected from business premises within the borough and as such benefits from any growth above baseline funding levels. The Greater London Authority retaining 37% and the remaining 33% being returned to central government.
- 12.5 Pilot status was awarded to London boroughs, who collectively formed a business rates pool, in 2018/19 and 2019/20 which reduced the amount

of growth returned to MHCLG to 0% and then 25% in the two years respectively. This pilot status was withdrawn by central government for the current financial year and reduced the collective amount of benefit from business rate growth that was retained by London boroughs. That said, London boroughs continued to operate pooling arrangements in 2020/21 as, despite no benefit being derived from MHCLG receiving a smaller share, the pooling of Levy and Safety Net positions was forecast to deliver an overall benefit for London Boroughs.

- 12.6 The coronavirus pandemic has had a significant impact on the business environment across London and as a consequence total yield across the region is expected and forecast to reduce as a result of business failure and significant levels of appeals of rateable value due to material change in circumstances. The result of these changes has been to erode the potential benefit for London borough's to continue pooling and it has collectively been decided that a pool will not operate for the year 2021/22.
- 12.7 The 2020/21 budget for the Council assumed a pooling benefit of £0.5m, which is unlikely to now materialise as a result of the changes to the economic environment, but will be subject to final clarification pending completion of all London borough business rate accounts returns in May 2021. This reduction in previously estimated gains from pooling is reflected in both the current year forecast outturn position and built into MTFS assumptions.

Settlement Funding Assessment per head across London

- 12.8 Table 6 below shows the Settlement Funding Assessment per head for each London Borough (excluding the City of London) and shows Croydon ranked as 21st, receiving £237 per head in 2021/22, whereas neighbouring Lambeth will receive £447 per head. If Croydon were funded at the London average of £382 per head for 2021/22 it would receive an additional £56m.
- 12.9 Croydon has an average of £237 per head over the five year period; this compares to the London average of £382.

Table 6 – Settlement Funding Assessment per head

	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(£'s)	(1-33)
	2017/18	2018/19	2019/20	2020/21	2021/22	Average	Rank
SFA (£ PER RESIDENT)							
City of London	2803.19	2707.54	2592.05	2615.05	2600.16	2663.60	1
Hackney	567.10	536.71	504.16	507.58	503.94	523.90	2
Southwark	523.22	493.58	462.34	465.95	463.12	481.64	3
Westminster	511.39	480.89	449.06	450.44	445.98	467.55	4
Islington	503.61	473.29	441.53	445.02	442.46	461.18	5
Tower Hamlets	497.65	464.45	430.64	429.71	423.30	449.15	6
Lambeth	483.89	457.53	429.06	434.19	433.14	447.56	7
Camden	482.60	448.27	413.31	414.34	409.95	433.69	8
Hammersmith And Fulham	470.61	442.40	412.25	415.59	413.22	430.81	9
Newham	455.88	431.84	406.39	409.86	407.84	422.36	10
Kensington And Chelsea	458.10	428.82	395.73	402.21	402.62	417.49	11
Lewisham	444.82	419.60	392.68	396.21	394.11	409.49	12
Haringey	425.52	401.98	376.18	381.46	381.12	393.25	13
Greenwich	417.07	392.27	366.25	368.46	365.53	381.92	14
Barking And Dagenham	389.83	369.19	347.05	350.81	349.67	361.31	15
Brent	378.43	356.01	332.13	335.69	334.53	347.35	16
Waltham Forest	357.71	335.72	312.27	315.65	314.59	327.19	17
Wandsworth	324.79	307.37	288.59	291.47	290.26	300.50	18
Ealing	312.92	293.84	272.88	277.72	278.40	287.15	19
Enfield	309.43	290.04	269.06	272.82	272.59	282.79	20
Croydon	263.98	244.57	223.78	226.72	226.27	237.07	21
Hounslow	250.42	232.06	212.50	215.25	214.89	225.02	22
Sutton	248.57	227.43	205.17	207.35	206.49	219.00	23
Redbridge	240.67	223.74	205.56	208.34	207.99	217.26	24
Merton	235.44	216.50	196.00	198.99	198.95	209.18	25
Hillingdon	208.68	190.56	171.73	173.51	172.78	183.45	26
Harrow	200.16	181.68	161.91	164.32	164.19	174.45	27
Barnet	199.57	180.21	160.07	161.32	160.19	172.27	28
Bexley	194.04	176.24	157.51	159.33	158.67	169.16	29
Havering	172.82	154.23	135.08	136.25	135.32	146.74	30
Kingston upon Thames	148.90	128.89	122.16	123.48	122.90	129.27	31
Bromley	141.30	124.24	113.14	114.34	113.74	121.35	32
Richmond upon Thames	124.60	109.73	111.71	112.99	112.52	114.31	33

13 Department Assumptions 2021/22 budget

13.1 Alongside the corporate assumptions that underpin the 2021/22 budget, work has been ongoing to ensure that departmental and service estimates are accurate. This is the key element of the budget where movement in resources between services can be identified. This reflects growth, savings and income. Appendix A sets out the detailed list of growth, savings and options across the four departments of the council. Table 7 below shows the movements within departments and at a corporate level from 2020/21 to 2021/22.

Table 7 – Cash Limit Movement

Department	Cash Limits 20/21	Growth	Savings	Other Movements	Capitalisation Direction	Cash Limits 21/22
	£M	£M	£M	£M		£M
Children, Families and Education	86.892	20.433	-9.433	-0.282	0.000	97.610
Health, Wellbeing and Adults	121.177	29.251	-17.494	0.000	0.000	132.934
Place	45.766	10.102	-12.759	-0.186	0.000	42.923
Resources	37.682	13.585	-4.982	0.468	0.000	46.753
Service Total	291.517	73.371	-44.668	0.000	0.000	320.220
Corporate Items	-291.517	26.879	-5.582	0.000	-50.000	-320.220

- 13.2 The projected department overspend in 2020/21 is £96.5m which includes all risks. The main areas of overspend are from demand led services, loss of income and unachievable savings as a result of the pandemic. Details of this can be found within the 20/21 Q3 Financial Performance Report which is a separate item on this Agenda.

14 Croydon Services

Children, Families and Education including UASC

- 14.1 Croydon's Children's Services were rated as good in February 2020, an outcome achieved through the successful implementation and deliver of the Children's Services Improvement Plan accompanied by significant additional resources allocated as part of the 2018/19 and 2019/20 Children's Social Care budgets in addition to one-off investment funding via the Council's Transformation Reserve.
- 14.2 2020/21 had been a year of consolidation of staffing requirements in the department, whilst the LA has reviewed the strategic action to be taken to ensure that there is sufficient accommodation for children and young people with who are looked after and for those leaving care, the budget allocation available for the current cohort of Croydon's looked after children (excluding UASC), care leavers and children with disabilities is insufficient to fund the accommodation required year on year. This pressure is reflected in the Quarter 3 financial monitoring reported to Cabinet.
- 14.3 In addition, the exceptional items reported to Cabinet in the Quarter 3 financial monitoring report relate to UASC, NRPF and Appeal Rights Exhausted (ARE). We are continuing to engage in positive dialogue with various government departments to mitigate this financial burden. As stated, the UASC pressure is as a result of the number of UASC remaining in Croydon, above the National Transfer Scheme rate of 0.07% of the borough's child population, together with the failure to recognise the gateway authority-specific costs and the sheer number of former UASC

who have remained as care leavers until they reach the age of 25 years old. Whilst our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate.

- 14.4 The Home Office increased the rates of reimbursement from April 2020 to £240 per care leaver per week and £143 per child per night for those LAs supporting UASC at, or in excess of, 0.07% of their child population, as at 31 March 2020.
- 14.5 The total 2020/21 forecast cost of Asylum seeking children and care leavers for the Council is £5.3m and includes Children's Social Care costs, along with costs associated with education and health for these young people. Modelling indicates that if the number of children and young people in the council's care remains the same the numbers will reduce to 0.07% by 2031-32. Until that time Croydon is accommodating asylum seeking children and young people at an annual cost of between £5.4m - £6.7m. Support from the Department for Education and the Home Office is being sought to secure a solution that addresses the disproportionate financial burden on Croydon council now and in future years.

Health, Wellbeing and Adults

- 14.6 Adult social care continues to be under pressure nationally and locally. In Croydon, Adult Social Care has continued to see increases in demand for services above budget and there is a projected net overspend as at Q3 of £21.3m in 2020/21. Areas of significant overspend continues to be in 25-65 Disability Service and Older People and following agreed in year savings, overspends are £11.7m and £4.8m respectively. This is the result of inherent pressures within the budget, additional costs due to the Covid-19 pandemic, in addition to rising demand in Domiciliary Care, Nursing and Residential placements where there is an increase in placement costs and complex cases which are exacerbated by Covid-19. The service has had a strong partnership with health during the pandemic. Ensuring that people are moved efficiently from a hospital setting to the most appropriate follow on care setting in the community.
- 14.7 On the advice of the Local Government Association (LGA) finance lead, the council aims to set a revised budget to reflect current activity in Adult Social Care. In 2021/22, £28.9m growth has been allocated to match current demand and allow for in year demographic growth. The long term impact of Covid -19 is currently unknown nationally and may adversely impact social care expenditure in future years. To mitigate the increasing costs in Adult Social Care, the council is committed to reducing spend by changing the way social care is delivered and live within available resources. The council is working with social work practice and finance leads from the LGA and have accepted their view that Croydon's spending on younger and older adults is significantly higher than that of comparable boroughs. Therefore, by reducing spend in line with the average level of spending in London or England as appropriate, there is scope to make significant savings in the medium term, following the budget being set at the right level to match current activity. Savings and change programmes are being developed with key LGA guidance taken into consideration.

Housing Assessment and Needs

- 14.8 The number of households supported by the Emergency and Temporary Accommodation teams has continued to rise. It is expected that the short to medium term will see a further influx in numbers as the temporary hold on evictions due to Covid-19 is lifted. Ring-fenced funding from MHCLG is continuing in the form of the £7.2m Homelessness Prevention Grant, replacing two previously issued grants. This grant will be split between funding accommodation and prevention work to minimise numbers of residents entering the service. The council is also working on reviewing housing contracts, including supported housing, emergency accommodation and temporary accommodation. This is expected to lead to a new strategy for temporary accommodation, new routes to purchase private sector housing and new contracts for the provision of supported housing.

Place and Resources

- 14.9 The Place directorate continue to face challenging budgetary pressures for 2020-21 as a result of Covid-19. The service is showing a reduced level of income collection in the Parking division following government advice for travel to be reduced to a minimum for most of the year. The reduced level of transactions processed has impacted on the projected income from parking.

The new Private Landlord Selective Licensing Scheme which was supposed to be operative from October 2020 to mark the commencement of the five year scheme for private landlords is not going ahead in 2020-21. This is largely due to the delay in MHCLG approving the scheme to be fully operational this financial year (2020-21). The service is looking into strategies to mitigate overspends in year by aligning its workforce and resources to the delivery of its objectives. In 2021-22, the budget for Selective Licensing is amended to reflect a delay in the start of the scheme to October 2021.

Corporate Budget

- 14.10 The corporate budget consists of the council's central costs that are not distinguishable across any specific Directorate.
- 14.11 The Corporate Budget provides for various strategic income and expenditure items such as income from general Grants, Investment income, Levies, minimum revenue provision and financing costs. The total net Corporate Budget is £270.220m.

Savings and Growth

- 14.12 The full list of savings and income options included in the 2021/22 budget are set out in Appendix A.
- 14.13 The Council has set up a Steering Board that will oversee the delivery of these Savings over the course of 21/22. Each saving options has a designated Project Manager (PM) and a Senior Responsible Officer (SRO) who will be held accountable to deliver savings assigned to them.

- 14.14 Table 8 below provides an indication of the savings and growth that has been allocated to each Directorate.

Table 8 – Growth and Savings per Directorate

		2021/22 £m	2022/23 £m	2023/24 £m	TOTAL 2021/24 £m
Children, Families and Education	Savings	-9.433	-4.694	-2.296	-16.423
	Growth	20.433	0.085	0.077	20.595
Health Wellbeing and Adults	Savings	-17.494	-10.745	-9.505	-37.744
	Growth	29.251	6.919	6.880	43.049
Place	Savings	-12.759	-7.378	-3.513	-23.650
	Growth	10.102	0.800	1.000	11.902
Resources	Savings	-4.982	-1.693	-1.277	-7.952
	Growth	13.585	-0.720	-0.863	12.002

15 Local Taxation Charge for 2021/22

- 15.1 The council tax change for the Croydon element of the charge for 2021/22 is recommended to be **4.99%** in accordance with Appendix D of the report.
- 15.2 This decision includes a 3.0% increase for the Government's' adult social care precept that was approved as part of the Local Government Finance Settlement. This is contained in Appendix C, with the Band D effect shown in table 9 below.

Table 9 – Local Taxation for 2021/22

Band D	2021/22 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,354.02	1.99%	28.9	0.56
Adult Social Care Precept	170.47	3.00%	43.56	0.84
Total	1,524.49	4.99%	72.46	1.39

- 15.3 Table 10 gives details of both the increases to the Croydon element of the council tax and the Adult Social Care precept over the last 4 years and the increase being recommended for 2021/22.

Table 10 – Croydon Council percentage increase since 2018/19

	2018/19	2019/20	2020/21	2021/22
Croydon Council Percentage change	2.99%	2.99%	1.99%	1.99%
Adult Social Care Precept	2%	1%	2%	3%

- 15.4 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 B.

Council tax

- 15.5 Budgeted Council Tax revenues for 2020/21 are £193m and comprise 69% of the Council's overall Net Budget Requirement for this year of £277m – the balance of funding being derived from localised business rate income and Revenue Support Grant [RSG]. The charge for 2020/21 saw a maximum increase of 3.99% (1.99% General Demand increase and 2.00% increase through an additional Adults Social Care Precept) that was permitted and assumed in government's Core Spending Power assessment of local government funding without breaching the general level of increase that would have required a referendum to be held for the increase. The Band D charge of £1,524.49 (excluding the GLA precept of £363.66) is the fifth highest charge amongst London Boroughs.
- 15.6 Budget proposals set out in this report assume and recommend that the Council Tax charge is increased in 2021/22 by the maximum allowed under government regulations without triggering the need to hold a referendum on the increase. For 2021/22 those limits are 1.99% General Demand increase and 3.00% Social Care Precept – a total of 4.99%. Any higher proposed increase would require a referendum to be held at the Council's expense, unless permission were sought from the Secretary of State for a higher threshold for Croydon than currently set out in regulations.
- 15.7 The 4.99% increase outlined in the paragraph above would see the annual charge on a Band D property increase by £28.90 per year for the General Demand whilst the Social Care Precept increase of 3.00% adds £43.56 – collectively an increase of £72.46 and equivalent to £1.39 per week for a Band D Council Tax payer. In addition, the GLA has proposed a 9.51% increase for its General and Metropolitan Police charges. Collectively these proposed increases would result in a total Band D charge of £1,888.15 – an increase of £104.05 (5.83%), equivalent to £2.00 per week increase for a Band D household with two or more residents. The following table illustrates the composition and the impact of the proposed changes on each property banding.

Table 11: Change in Council Tax charge

Band	Band D Ratio	2020/21 Charges				2021/22 Charges				Weekly Change	
		General Demand (£'s)	Social Care (£'s)	GLA Precept (£'s)	Total Charge (£'s)	General Demand (£'s)	Social Care (£'s)	GLA Precept (£'s)	Total Charge (£'s)	Croydon (£'s)	GLA (£'s)
A	6 9ths	883.41	84.61	221.38	1,189.40	902.68	113.65	242.44	1,258.77	0.93	0.41
B	7 9ths	1,030.65	98.71	258.28	1,387.63	1,053.13	132.59	282.85	1,468.57	1.08	0.47
C	8 9ths	1,177.88	112.81	295.17	1,585.87	1,203.57	151.53	323.25	1,678.35	1.24	0.54
D	9 9ths	1,325.12	126.91	332.07	1,784.10	1,354.02	170.47	363.66	1,888.15	1.39	0.61
E	11 9ths	1,619.59	155.11	405.86	2,180.57	1,654.91	208.35	444.47	2,307.73	1.70	0.74
F	13 9ths	1,914.05	183.31	479.66	2,577.03	1,955.81	246.23	525.29	2,727.33	2.01	0.88
G	15 9ths	2,208.53	211.52	553.45	2,973.50	2,256.70	284.12	606.10	3,146.92	2.32	1.01
H	18 9ths	2,650.24	253.82	664.14	3,568.20	2,708.04	340.94	727.32	3,776.30	2.79	1.22

- 15.8 The amount raised in Council Tax receipts for the Council is a function not only of the Band D charge itself, but the number and composition of properties eligible to pay the charge. This quantum is referred to as the “Taxbase” and was required to be determined and notified to precepting bodies by the 31st January 2021. Having made that determination, any further changes to that assumed quantum are, by way of required technical accounting adjustments, withheld from impacting next year’s General Fund revenue position, instead being held in an unusable collection fund adjustment reserve until the following year.
- 15.9 The estimated taxbase for 2020/21 was determined in January 2020 to be 132,729.4 Band D equivalent properties (after adjusting for the estimated number of properties in each banding; relevant discounts and exemptions; and anticipated collection rate). The equivalent number of properties for 2021/22 has been estimated to be 129,940.8 Band D equivalents – a decline of 2,788.6.
- 15.10 The change in taxbase is predominantly the result of anticipated growth in property numbers not materialising as originally assumed, but is also impacted by the number of householders becoming eligible for discounts due to their economic circumstances and reduced collection rates – all of which have been significantly impacted by the coronavirus pandemic.
- 15.11 The decline in projected number of Band D equivalent properties has an impact on the base budget for 2021/22. At the current 2020/21 Band D charge for Croydon (£1,452.03), a fall of 2,788.6 in the taxbase sees a reduction of £4.0m in income derived from Council Tax. However, the proposed increase of 4.99% in the Band D charge for the Council offsets this fall with the General Demand Increase (£28.90) and Social Care Precept (£43.56) respectively generating an additional £3.8m and £5.7m.
- 15.12 Taken collectively, the impact of the proposed Council Tax charge increases and change in taxbase see the current budgeted income from Council Tax of £193m increase by £5m in 2021/22 to £198m.
- 15.13 In setting out forecasts over the longer three-year MTFs planning horizon, future years Band D charges are assumed to increase by 1.99% year-on-year in accordance with current year referendum limits (and at Bank of England target inflation rate) whilst taxbase growth is assumed to return to a higher level (last four year average) and collection rates also trend back up to 98.5% as the impact of the coronavirus pandemic diminishes. The MTFs assumptions see future increases in net yield of £8m and then £7m in 2022/23 and 2023/24 as a result.
- 15.14 As referred to earlier in this section, technical accounting adjustments required under regulations ensure that any deficit in Council tax receipts actually chargeable to that forecast at the start of the year are offset and thus impact in the future year. These adjustments are held in the unusable reserve Collection Fund Adjustment Account. The lower than previously anticipated growth in the taxbase during 2020/21, as well as seeing a detrimental impact in receipts in 2021/22, also has an adverse impact on the 2020/21 position and results in a deficit in the Collection Fund. This is ordinarily recovered as an adjustment in the following year, but recent

regulations allow and require the 2020/21 deficit to be recovered over a three rather than one year period.

- 15.15 However, one-off additional grant funding has recently been announced as part of government funding to local councils for covid impacts which will mitigate deficit that would otherwise be seen. Collectively these adjustments see a £0.9m additional pressure on the budget position next year which remains over the three-year life of the MTFS due to the three-year spreading arrangements introduced by the latest amended regulations.

Projected Collection Fund Surplus / Deficit

- 15.16 Council Tax and Business Rate income is collected by the Council as the Billing Authority on its own behalf and the GLA (and in the case of business rates a 33% share for central government). All income and costs, such as write-offs; refunds and appeals repayments, are in the first instance credited to the Collection Fund account – an unusable reserve in the Council's balance sheet and distributed by means of precepts by the relevant bodies on that account.
- 15.17 Substantially as the result of the impact of the Covid-19 pandemic, the growth in the number of residential properties has seen fewer properties added to the Council Tax property list in the current year as well as declining collection rates that has led to the need to increase bad debt provisions at year end for potential losses. Similarly, in-year business rate yield has been impacted by the number of properties being declared vacant (and subject to three-month empty property relief) and the level of appeals against property valuations increasing leading to refunds where successful and provisions for those still pending determination by the Valuation Office Agency. In both cases these circumstances have led to forecast deficits for the current financial year.
- 15.18 Technical adjustment required under statute require that the amounts estimated to be distributed in any financial year represented the amount originally budgeted to be distributed and any in-year surplus or deficit is retained within the Collection Fund account and impact on general reserves in the following financial year. In-year deficits caused by factors outlined above, whilst not impacting on the current year General Fund budget thus affect next year's budget position.
- 15.19 Recognising the impact the current Covid-19 pandemic has had on all local authority positions with regard to both Council Tax and business rates, additional statutory regulations have been issued to require significant elements of any in-year deficit to be held in the Collection Fund and spread over a three year period rather than the usual one year – the re-phasing of these deficits are included in the proposals set out in this Budget Setting and three-year MTFS report.
- 15.20 The total projected deficit on the Council Tax element of the Collection Fund was estimated to be £9.167m and notified to preceptors on 25th January 2020. Croydon's share of that deficit is £7.458m – being spread over three years being 2.503m per year. A final variance on the 2019/20 outturn of £0.052m reduces the net transfer in 2021/22 only.

15.21 Against a 2020/21 base budget Croydon share of a deficit of prior year business rates Collection Fund deficits, an increase of £0.185m to a total of £1.910m. Under regulations this element cannot be spread over three years and becomes a one-off charge in 2021/22. In addition, a further £2.391m deficit has been forecast which is spread over three years, representing an annual cost over the MTFS period of £0.797m.

16.0 Greater London Authority Precept 2021/22

16.1 On 15th December 2020, the Mayor of London announced his provisional proposal to increase his share of council tax by 1.99%, £6.64. This was revised on 12th January 2021 to 9.5%, £31.59 of which £15 will go towards helping fund the Metropolitan Police and £15 for Transport of London subsidies for children and over 60s. The remaining £1.59 per-household would go towards helping the fire service respond to changes recommended by the Grenfell Tower inquiry.

In order to implement the proposed increases for TfL, the GLA requires approval from the government to amend its referendum limits as the increase would be greater than its current 2% limit before a referendum was required.

16.2 This overall resultant council tax increase is set out in table 12 below.

Table 12– Local Taxation increase and the GLA Tax increase

Band D	2021/22	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,354.02	1.99%	28.9	0.56
Adult Social Care Precept	170.47	3.00%	43.56	0.84
Greater London Authority	363.66	9.50%	31.59	0.61
Total	1,888.15	5.83%	104.05	2.00

16.3 The overall increase on the total bill for the residents Croydon is 5.83%.

17.0 DSG CROYDON

17.1 In 2019, the government announced additional in education funding over a three year period from 2020/21 and national schools funding will increase by £4.8 billion in 2021/22 and £7.1 billion in 2022/23 compared to funding levels in 2019/20. In addition, funding continues to be provided to fund the recent increase in pension costs for teachers, worth £1.5bn a year.

17.2 Croydon's DSG allocation has increased accordingly and in 2021/22, Croydon will receive £390.567m in funding through the Dedicated Schools Grant (DSG), an increase of £25.3m in funding, of which £12.9m relates

to the teacher's pay and pension grant element, or 6.9% since 2020/21, compared to 6.6% increase across London and 8.1% nationally.

- 17.3 The increase in funding from 2020/21 follows a decade of real term reductions in per pupil funding for statutory school aged pupils (5 – 16 years old). In January 2020, the Department for Education (DfE) released trend data on school revenue funding revealing that the total amount of funding through specific grants¹, in cash terms, allocated to English schools for 5-16 year olds had grown over the last nine years as the total pupil population has grown. The total funding allocated to schools was £44.5 billion in 2019/20, an increase of 27.4% compared to the £35.0 billion allocated in 2010/11.
- 17.4 Total funding also grew over this time in real terms (adjusted for price changes using the GDP deflator), increasing by 8.8%. Funding increased in real terms in each year during that period with the exception of a slight fall in 2016/17 compared to 2015/16.
- 17.5 On a per-pupil basis the total funding allocated to schools for 5-16 year olds, in cash terms, in 2019/20 was £5,940, a 14.8% increase compared to £5,170 allocated per pupil in 2010/11. In real terms, funding per pupil was broadly flat between 2010/11 and 2015/16 at just over £6,000 in 2019/20 prices. It then fell by 4.2% over 2016/17 and 2017/18, but subsequently increased by 1.9% over 2018/19 and 2019/20, in part as a result of additional funding provided in respect of teacher pension employer contribution costs.
- 17.6 Over a shorter period, in cash terms Croydon's per pupil funding increased to £6,166 in 2019/20, a 7.1% increase compared to £5,757 allocated for statutory school age pupils in 2013/14. In real terms, funding per pupil over the same period fell by 3%. Since 2019/20, with the exclusion of the teacher's pay and pension grant element, per pupil funding has increased to £6,831, a 10.7% increase since 2019/20. Croydon's total DSG (excluding the Early Years Block) changes, in cash and real terms, since 2018/19 is summarised in the table 13 below.

Table 13- Funding per pupil

DSG Block	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m
Schools	243.87	247.51	262.96	269.16
High Needs	60.21	61.09	66.8	72.40
Central School Services	6.18	6.12	5.83	5.97
Total DSG (exc Early Years)	310.26	314.72	335.59	347.53
Pupil numbers	50,777	51,037	51,023	50,875
Per pupil funding	£6,110.29	£6,166.47	£6,577.45	£6,831.09
Funding change	2.50%	0.90%	6.70%	3.90%
Inflation (CPI)	2.70%	2.50%	1.80%	0.90%
Real terms funding change	-0.20%	-1.60%	4.90%	3.00%

Dedicated schools grant (including the schools block, most of the high needs block and the central school services block (CSSB); but excluding the early years block and post-16 funding in the high needs block); Pre-16 high needs place funding in non-maintained special schools, special and alternative provision free schools; Pupil premium; Supplementary free school meals grant; Teachers' pay grant (TPG); and Teachers' pension employer contribution grant (TPECG).

Schools Block

- 17.7 The Schools Block 2021/22 allocation is £281.313m (before recouPMENT), which is an increase of £18.35m since 2020/21 mainly due to the inclusion of the teacher's pay and pension grant element of £12.154m and to accommodate the overall increase in Education funding for 2021/22.
- 17.8 The minimum funding guarantee (MFG) will continue to be applied, hence every school or academy will see an increase in funding of at least 0.5% per pupil compared to its 2020/21 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.
- 17.9 The NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. In 2021/22, the respective funding rates are £4,821 and £6,433. The 2020/21 rates per pupil were £4,505 for primary pupils and £5,987 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 23rd out of 32 London boroughs. This ranking has risen by one place since 2020/21. 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 our nearest inner London neighbours is funded compared to Croydon.

Early Years

- 17.10 The Early Years 2021/22 indicative allocation is £30.108, an increase of £0.352m since 2020/21 again mainly to accommodate the overall increase in Education funding for 2021/22. The final allocation will be adjusted following the January 2021 census.
- 17.11 The Early Years block allocation for Croydon is based on a nationally set rate of a:
- £5.21 hourly rate for three and four year olds; and
 - £5.74 for two year olds
- This has increased from funding rates of £5.13 and £5.66, respectively.

The proposed rates based on the indicative 2021/22 allocation remain as they were in 2020/21 at:

- £4.87 for three and four year olds; and
- £5.74 for two year olds

High Needs

- 17.12 Funding for High Needs provision continues to be area of increased budget pressure nationally and Councils including Croydon have developed Special Educational Needs and Disability (SEND) strategies to

ensure services are delivered efficiently and effectively to meet demand and need. Croydon Council has reviewed SEND demand, practice and provision and engaged with stake-holders, including parents, young people and schools to inform the development of five year SEND Strategy that was implemented in 2019/20.

- 17.13 The High Needs 2021/22 allocation is £73.1m, which is an increase of £6.586m since 2020/21, including the teacher's pay and pension grant element of £0.696m. This allocation is based on the October 2020 census, with further adjustments to be made for January 2021 census.
- 17.14 At as the end of 2019/20, the High Needs block forecast overspend was £18.477 m (including previous years overspends). The 2020/21 Quarter 3 High Needs Block forecast overspend is £4.575m, bringing the cumulative High Needs deficit to £23.052m.
- 17.15 The budget pressures are principally attributable to the increase in demand, which has led to an over-reliance on the independent / non-maintained sector, due to shortage of local state funded special schools and / or resourced provision. This is being addressed and a strategy developed to move to a more sustainable framework. Table 14 below illustrates the increase in the number of Education and Health Care Plans compared to the increase in High needs funding since the introduction of the EHCP regulations in 2014/15.

Table 14 Impact of EHCP regulations

Year	Funding £'m	Funding Change	Number of EHC Plans	Percentage increase in number of EHC Plans	Percentage of Total Pupils
2014/15	48.90		2,044		4.5%
2015/16	51.41	5.1%	2,074	1.5%	4.5%
2016/17	51.24	-0.3%	2,217	6.9%	4.8%
2017/18	51.63	0.8%	2,491	12.4%	5.0%
2018/19	58.82	13.9%	2,693	8.1%	5.3%
2019/20	60.21	2.4%	2,999	11.4%	5.9%
2020/21	66.80	10.9%	3,163	5.5%	6.2%

The increase in 2021/22 will mean there will have been a 30.4% real terms increase in funding since 2014/15. However, over the same timescale, we will have seen an increase in EHC plans of over 53%

- 17.16 Croydon Council has a long term plan to increase special schools, Enhanced Learning Provision and post 16 specialist places, including a new free special school with 150 places opening in September 2020. Through this strategy the intention is to provide an effective pathway of local education provision for young people which is an efficient use of resources and supports young people in becoming independent in or near their local community.
- 17.17 That, together with an approach that manages reliance on Education, Health and Care Plans (EHCP) for children with lower levels of SEND, reduces demand and ensure placements of children are delivered through

the continuum of state-funded education provision at efficient values. The increase in the number of EHCP plans following the change of regulations has also had a financial impact on the Council's revenue budget providing home to school transport, with cost rising annually.

- 17.18 The increase in EHCPs has a direct correlation on the increase in students eligible for travel assistance.

Table 15– Analysis of SEN

Academic year	Number of students with EHCPs	Number of students on Traditional transport	Number of students on a PTB	Number of students travel trained
2015/2016	2406	1121 not including post 16	79	41
2016/2017	2691	1127 not including post 16	84	56
2017/2018	2783	1156 not including post 16	88	63
2018/2019	2940	1203 not including post 16	96	24
2019/2020	3163 (to date) plus approx. 35 pupils on assessment places *	1258 (+ 100 post 16)	105 to date	12 to date

*pupils who were given specialist provision on an assessment place and not registered as having an EHCP but still eligible for transport.

- 17.19 A number of Innovative strategies continue to be implemented to try and deal with the unprecedented demand for SEN travel assistance which include
- Investment in our in-house travel training service, gaining an excellent reputation from other boroughs
 - Route sharing with neighbouring boroughs
 - Amendment of Croydon's post-16 travel policy in 2019 following a detailed consultation process which allows for the default position of a personal transport budget for 16-18 year old eligible students who are not suitable for independent travel training
 - The Promotion of Personal transport budgets
 - Review of high cost, complex cases
 - Joint strategic working with SEN, Schools and parents (placement decisions)

Central Services Schools

- 17.20 In 2018/19, the NFF created a fourth block within the DSG called the Central Services Schools Block (CSSB). This block is made up of two parts – Reported spend on Ongoing Functions and Reported spend on Historic Commitments.

17.21 Ongoing Functions

The Reported spend on Ongoing Functions includes services such as School Improvement and Education Welfare, totals £2.833m, including £0.08m for the teacher's pay and pension grant element.

The 2021/20 allocation for ongoing functions (without the pay and pension adjustment) has reduced by £0.079m based on a reduction in the CSSB unit of funding decreasing by 2.5% year on year from £55.49 per pupil in 2020/21.

17.22 Historic Commitments

The reported spend on Historic Commitments consists of the prudential borrowing costs for SEND provision (£3.0m) and historic teacher pension costs (£0.213m), totalling £3.213m and has remained the same allocation as 2020/21.

17.23 The Education and Skills Funding Agency (ESFA) has a previously stated policy of reducing the funding that LAs receive for historic commitments made prior to 2013/14 and each year, the LA has made (successful) representations to the ESFA to maintain the current level of funding due to the impact on the General Fund of any reduction – particularly on the prudential borrowing costs of a capital programme with a pay-back period of 10 years (up to 2025/26). The ESFA have not yet determined how they will continue to unwind this in future years and commit to ensuring information about future years will be provided with as much notice as possible.

17.24 The 2021/22 budget for the Schools, Early Years, High Needs and Central School Services Blocks has been agreed by Schools Forum. The Schools Block funding formula was approved by Cabinet on 18th January 2021 and submitted to the DfE on the 20th January 2021 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 2021.

DSG Management Plan

17.25 As a condition of the 2021/22 DSG, LAs with an overall DSG deficit of one per cent or more at the end of the previous financial year are required to submit recovery plans for that deficit and Croydon submitted the original DSG Deficit Recovery Plan to recover the 2018/19 in-year High Needs Block deficit (£5.611 million) over a five year period to the DfE, as agreed with the School Forum and Chief Finance Officer and endorsed by this Sub Committee in July 2019.

17.26 The five-year recovery period is in line with the five year SEND strategy with key areas to be targeted. The intention is to improve our SEND provision while reducing the expenditure in order to ensure that we can fulfil our statutory duty to be meet the needs of all pupils with special education needs.

- 17.27 In response to the request from the DfE (30th October 2019) to revise the plan in light of the additional DSG funding announced for 2020/21, a revised DSG Recovery Plan was presented and noted by the School Forum on 9th December 2019 and subsequently submitted to the DfE. The DfE has not responded to this revision.
- 17.28 The DfE letter of response informed Croydon that as the High Needs Block allocation for 2020/21 would be increased and that subsequent year's allocations for 2021/22 and 2022/23 were under review, the Council would need to review and revise the previously submitted recovery plan.
- 17.29 More recently, a new template and accompanying guidance for a [DSG Management Plan](#) was released in September 2020 and the DfE has, again, recognised that the management of DSG balances, both bringing spend in line with income and repaying deficits, will take time for some LAs. Croydon is currently revising their existing DSG Recovery Plan and in accordance with the template accompanying that guidance will be planning to bring the High Needs Block expenditure within the High Needs Block funding allocation by Year 3 (2023/24) with recovery of the cumulative deficit to follow in future years.
- 17.30 In October 2020, the Council's external auditor, Grant Thornton, in issuing a Report in the Public Interest (RIPI) concerning the Council's financial position and related governance arrangements, highlighted concerns in respect of not managing the Dedicated School Grant within existing budgets.
- 17.31 The Council fully accepts the findings of the Report and the recommendations that have been made, including Recommendation 5 that the General Purposes and Audit Committee (GPAC) should receive reports on the actions being taken to address the Dedicated Schools Grant deficit and challenge whether sufficient progress is being made.
- 17.32 To implement the action plan in response to those recommendations, specifically in respect of the DSG deficit, the LA will report the progress against the DSG deficit management plan to the School Forum, in accordance with DfE guidance and as set out above, as an additional level of scrutiny prior to the progress being reported, more generally, to Cabinet as part of the usual quarterly budget monitoring report and more specifically to the General Purposes and Audit Committee (GPAC) in adherence to the specific recommendation of the Report.
- 17.33 The DSG management plan will be presented to the School Forum on 8th February, prior to approval and submission to the DfE, followed by GPAC on 4th March 2021.

18 Capital Budget – 2020/21 to 2023/24

- 18.1 The Council's draft Capital Programme was presented to Cabinet on 18th January 2021. It was noted that in order to move the Council to a financial sustainable footing, work continues on reviewing operational and service delivery costs to bring them to a more appropriate level and this approach applies to the Capital Programme it better reflects the Council's priorities in light of its ongoing financial challenges.
- 18.2 Whilst the 18th January Cabinet report presented a draft capital programme, this report provides the final confirmed capital programme report. Furthermore, this report also provides for the Housing Revenue Account (HRA) Capital programme, which is further detailed within Table 17 and Section 18.24.
- 18.3 The Council has worked to re-align the capital programme to ensure that it is in proportion to its corporate priorities in light of the current financial challenges. Council will need to prioritise delivery of the Capital Programme based on affordability and critical needs. Other projects which are already in progress will be scaled back accordingly. The projects within the capital programme in para 18.8 which are funded from borrowing will be subject to further review, in the light of the impact on the Council's revenue budget and no contractual commitment should be entered into until a review of revenue affordability has been concluded
- 18.4 The Capital Programme is typically made up of recurring key projects and programmes linked to the Council's statutory duties such as highways maintenance programme and the Education Estates maintenance Programme. It also includes various upkeep of the Council's own assets such as digital infrastructure, the corporate property Programme. Whilst these are not statutory this spend is important to ensure that the Council's infrastructure is repaired and maintained to protect the value of these assets and ensure they are fit for purpose to deliver vital services to the public.
- 18.5 As indicated in para 18.3 a large proportion of the Capital Programme is funded using borrowing. There is a direct impact of additional borrowing on the Council's revenue account from borrowing as the Council will need to pay for interest costs that arise from taking on borrowing. In addition, as per the Local Government Act 2003, all Local Authorities are required to provide for Minimum Revenue Provision within its MTFS, which as becomes an additional charge to the Revenue account. Both these costs are factored within the interest payable & MRP line within the corporate budgets. The Council will work with the GLA to seek further grant funding to support the acquisition of Brick by Brick properties and thus reduce reliance on borrowing.
- 18.6 As part of the Council's regular budget monitoring requirements the Council will provide regular updates on the progress of the delivery of the capital programme.
- 18.7 Table 16 below provides a detailed breakdown of various schemes per Directorate.

Table 16 – Capital Programme

Description	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total Budget 2021/24
	£000s	£000s	£000s	£000s
DFG	2,400	2,400	2,400	7,200
Empty Homes Grants	500	-	-	500
Bereavement Services - burial land	600			600
Bereavement services – crematorium	465	-	-	465
Health, Wellbeing and Adults	3,965	2,400	2,400	8,765
Education – Fire Safety Works	1,200	300	-	1,500
Education – Fixed term expansion	260	34	-	294
Education – Major Maintenance	2,945	3,000	3,000	8,945
Education – Permanent Expansion	180	44	-	224
Education – Special Educational Needs	8,892	352	555	9,799
Education – other	200	-	-	200
Children, Families and Education Sub Total	13,677	3,730	3,555	20,962
Asset Management	155	-	-	155
Clocktower chillers	462	-	-	462
Corporate Property	2,000	2,000	2,000	6,000
Feasibility Fund	330	330	330	990
Fieldway Cluster (Timebridge community centre)	121	-	-	121
Grounds Maintenance Insourced Equipment	1,200	-	-	1,200
Leisure centre invest to save	140	70	-	210
Libraries Investment	1,610	-	-	1,610

Measures to mitigate travellers	73	73	73	Appendix H 219
Museum archives	100	-	-	100
Parking	475	475	-	950
Play equipment	815	-	-	815
Safety - Digital Upgrade of CCTV	655	-	-	655
SEN Transport	1,275	-	-	1,275
Signing	112	-	-	112
South Norwood Regeneration	53	849	74	976
Waste and Recycling	1,558	-	-	1,558
Waste and Recycling - Don't Mess with Croydon	768	-	-	768
Place sub-total	11,902	3,797	2,477	18,176
ICT Refresh & Transformation	6,200	6,200	6,200	18,600
People ICT Programme	1,521	-	-	1,521
Uniform ICT upgrade	-	-	3,719	3,719
Finance and HR System	400	-	-	400
Resources sub-total	8,121	6,200	9,919	24,240
Highways	17,231	8,051	0	25,282
Electric Vehicle Charging Points	500	-	-	500
Growth Zone	4,000	0	0	7,500
Asset management - Stubbs mead	3,132	-	-	3,132
Total	24,863	8,051	0	32,914
General Fund	62,528	24,178	18,351	105,057
MHCLG capitalisation direction	50,000	25,000	5,000	80,000
Total Including Capitalisation	112,528	49,178	23,351	185,057
Major Repairs and Improvements Programme	26,771	26,771	26,771	80,313
Special Transfer Payments	180	180	180	540
BxB Properties Acquired	54,535	0	0	54,535
HRA Total	81,486	26,951	26,951	135,388
Capital Programme Total	194,014	76,129	50,302	320,445

Table 17 DRAFT Capital Programme Resourcing 2021/22 to 2023/23

	Budget 2021/22	Budget 2022/23	Budget 2023/24	Total MTFS budget
	£000s	£000s	£000s	£000s
Borrowing	36,497	10,687	5,722	52,906
Borrowing – GZ	4,000	0	0	7,500
S106	771	-	-	771
CIL	6,800	6,800	6,800	20,400
School Condition Allocation	4,145	3,300	3,000	10,445
Special Provision Capital Funding	897	152	355	1,404
Basic Need Funding	640	78	-	718
ESFA	5,003	-	-	5,003
Other grant – DFG	2,400	2,400	2,400	7,200
Other grant - Football Foundation				0
Other grant - London Marathon				0
Other Grant - ORCS	300	-	-	300
Historic England	374	511	74	959
Other grants – GLA	701	250	-	951
Total Funding	62,528	24,178	18,351	105,057
MHCLG capitalisation direction	50,000	25,000	5,000	80,000
Total General Fund Funding after Capitalisation	112,528	49,178	23,351	185,057
Major Repairs Allowance	13,668	21,209	21,209	54,924
HRA - Revenue Contribution	8,186	1,742	1,742	14,484

HRA - Use Of Reserves	19,805	4,000	4,000	Appendix H 27,805
GLA Funding of BxB Properties	8,500	0	0	8500
Borrowing BxB Properties	31,327	0	0	29675
HRA FUNDING	81,486	26,951	26,951	135,388
Overall Funding Requirement	194,014	76,129	50,302	320,445

- 18.8 The capital programme detailed in tables 16 and 17 above does not include expected slippage from the 2020/21 capital programme. Estimated slippage is detailed in the quarter 3 financial monitoring report as part of this Cabinet meeting and also attached as Appendix H. It is currently estimated that there will be scheme slippage of approx. £112.6m but this is subject to any changes arising between now and the year end. The final slippage will be reported to this Cabinet as part of the annual July Financial Review report once the financial year has closed. 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.
- 18.9 There are a number of key projects supported in the 2021/22 programme, including:
- 18.9.1 Continued investment in the school estate from 2021/22 to 2023/24 of £20.9m. This includes £15.67m for the New Addington Valley SEN School on the Timebridge site which the Education and Skills Funding Agency (ESFA) commissioned Croydon to lead on. The school will offer 150 places to children aged 2-19 years, with autism and learning difficulties, with the aim of providing a local pathway from the early years to adulthood. The proposed date for the opening of the school September 2021. The project will be fully funded by the ESFA under its "Invest to Save" programme.
- 18.9.2 Continued 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. The Council will need to continue to borrow to maintain the highways network following reduction in TFL funding. Additional borrowing has been included to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.
- 18.9.3 Continued investment in the Council's ICT infrastructure to provide a fit for purpose service to staff and residents. Add in further info
- 18.9.4 The HRA capital programme set out in Table 18 shows the planned capital expenditure in 2020/21 is £35.7m and total is

£102.6m over the 3 years to maintain homes to a decent homes standard and purchase new BxB homes using GLA grant under its Building Council Homes for Londoners programme to fund part of the cost:

18.9.5 Work is continuing to ensure fire safety within residential blocks owned or leased by the Council is compliant and meets current standards in order to provide safe homes for our residents. A £5m reserve will be set aside from existing reserves, with no additional borrowing required for this amount.

18.9.6 The capital programme includes £26.7m planned for ongoing and essential works identified, these include replacement/upgrade of flat front entrance doors, installation/upgrade of emergency lighting and fire alarm systems where required and blocks with spandrel panels which may need to be replaced.

18.10 No new capital schemes will be added to the programme without a business case being approved, a report being submitted to cabinet and then the funds will be released subject to the revenue costs of any scheme being affordable, this applies to both General Fund and HRA capital schemes.

Growth Zone

18.11 The Croydon Growth Zone is a Tax Incremental Financing (TIF) model which harnesses business rates uplift to enable borrowing to fund infrastructure. The Croydon Growth Zone programme consists of a range of transport, public realm social infrastructure and technology projects as reported to Cabinet in December 2017. They are deemed essential to mitigate the impact and maximise the opportunities of the growth planned (as detailed in the Croydon Local Plan 2018, Croydon Opportunity Area Planning Framework 2013 and the London Plan) in Croydon for the benefit of existing and future residents, businesses and visitors.

18.12 As reported to Cabinet in February 2020 in more detail, and subject to approval, the Growth Zone programme has been re profiled, with the total funding required for the period 2021/22 to 2022/23 of £4m. Table 18 below sets out the programme over that period.

Project	2021/22 to 2023/24 (£'000s)
Transport	500
Public Realm	1,600
Construction Logistics	400
Parking	300
Culture	500
Smart Cities	400
Social Infrastructure	300
Employment and Skills	0
Energy	0
TOTAL	4,000

Section 106 and Community Infrastructure Levy (CIL)

- 18.13 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.
- 18.14 The Council's Section 106 balance as at September 2020 was £4.7m. 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.
- 18.15 Set out below in table 19 is the Council's detailed Section 106 balance sheet.

Section 106 – Head of Term	Balance
Affordable Housing	£1,026,483.00
Air Quality	£148,328.50
Bus Improvements	£80,590.42
Carbon Offset	£536,910.66
Culture	£51,679.49
East Croydon Station	£298,657.56
Education	£278,845.18
Employment and Skills Training	£298,098.00
Environmental Improvements	£27,466.00
Equality Programme	£21,957.00
Footways & Pedestrian Environment	£2,468.12
Health	£106,728.05
Highways	£84,375.29
Libraries	£62,942.00
Open Space	£431,248.77
Parking	£25,000.00
Public Art	£26,500.93
Public Realm	£450,548.97
Renewable Energy	£56,964.00
Skyline	£1,000.00
Sustainable Transport	£514,448.59
Tree Planting & Maintenance	£14,282.75
West Croydon	£172,781.56
TOTAL	£4,718,322.84

- 18.16 In terms of future Section 106 assignment, the Council is actively working (with partners as appropriate) on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon and mitigate the development the contribution arose from. Section 106 assignment will continue to be governed by the Council's Infrastructure Finance Group and Capital Board.
- 18.17 A total of £3,582,344 of Section 106 income was assigned to specific projects during 2019/20 in accordance with the Section 106 parent agreement and Infrastructure Finance Group Terms of Reference. During 2019/20 a total of £775,674 of money secured under s106 agreements was spent on specific projects across the borough.
- 18.18 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.
- 18.19 Borough CIL balance at 01/04/20 was £12,544,170.93. This income is available to be spent on infrastructure types and projects included on the Council's CIL Infrastructure List

- 18.20 Regulation 121A of the Community Infrastructure Levy Regulations 2010 (as amended) requires the Council to produce a statement of the infrastructure (CIL Infrastructure List) projects or types of infrastructure which the charging authority intends will be, 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.
- 18.21 In addition to allocations in 2019/20, and based on current CIL balances and forecast CIL receipts, it has been assumed that £6.8m of Borough CIL money will be available to fund the capital programme. Also, £2m of Borough CIL money has been assigned to the Council's Education Estates Strategy as agreed by Cabinet on Monday 18th January 2021 and £2.1m has been assigned to Leisure, libraries and open space maintenance. The specific projects to enjoy borough CIL funding will be defined through the governance of the Infrastructure Finance Group and Capital Board to ensure CIL legislative compliance. The specific project assignment will occur post the approval of this report and be published in the Council's CIL Infrastructure Statement.
- 18.22 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.
- 18.23 The CIL Local Meaningful Proportion balance at 01/04/20 was £3.91m. The Local Meaningful Proportion will fund the Community Ward Budgets for 2020/21. Also, as set out in the September 2020 Cabinet Emergency Budget Report, CIL Local Meaningful Proportion will significantly contribute to the costs of the 2020/21 Community Fund Projects that meet the CIL legislative requirements.

Housing Programme

- 18.24 The Council is committed to delivering affordable housing in the borough through a range of measures:
- In order to accelerate the delivery of new homes for Croydon residents, the Council established Brick by Brick, an independent development company. Brick by Brick receives borrowing and equity investment from the Council. It is expected that the HRA will purchase up to 190 completed units of affordable housing within 2021/22 from Brick by Brick, based on availability and an agreement of a fair purchase price that will be sustainable for HRA borrowing.
 - The properties purchased from Brick by Brick are expected to charge London Affordable Rent levels (LAR), however are subject to Cabinet Approval.
 - The Council entered in to three separate limited liability partnerships (LLPs) with Croydon Affordable Homes, a local charity to develop units across the borough and street purchased properties as

affordable rented homes. In order to fund their acquisition activities, the Council gifted retained right to buy receipts to the LLPs, with the Council acting as lender for the balance of the funds needed. The Council has completed phase 1 and 2 of its street property acquisition programme for the provision of affordable rent. This has enabled acquisitions of 346 street properties for the provision of affordable rent in the borough.

- The Council has been awarded GLA grant funding under the Mayor of London's £1 billion Building Council Homes for Londoner's programme for social housing. The grant funding has been used to part fund the purchase of new build Brick by Brick properties, transferring them into the HRA.

Repair and Improvement of council stock

18.25 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard. Croydon has invested in its HRA properties to ensure that it meets, and continue to achieve the decent homes standard. The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, 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 continues to invest in maintenance and improvement works in order to maximise the life of the assets

18.26 The HRA budget for proposed major repairs and improvement programme for 2021/22 will remain at circa £27m, although available budget unspent at the end of 2010/21 will be carried forward, taking the estimated total spend to £30m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. In order to enable the Council to respond quickly to any additional or changing fire safety regulations, a £5m reserve has been ringfenced in the HRA account.

19.0 Housing Revenue Account (HRA)

19.1 The Housing Revenue Account (HRA) is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets which includes shops and garages on council housing estates. It is funded primarily from tenants' rents and service charges. The services provided to tenants and leaseholders which includes responsive repairs, management and supervision services and caretaking as examples are resourced from this account.

19.2 Croydon's HRA consists of approximately 13,400 homes. In addition to the HRA, there are approximately 800 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to

maintain good quality accommodation, and offer temporary accommodation to families most in need.

- 19.3 Longer term planning for the HRA is continuing to take place through the 30-year business plan which is updated annually to reflect changes in legislation and assumptions which underpin the financial projections. This includes the impact of increasing rents by CPI+1%, which will enable the HRA to be more financial sustainable. The lifting of the HRA borrowing cap will also enable the Council to consider developments funded directly by the HRA.
- 19.4 The budget for 2021/22, Table 20, shows a balanced position as required by statute and was reported with the proposed rent and other charges to the Tenants and Leaseholders Panel on the 9th February 2021.

Table 20 – 2021/22 HRA Revenue Budget

DESCRIPTION	ORIGINAL	BUDGET
	2020/21	2021/22
	£000	£000
Employees	13,976	15,162
Premises related expenditure	18,904	17,740
Supplies and Services	2,510	3,081
Third Party Payments	406	363
Transfer Payments	156	656
Transport related expenditure	30	44
Capital Charges	35,776	33,824
Intangible Charges	59	122
REFCUS	180	180
Corporate support services bought in	6,705	6,705
Recharges from other services	9,348	10,988
TOTAL EXPENDITURE	88,050	88,865
Government Grants	-	-
Other Grants, reimbursements and contributions	(209)	(185)
Customer and Client Receipts	(85,771)	(86,591)
Interest Receivable	-	-
Recharges to other services	(2,070)	(2,089)
TOTAL INCOME	(88,050)	(88,865)
NET EXPENDITURE	-	-
Contributions to / (from) Reserves	-	-

- 19.5 All investment in new-build is currently being undertaken outside of the HRA by either the Council's Development Company, Brick by Brick, or other partners. However, as part of the rent setting policy and with the change in policy with regard to Brick by Brick, the Council will subject to affordability, commence preparations for developing housing within the HRA during 2021/22.

19.6 Croydon Affordable Homes (the charity set up by the Council in partnership to deliver affordable rented properties across the borough) will be renting out local homes at a maximum of 65% of the market rent to borough residents and remaining units will be available through shared ownership.

19.7 Prior to the announcement removing the borrowing cap in 2019/20, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside of the HRA.

Housing demand

19.9 It is considered that for at least the next 10 years that the housing market in London and the South east will be characterised by rising demand and increased barriers to entry caused by rising house prices, rising rents and population growth. Beyond 10 years it is difficult to predict with any certainty what housing policy will be in place or what structural housing market changes may have occurred.

19.10 The mix of new housing supply continues to be influenced by numbers of applicants on the Council's housing register locally and the forecasts of future housing need.

19.11 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.

19.12 The 'A new deal for social housing' Green Paper consultation outcome is awaited. Recent changes and proposals impacting HRA are set out below.

- The government has confirmed that from 2020/21 rent increases will apply at CPI+1% (Consumer Price Index) on social housing rented properties which is equal to 2.7%
- The government has proposed making Right to Buy (RTB) receipts to be available for 50% of social rented new build costs rather than 30%. We are waiting for the government's final decision on this.
- The government has proposed extending use of existing RTB receipts to 5 years with new receipts being available for 3 years. We are waiting for the government's final decision on this.

19.13 However, assumptions about these policy changes and the current legislation, % increase in rental income, have been incorporated into the 40 year business plan and annual budget setting. These are explained below.

Right to Buy

19.14 Croydon Council entered into a retention agreement with the government in April 2012. Under the terms of the agreement, the government requires that local authorities can only retain the receipts from right to buy (RTB)

sales if they spend it within three years of retention to create new stock by match funding the purchase of this new supply on a 70:30 basis.

- 19.15 The implication of this is that the RTB receipts can only fund 30% of new property development or acquisition costs with the remaining balance of 70% funded through the council's HRA or other resources. Interest is repayable to the government on retained receipts not used within 3 years.
- 19.16 The Council's Housing LLP has used retained RTB receipts which the HRA had been unable to use due to the limited resources in the HRA before the government announced the lifting of the borrowing cap, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. As explained above, if the Council did not use the retained RTB receipts in this manner, it would need to repay the unused receipts to central government with interest.
- 19.17 The current 2020/21 HRA budget and business plan assumes there will be 80 right to buy sales in the 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.
- 19.18 The table below shows the RTB sales since 2012 compared to the assumptions in the Self-Financing (SF) settlement.

Table 21 – RTB sales since 2012

	Actual Sales (Forecast from 2020/21)	Assumed Sales (in SF Settlement)
2012/13	36	14
2013/14	51	17
2014/15	135	19
2015/16	143	20
2016/17	148	20
2017/18	90	20
2018/19	83	20
2019/20	58	20
2020/21	60	20
2021/22	80	20
Total	884	190

Rent Setting and Changes

- 19.19 The Welfare Reform and Work Act 2016 required all registered providers of social housing in England to reduce rents by 1% a year for four years from 2015/16 levels to 2019/20. This reduction commenced in 2016/17, making 2019/20 final year. Rents for new tenants must also reflect the 1% per annum reduction. Central government has announced that rents can increase from 2020/21, by CPI + 1% which is equal to 1.5% for the 21/22 uplift.

19.20 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.

19.21 Social rents in Croydon are currently approximately 32%-35% of the private sector equivalent, as shown in the table below. New build council properties are let at a London Affordable Rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent.

Table 22 – Comparison of rents in Croydon

Number of Bedrooms	Social Rent (per month) 2020/21	Social Rent (per month) 2021/22	London Affordable Rent (per month) 2020/21	London Affordable Rent (per month) 2021/22	Social rent as % of local market rent	LAR as % of average local market rent
1	£459.51	£466.40	£682.33	£692.56	34%	73%
2	£518.14	£525.91	£722.37	£733.21	33%	54%
3	£590.85	£599.71	£762.54	£773.98	32%	43%

Service Charges

19.22 In 2021/22, it is proposed that service charges increase by 1.5%, following a 2% increase in 2020/21. This will ensure that the level of service charge reflects the costs incurred. A full review of the costs was delayed due to the events of 2020 but will be considered as part of the forward plans for the HRA

19.23 The charges for 2021/22 will therefore be:

Table 23 –2021/22 Tenant Service Charges

	2020/21	2021/22	Change
Tenant Service Charges			
Caretaking	£10.38pw	£10.54	£0.16
Grounds Maintenance	£2.14pw	£2.17	£0.03

Heating charges

19.24 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 be adjusted to ensure that they align to actual costs incurred. This will result in some increases and some decreases for tenants of no more than 5%.

- 19.25 Rents for garages and parking spaces were not increased for 2020/21 and so it is proposed that an increase to garage rents will be applied for 2021/22. Any proposed increase to parking charges on must be consulted upon – this is planned to increase charges for 2022/23

Table 24– 2021/22 Parking and Garage Charges

	2020/21	2021/22	Change
Parking Spaces			
Tenants	£7.00pw	£7.00pw	£0.00pw
Non-Tenants	£9.62pw	£9.62pw	£0.00pw
Garages			
Avg. Rent*	£13.13	£13.33	£0.20pw

Void and Bad Debts

- 19.26 The loss of income associated with void properties is assumed at 0.9% for 2021/22.

20.0 Treasury Management

- 20.1 The 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.
- 20.2 The prime function of the treasury management operation is to ensure that cash flow is adequately managed. This requires careful management of all cash balances within the Council's bank accounts. The contribution the treasury management function makes to the achievement of the Council's objectives is critical, as the balance of debt and investment operations ensures liquidity or the ability to meet spending commitments as they fall due, either as day-to-day revenue spend or for larger capital projects. The treasury operation carefully assesses the balance of the interest costs of debt and the investment income arising from cash deposits as this impacts directly on the Council's finances.
- 20.3 The Treasury service are also responsible in managing the Council's debt balances. The Council has a debt balance of £1.47bn as at the end of December 2020 which incurs significant interest and Minimum Revenue Provision (MRP) charge. It is important that the Council considers strategies that proactively reduces this debt balance and to help improve the direct charges to the Revenue account, which will bring the Council into a better financial position.

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

- 21.1 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 their advice throughout the year in the preparation of the budget for 2021/22. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Interim Director of Finance, Investment and Risk. This is his statement under the Section 25 requirement of the Act.

- 21.2 All Members of the Council have been advised of the financial challenges the Council faces over the next financial year, the medium and longer term. The levels of government funding for 2021/22 have been clearly identified in this report and it must be recognised and understood that a one year funding settlement creates a level of future year uncertainty and therefore creates a financial planning risk. In addition, in regards to the request for Capitalisation Direction a response from MHCLG has not at the time of writing this report been received. The Council is seeking £150m in capitalisation direction support which is necessary to balance this budget and deal with 2020/21 overspends.
- 21.3 Until 2019/20 the Council in common with other local authorities experienced substantial reductions to Local Government funding. 2020/21 saw a slight increase in our baseline funding however the pressures experienced since the start of 2020/21 have had a significant impact on the Council's financial position. A marginal increase in baseline funding into 2021/22 and the ability to raise Council Tax by 4.99% has further supported increased funding. 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.
- 21.4 These continue to be very challenging times for Croydon Council and therefore it is certain that further difficult choices will be required over the coming budget cycle if the Council is to develop a solid financial foundation and achieve the delivery of a balanced outturn in 2021/2022 and in future years. The refreshed Medium Term Financial Strategy which will be presented to Cabinet in July 2021 will provide an update for Members on the future financial challenges the Council expects to face as well as progress made on the 21/22 Budget and the Renewal Plan. This refreshed document will include the full impact of the review of the Council's company and property investments with a view to limiting liabilities and proposals for transforming the operation of its services so as to deliver good performance on an affordable basis. This will form a strong robust platform and tool to develop and manage future budgets. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves this position has been reviewed in detail with the Chief Executive and Executive Leadership Team and my conclusions and assumptions have been reported to the Cabinet as part of the Council's overall governance and financial stewardship arrangements. It is important that there is buy in and ownership at all levels from both political leadership and officers that there is a need for a more robust financial process for providing services within budget, than has hitherto existed and the expectation must be that services can be and must be delivered within the budget as set.

- 21.5 All Members must also 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 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.

- 21.6 With regard to the Housing Revenue Account, in 2020/21 where Local Authorities were allowed to raise Housing Rents by CPI+1%. This proposal continues into 2021/22 and this will ensure that the years of lost income from the 1% reduction in rents better supports the upkeep of our housing stock and support tenants in a better way. The updated 30 year HRA Business Plan shows a stable position however the Council need to keep a close eye on pressures in regards to repairs and maintenance and more importantly the investment that will be needed to for Fire Safety works. The development of new housing units within the HRA including the purchase of any units will need to be cost neutral in terms of revenue income covering the costs of managing and maintaining the new units and servicing debt.

Growth, Savings and income options in service expenditure

- 21.7 Proposals for growth, savings and income generation in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough within the available revenue resources. 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 whilst always having regard to the need to remain with the statutory requirement to balance the budget and to keep within that budget and available reserves once the budget is set. This report forms part of that advice.

The Level of Reserves and Balances

- 21.8 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.
- 21.9 The Current level of Reserves are very low for the size of Croydon and historic mismanagement of this reserve balance has resulted in placing the Council in very weak position. The exact level of current bought forward reserves is currently under discussion with the External Auditor and cannot be firmed up until the 2019/20 audit of the accounts has been completed. In the light of this it is not possible to state with certainty as required under section 25 (1)(b)of the Local Government Act 2003; that the reserves are adequate until the audit is completed, however it should be noted that the 2021/22 Budget and the MTFs includes a clear plan to build up the reserve balance and £20m is being earmarked as part of the 20/21 planned capitalisation directive for contribution to the General Balance. With further a further increase of £10m 21/22. In light of the

Covid-19 pandemic the need to have a stronger reserve balance is clear as it allows the Council to create a necessary buffer to tackle unforeseen risks.

21.10 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 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 £10m at the end of 2020/21. This is a position that needs to be kept under review. The Council has previously relied upon the increased flexibility on the use of capital receipts which allowed the authority to use these to support transformation projects. This funding pays for capacity that would previously have to be funded from earmarked reserves. This option will need to be kept under review as capital receipts become available.

21.11 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of the delivery of efficiency savings as well as managing demand led pressures and income generation. The Council has set in place plans to deliver departmental efficiencies and generate an additional income of £40m. Discussions with MHCLG have drawn attention to the need for potential flexibility in granting the capitalisation directive to enable the Council to deal with any proper accounting adjustments with regard to bad debt provision or impairment costs which will still be being crystallised. This flexibility is assumed in making this statement.

The external financial environment does remain volatile due to the pandemic. However, subject to:

- the Council introducing a strong corporate process to review and monitor spend throughout the year (mirroring to a degree the current s114 spending control panel),
- corporate and political buy in to the new arrangements combined with , prioritising the improvement of and compliance with the financial management arrangements,
- vigorously reducing expenditure as set out in Appendix A and
- subject to the receipt of the capitalisation directive at the sum requested

it is confirmed that the estimates as set out are robust as required by section 25 (1) (a) of the Local Government Act 2003

22.0 PRE-DECISION SCRUTINY

22.1 The 2021/21 budget has been presented to Scrutiny and Overview committee on 16th February 2021. The committee had the opportunity to scrutinise the budget setting process as part of the Cabinet Member for Finance and Resources question time.

22.2 At the Scrutiny meeting the draft budget and all savings, income and growth options were presented. This report enabled members to be briefed on the financial context and challenges the Council faces and

updated the Committee on the assumptions made in setting the 2021/22 budget. Appendix H

23.0 SUMMARY AND CONCLUSIONS

- 23.1 As all Members are aware, setting a budget for 2021/22 that is robust, balanced and deliverable has been extremely challenging particularly as the Council is within a S114 and has had to deal with historic financial management issues. This has involved a number of difficult decisions for the Council and a lot of work has gone into building the budget to deal with historic issues and errors. The Council faces increasingly challenging choices over the medium term to longer term within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.
- 23.2 This budget report is based on the current financial outturn projections for the current year. If any of the projections change significantly, these will have to be taken in to account either in year and urgent action taken to reduce expenditure in 2021/22.
- 23.3 Appendix C and D contains the legally required recommendations to Council for setting the budget and Council Tax for 2021/22.

24.0 FINANCIAL CONSIDERATIONS

- 24.1 The report contains the financial implications of the options to deliver a balanced budget for 2021/22 and the draft capital programme for 2021/20 to 2023/24.

25.0 LEGAL CONSIDERATIONS

Budget and Council Tax Setting

- 25.1 The Head of Commercial and Property Law comments on behalf of the Interim Director of Law and Governance that, as noted earlier in this report, due to the Council's financial position, a notice under section 114 of the Local Government Finance Act 1988 has been issued on two occasions in the last financial year. In considering the recommendations in this report, Cabinet and Full Council needs to have full regard to the Council's overall financial position as detailed in this report.
- 25.2 The provisions of the Local Government Finance Act 1992 sets out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of the Council's section 151 officer. The setting of the budget is a function reserved to full Council, which needs to consider the draft budget which has been recommended for approval by Cabinet. Once the budget has been agreed by full Council, the Executive cannot make any decisions which conflict with it although variations and in-year changes can be made in accordance with the Council's financial regulations.

- 25.3 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.
- 25.4 Section 30(6) of the Local Government Finance Act 1992 provides that the Council is required to set its budget (including Council Tax rates) before 11th March 2021 for the financial year 2021/22, although failure to set a budget within the deadline does not invalidate the budget. A delay to agreeing the budget may, however, have significant financial administrative and legal implications including potentially an individual liability for those members who contributed to the failure to set the budget. Failing to set the budget would also make the Council vulnerable to a judicial review challenge initiated potentially by the Secretary of State or any other person with a sufficient interest in the Council setting a budget (which could include a council tax payer). 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
- 25.5 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. 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 Thresholds for 2021-22 provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if council tax is to be increased by 5% or more. Council tax for general spending requires a referendum if it rises by 2% or more, alongside a maximum 3% 'social care precept'. The 'adult social care precept' is technically not a 'precept' but additional headroom within the referendum regime for selected local authorities.
- 25.6 The procedure to be followed in developing the budget proposals as detailed in the report are set out in the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council's Constitution. 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 as detailed more fully in the Equalities Considerations, section 23 below.

Approved by Sean Murphy, Head of Commercial and Property Law (Deputy Monitoring Officer) on behalf of the Interim Director of Law and Governance

26.0 HUMAN RESOURCES IMPACT

26.1 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.

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

Pay Policy Statement

26.3 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.

26.4 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 2021/22 on:

26.4.1 The remuneration of its senior staff including chief officers

26.4.2 The remuneration of its lowest paid employees

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

26.5 The pay policy statement is at Appendix G. 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 2nd March 2020.

Approved by: Sue Moorman – Director of Human Resources

27 EQUALITIES CONSIDERATIONS

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

27.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

27.3 Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief.

27.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively.

27.5 As a result, budget proposals have been subject to the Council's own equality impact analysis processes (EIA) between December 20 and January 21, as part of a risk-based approach to analyse potential equalities impact of budget proposals. Budget holders have identified where proposals are likely to have a disproportionate impact on those with protected characteristics (i.e. race, sex, disability, religion or belief, sexual orientation, pregnancy and maternity, and age).

In some instances budget holders have extended the equalities consideration to include analysis of non-statutory factors - such as language, socio-economic and health and social wellbeing. Where adverse impact has been identified mitigating actions have been specified.

27.6 In developing its detailed budget proposals for 2020/21 the Council has sought 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 ensuring that it is able to respond positively to increases in demand for essential services, and meet its legal equality obligations at the same time. In doing so it endeavours to best meet the specific needs of residents, including those groups that share a "protected characteristic".

27.7 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 is guided by the broad principles of equality and inclusion and has carried out equality impact assessments to secure delivery of that duty, including such consultation as required.

27.8 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 those on low and fixed incomes and in particular those affected by changes to the benefit system and no longer 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 Black Asian and Minority ethnicity 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. The additional income will benefit Croydon's most vulnerable adults and families, likely to also be in this protected group. 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.

27.9 As part of wider overall welfare support provided, residents having difficulties with their payments are offered practical budgeting advice and support as well as help in finding work through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

27.10 In respect of specific proposals as outlined in Appendix A, it is likely that some proposals may result in new policies or policy or service changes, in this instance each proposal will be accompanied by an equality analysis which will inform the final proposal and its implementation, on a case by case basis made available at the time of decision.

Approved by Barbara Grant on behalf of Yvonne Okiyo, Equalities Manager

28.0 ENVIRONMENTAL IMPACT

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

29.0 CRIME AND DISORDER REDUCTION IMPACT

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

30.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

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

REPORT CONTACT: Nish Popat, Interim Head of Corporate Finance

APPENDICES:

- Appendix A – Revenue savings, income and growth options
- Appendix B – Summary of Revenue Estimates
- Appendix C – Council Tax Bands
- Appendix D – Council Tax Recommendations
- Appendix E – Response to Provisional Local Government Settlement
- Appendix F – Dedicated Schools Grant
- Appendix G – Pay Policy Statement
- Appendix H – 20/21 Q3 Budget Monitoring Report

BACKGROUND DOCUMENTS: None

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REPORT TO:	CABINET 1st March 2021
SUBJECT:	FINANCIAL PERFORMANCE REPORT – QUARTER 3 December 2020
LEAD OFFICER:	Chris Buss Interim Director of Finance , Investment and Risk
CABINET MEMBER:	Councillor Stuart King – Cabinet Member for Croydon Renewal Councillor Callton Young – Cabinet Member for Resources and Financial Governance
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The recommendations in the report make elected members aware of the financial position of the council and give elected members information to help ensure effective management, governance and delivery of the Council’s medium term financial strategy and ensure a sound financial delivery of the 2020/21 in-year budget. This will enable the ambitions for the borough for the remainder of this financial year to be developed, programmed and achieved for the residents of our borough.</p>	
AMBITIONS FOR CROYDON & WHY WE ARE DOING THIS:	
<p>Strong financial governance and stewardship ensures that the Council’s resources are aligned to enable the priorities, as set out in the Corporate Plan, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.</p>	
FINANCIAL IMPACT	
<p>This report sets out the financial position of the council at the end of quarter 3, for revenue, capital and the Housing Revenue Account (HRA) budgets.</p> <p>The impact of Covid19, which has led to a significantly reduced level of income, increased costs, and the inability to deliver a large number of the savings that were approved in the 2020/21 budget has resulted in a significant forecast overspend at quarter 3.</p> <p>The Council has been undertaking a programme of work to review and reduce costs, alongside working with The Ministry of Housing, Communities and Local Government (MHCLG) to ensure that Croydon has the funding to be able to meet its costs for 2020/21. The Council continues to operate under a S114 arrangement and since the last Financial Performance Report (Quarter 2) the Council has submitted its request for a capitalisation direction of £150m of which £70m relates to 2020/21.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO. - Not a key decision.	

1. RECOMMENDATIONS

Cabinet is recommended to :

- i) Note the current general fund revenue outturn forecast at the end of the quarter 3 of 2020/21 of **£64.7m** overspend, after the inclusion of both anticipated and received Covid19 funding from the MHCLG of £41.9m;
- ii) To note that there are a number of risks totalling **£31.8m** that could materialise which would see the variance increase further. These are within services due to the current pandemic, potential impact from finalisation of the 2019/20 accounts and in relation to groups structures particularly around interest income from Brick by Brick. Should all of these risks crystallise the total forecast overspend would increase to **£96.5m** by the year end.
- iii) Note the details of the monthly Covid19 impact submissions being made to the MHCLG and the details of the financial support that is available to the council in light of Covid19 as outlined in section 6 of this report.
- iv) Note the work being undertaken by the Spending Control Panel and Finance Review Panel to reduce the overspend this financial year.
- v) Note the HRA revenue position of a **£0.5m** forecast overspend against budget;
- vi) Note the revised capital outturn projection of £187m for the general fund and HRA is forecast to be an underspend of £117m against the revised budget.

2. EXECUTIVE SUMMARY

- 2.1 This report updates Members on the Council's financial outlook at the end of quarter 3 of 2020/21, which remains incredibly challenging against a context of the current Covid19 pandemic, which has put significant increasing pressure on council services and budgets since the beginning of this financial year.
- 2.2 The budget for 2020/21 was presented to Cabinet in February 2020 and approved by Council in March 2020. Cabinet and Council when approving the budget were made aware that balancing the budget is becoming increasingly difficult each year and the 2020/21 budget contained a significant number of savings that were ambitious and needed to be delivered in year.
- 2.3 Cabinet were also made aware that these continue to be very challenging times for local government and therefore it was certain that further difficult choices would be required over the coming budget cycle and medium term if the Council is to maintain a continued stable financial foundation. This statement was made by the S151 Officer and on the basis of the challenging financial position already facing local government following years of sustained reductions in government funding. The Covid19 pandemic has brought further unprecedented financial challenges that has left all Local

Authorities including Croydon facing a substantial funding shortfall in 2020/21 and beyond.

- 2.4 With the continued increase in the projected outturn for 2020/21 and lack of progress on cost reductions and efficiencies the former S151 Officer issued a Section 114 notice in November 2020. The ability to ensure the Council remained within its available financial resources became extremely difficult and it was clear with the backdrop of the Covid-19 pandemic the Council will run out of financial resources by year end.
- 2.5 The issuing of the S114 notice bans all new spending with the exception of protecting vulnerable people, essential services and pre-existing commitments. The budget remains unbalanced at the end of the 21 days prohibition and on the 2nd December a second S114 notice was issued and the Council has continued to remain in a S114 since as the budget remains unbalanced.
- 2.6 The Council formally submitted a request for financial support in the form of a capitalisation directive (loan) to the Ministry of Housing, Communities and Local Government (MHCLG) on 15 December 2020 and await their response.
- 2.7 On 1st February MHCLG published a report that set out the findings of the rapid review which took place in October and November of last year. In response to the report, the Secretary of State for Housing, Communities and Local Government, Robert Jenrick MP, has announced a series of measures that outline the next steps for Croydon – including confirmation of the Government appointed Improvement and Assurance Panel and its members.
- 2.8 The 2020 rapid review was commissioned by the MHCLG to better understand our financial situation and assess our capability and capacity as an organisation – to give the Government reassurance that not only are we putting the right plans in place for the future of Croydon, but that we have the people and processes to deliver them. Reflecting on the report the Secretary of State's response is clear that the challenges we face are significant, with many issues the product of poor governance, which has raised questions about our ability to recover. However, it is acknowledged that things are changing for the better, and that with the right leadership and support we can continue our improvement journey and restore control of our financial position.
- 2.9 It is clear that working with the Improvement and Assurance Panel is a key step in giving the Government confidence in our ability to deliver the renewal plans that we have put forward.
- 2.10 Tony McArdle, Margaret Lee, Executive Director, Corporate and Customer Services at Essex County Council and Crown Representative Phil Brookes have been formally appointed as panel members, to support Croydon as we continue our improvement journey and report back centrally on our progress. With work already underway, the panel has been asked to provide an independent assessment of our funding submission and to update the MHCLG in early February on its viability.
- 2.11 This current forecast is based on the known position at the time of writing this report. It is indicative at this time and may alter given the continued uncertainty about the

pandemic and the current second spike and the ongoing impact on Council services over the medium term. It is expected the economic recovery and continuing associated impact on residents will require significant Council response going forwards, even after the virus has been contained. As a result, very prudent figures have been included in this forecast. The figures contained in this report include funding to date from government but it is not possible to predict if further funding will be made available at this time. To date funding for the impact of Covid19 has been insufficient to cover all lost income, increased costs and non-delivered savings. To date Croydon has received £41.9m of Covid 19 funding out of £3.7bn distributed nationally.

3. DETAIL

- 3.1 The total net forecast general fund overspend at quarter three is **£64.7m** and shown in table 1 below. The overspend is made up of departmental overspends (gross, before COVID-19 contributions) of **£75.3m**, Non departmental overspends of **£32.2m**. As detailed in section 2.11 above the net overspend also includes the funding received to date and anticipated from MHCLG of **£41.9m** as set out in section 4 of this report.

Table 1 – Forecast Outturn 2020/21

Department	Quarter 3 variance £'000	Quarter 2 variance £'000
Children's, Families and Education	23,219	24,266
Health Wellbeing and Adults	24,676	24,248
Place	18,063	9,206
Resources	4,900	3,278
Capitalisation of Redundancy Costs	-800	0
Exceptional Item: School Closure Deficits	5,216	0
Departmental Total	75,274	60,998
Non-departmental items – below the line	32,989	9,340
Total General Fund overspend	108,263	70,338
MHCLG Funding Tranche 1-4	-31,996	-35,172
Lost Sales Fees and Charges Income	-4,531	0
Further Lost Sales Fees and Grants (Estimated)	-4,355	-1,845
Tier 2 Support Grant (£3 per head)	-1,000	-1,000
Covid Grants	-41,882	-38,017
Savings Programme	-1,700	-2,200
Total overspend	64,681	30,121

- 3.2 The direction of travel on the Council’s Forecast has been getting worse since Period 6 the current monitor indicates the growing financial pressures faced by the Council. Table 7 provides a detailed comparator to between period 9 and period 8 of the change in variance and Appendix 2 provides summary of the movements since Period 6.
- 3.3 The forecast **£64.7m** projected General Fund variance (as shown above in table 1) includes the £5m budgeted contribution to general fund reserve that was approved as part of the budget when set in March 2020, it also includes a further £15 million contribution to the general reserve.. . Other in year savings that have been identified and were reported to Cabinet in September and December as part of the Croydon Renewal Plan are also included in the forecasts. Details of these are set out in section 6.
- 3.4 As indicated in Table 1 the Council’s services have faced considerable pressures in delivering the services in light of the Covid pandemic. Whilst the Council has received covid funding to support these pressures it is only right that this funding be allocated to each services within this financial year.
- 3.5 Throughout the financial year the Council has completed various returns to Central Government advising of the pressures the Council has experienced directly related to Covid. The Council has therefore used amounts indicated as pressures faced by the services as the base for allocating the MHCLG Tranche 1 – 4 Covid grants. Table 2 below identifies how the grant will be distributed to departments.

Table 2 – Covid Funding Tranches 1-4 Allocation

	£'000
Children’s, Families and Education	2,181
Health Wellbeing and Adults	24,683
Place	4,917
Resources	144
Non Departmental Items	72
Total	31,996

Additional Risks

- 3.6 The forecast General Fund position as set out above is forecasting a £64.7m overspend but does not take into account potential additional risks of £31.8m. Whilst further work is required to substantiate these they haven’t been factored as guaranteed risks and so are reported as an additional item. These risks are within services due to the current pandemic, potential impact from finalisation of the 2019/20 accounts and in relation to groups structures particularly around interest income from Brick by Brick
- 3.7 Should the potential risks identified in the above materialize, the forecast overspend of **£64.7m** would increase to **£96.5m**. The table below summarises these risks:

Table 3 – Additional Risks

Additional Risks	£'000
BxB Accrued interest	14,255
BxB In-Year Interest	11,500
Minimum Revenue Provision	200
Possible Transformation Funding	5,800
Total	31,755

4 MHCLG Covid-19 FUNDING

- 4.1 MHCLG have made a number of different funding streams available. A number of these grants are service specific which are not held corporately and accounted for within the services net forecast. Table 4 below gives details of the most recent return to the MHCLG and gives details of the non specific grants that are held, and table 5 gives details of the service specific additional support grants, with table 5 identifying grants received that are being distributed to businesses within the borough to support them.

Table 4 –MHCLG Covid19 return

	December 2020 (£,000's)	January 2021 (£,000's)	
Additional Expenditure	38,058	39,764	
Unachieved Savings	28,705	28,705	
Lost Income	10,232	10,872	(a)
Gross Total	76,995	79,341	
Grants Received	-23,512*	-32,998	(b)
Net After Grants	53,483	43,343	

(a) Excludes £27.7m Collection Fund losses on Council Tax / NNDR

(b) Further receipt of Covid-Related Grant funding is expected and included in Table 1

Table 5 - Service specific additional Covid support

Service Specific Covid Grants	£'000
Infection control fund for adult social care (tranche 1)	4,121,000
Infection control fund for adult social care (tranche 2)	3,954,000
Test and Trace	1,998,000
Welfare support grant	447,000
Next Steps Accommodation Programme	635,000
Test and trace support grants	338,000
LA compliance & Enforcement grant	218,000
Clinically Extremely Vulnerable Support Grant	195,000
Covid Winter Grant	1,199,000
Cold Weather Payment (housing)	50,000
Contain Outbreak Management Fund	3,094,000
COMF - December tier 2 funding	773,000
Total	17,022,000

Table 6 – Covid Relief Business Grants

Covid Relief Business Grants	£'000
Discretionary Business Grants Fund	3,029,400
Reopening High Streets Safely	341,995
Additional Restrictions Grant.	7,734,200
Local Restrictions Support Grant (Closed)	5,845,518
Total	16,951,113

- 4.2 Monthly returns are currently being collated by MHCLG to help give them a clear picture of the impact of Covid19 on local government. At the time of writing this report it is not clear what further funding will be made available to deal with the pressures that are being faced due to the pandemic.
- 4.3 In addition to the non-specific grants, MHCLG have also released funding for

compensation for loss of income from sales, fees and charges which means that all relevant losses, over and above the first 5% of planned income from sales, fees and charges, will be compensated for at a rate of 75p in every pound. At the time of writing this report 2 claims have already been submitted for £4.5m and it is estimated that a further £4.3m will be received and is included in the forecast.

- 4.4 The government has also announced an intention to allow authorities to spread 2020/21 collection fund deficits over three years. This is a year longer than the usual spreading over two years, with the estimate as at January 2021 being recovered the following year (2021/22) and the final outturn being recovered the year after (2022/23). Table 1 or Table 2 do not include the 2020/21 forecast loss on the Collection Fund of £27.7m but will be accounted for from 21/22.

5 EMERGENCY BUDGET 2020/21/CROYDON RENEWAL PLAN

- 5.1 As reported to cabinet in September 2020, the 2020/21 budget has come under significant pressure and was no longer balanced. Proposals were set out in the report recommending further in year savings and a series of immediate measures. Of the total savings options reported £27.4m of these are included in the forecast outturn and are shown in the table below.

Table 7 – Delivery of In-Year Savings Initiatives

Savings Options	£'000
Health Funding	- 12,100
Transformation funding	- 2,500
Use of Community Infrastructure Levy (CIL)	- 1,700
Contract savings	- 2,000
Staff savings	- 2,000
Capital programme review	- 1,700
Children's services	- 1,050
Parking fees	- 1,023
Public Health funding	- 1,000
Non essential expenditure	- 1,000
Adult Social Care	- 500
Bulky waste	- 359
Resources Department	- 267
Facilities Management	- 104
Library book fund	- 50
SEN transport - under 5's	- 50
Total	- 27,403

6 GENERAL FUND REVENUE SUMMARY POSITION 2020/21

- 6.1 As stated earlier, there is a forecast overspend of £64.7m, the bulk of which is related, directly or indirectly, to COVID-19 and could not have been reasonably foreseen at the time of setting the budget in March 2020

6.2 Table 8 gives details of the major variances only to highlight some of key pressures the Council has faced over the course of the year.

Table 8 – Variances over £500k

Department	Details of Variances over £500k	2020/21 Quarter 3 £'000	2020/21 Quarter 2 £'000
HEALTH, WELLBEING AND ADULTS			
ASC Directorate	Unachievable savings on workforce carried forward and care packages/placements for 2020/21	£3,400	£3,400
	Market sustainability payments	£2,200	£2,200
	Minor variances	£2	£0
	ASC SUB TOTAL	£5,602	£5,600
25-65 Disability	Overspend on Residential Care Placements - increase in client numbers and increase in placement costs.	£2,834	£3,370
	Over spend on Domiciliary Care associated with increased client numbers and increased supported living costs	£1,256	£1,700
	Overspend on Nursing Care - increase in client numbers and increase in placement costs.	£560	£908
	Overspend on Care costs and Direct Payments - increase in client numbers and average cost of care	£6,857	£6,506
	Minor variances	£214	-£925
	25-65 Disability SUB TOTAL	£11,721	£11,559
Over 65 Social Care	Underspend on Domiciliary Care net of savings from health partners	-£542	-£973
	Overspend on Direct Payments - increase in client numbers and average cost of care	£940	£1,030
	Increased costs of care packages/placements and ancillary costs to the council for accelerated hospital discharge and avoidance of hospital admissions during Covid 19 emergency period. Increased costs of Covid-19 are funded by NHS until 31st March 2021.	£4,981	£4,981
	Underspend in staff due to recruitment freeze and ending use of agency workers	-£627	-£615
	Minor variances	-£2	£136
	Over 65 Social Care Sub Total	£4,750	£4,559
Public Health	Minor variances	-£40	-£40
	Public Health Sub Total	-£40	-£40

Provider Services	Minor variances	-£629	-£506
	Provider Services Sub Total	-£629	-£506
Adult Mental Health Social Care	Minor variances	£42	£143
	Adult Mental Health Social Care Sub Total	£42	£143
Innovation and Integration	Minor Variances	-£389	-£317
	Innovation and Integration Sub Total	-£389	-£317
OBC Commissioning	Minor variances	£245	£406
	OBC Commissioning Sub total	£245	£406
Gateway Services	Lost income from Registrars services due to Covid 19 restrictions	£495	£572
	London Wide Covid 19 Excess deaths	£1,709	£1,709
	Minor variances	-£563	-£694
	Gateways Services Sub total	£1,641	£1,587
Housing Assessment and Solutions	Temporary Accommodation – increase in homelessness numbers and increases in cost of Private Licenced Accommodation	£559	£1,053
	Additional Homelessness Reduction Act grant	-£790	-£790
	Increase in numbers of households placed in Emergency Accommodation	£236	£639
	Increase in provision for bad debt relating to homelessness rents	£1,113	£957
	Minor variances	£615	£398
	Housing Assessment and Solutions Sub Total	£1,733	£2,257
HEALTH, WELLBEING AND ADULTS TOTAL		£24,676	£25,248

CHILDREN, FAMILIES & EDUCATION			
Early Help and Children's Social Care			
Children's Social Care Directorate	Staffing	£126	£115
	Legal Costs for care proceedings	£350	£0
	Removal of Dedicated Schools Grant (in previous year)	£246	£246
	Minor variances	-£989	-£485
	Children's Social Care Directorate Sub Total	-£267	-£124
Social Work with Families	Staff savings from realigned budgets	-£351	-£586
Social Work with Children Looked After	Increase in the cost of external placements	£12,884	£11,778
	Staffing projected cost reduction following review of establishment	£1,118	£2,143
	Unachievable 2019/20 savings on workforce and packages/placements	£0	£835

0-25 CWD and Transition Service	Increase in the cost of external placements	£9,963	£10,112
	Staffing	£278	£130
Advice, Support and Intervention	Staffing	£441	£616
	Other Minor Variances	£162	£0
Systemic and Clinical Practice	Staff savings	-£476	-£591
Children's Social Care	Minor variances	£1,059	£1,163
	Children's Social Care Sub Total	£25,078	£25,600
Exceptional Item - Closed School	Deficit balance from school closure	£5,216	£0
Education	Minor variances	-£1,242	-£776
	Education Division Sub Total	£3,974	-£776
Performance and Quality Assurance	Minor variances	-£350	-£434
	Performance Sub Total	-£350	-£434
CHILDREN, FAMILIES AND EDUCATION TOTAL		£28,435	£24,266
CHILDREN, FAMILIES AND EDUCATION (EXCL EXCEPTIONAL ITEM)		£23,219	£24,266

PLACE			
Public Realm – Waste	Cost of contract variations on Waste Collection and savings in HRRC Contract & in Street Cleansing Contract additional TUPE costs.	£2,024	£1,750
Public Realm – Parking	Parking Income Shortfall There was no Parking Enforcement between the end of March and June 2020 due to Covid 19 measures that were introduced. At present transaction levels are returned to similar levels as last year and additional income is anticipated through enforcement of newly identified areas of non compliance of parking regulations.	£2,905	£2,359
	PCN Income - £3,036m Lockdown and school closures impacted on PCNs generated/Bailiff action recommenced in January/Ot given approval in Jan'21, £1.350m pressure due to ban on overtime from July to Dec 2020.	£4,386	£590
	Savings in payroll costs due to reduced overtime and delays in recruitment offset by overspend on third party payments and other running costs	-£562	£0
Public Realm - Public Protection & Licensing	Selective Licensing Income, due to Secretary of State not approving the new Selective Licensing 5 year Landlord Scheme in Jan 2021. This	£2,758	£0

	impacts on the go live date for Landlords, which will on start in next financial year.		
Public Realm - Highways	Employee Savings due to reduced TFL grant income & Savings due to recruitment freeze	-£73	£0
Public Realm – SEN	Savings in SEN transport costs due to considerable reduction in transport activities due to Covid 19 with school closures and self isolation affecting the demand	-£1,934	-£1,742
PUBLIC REALM	Minor Variance	£181	£103
	Public Realm Sub Total	£9,685	£3,060
Development Control (Planning)	Minor Variance	-£5	£181
	Development Control (Planning) Sub total	-£5	£181
Homes And Social Investment - Assets	Unachieved 2020/21 rental income as a result of Covid 19	£1,725	£1,725
	Write-off of prior year debt for Croydon Park Hotel as a result of Covid 19	£1,000	£1,000
	Unachievable budget savings for investment income	£4,000	£4,000
	Reduction in FM recharges to Capital	£1,326	£0
	Minor Variance	£775	£17
	Homes And Social Investment - Assets sub total	£8,826	£6,742
Violence Reduction Network	Minor Variance	-£22	-£17
	Violence Reduction Network Sub Total	-£22	-£17
Croydon Culture Growth	Minor Variance	-£179	-£525
	Croydon Culture Growth Sub total	-£179	-£525
Growth Employment and Regeneration	Minor Variance	-£242	-£235
	Growth Employment and Regeneration Sub total	-£242	-£235
PLACE TOTAL		£18,063	£9,206

RESOURCES			
Commissioning And Procurement	Agency rebate pressure	£1,460	£1,460
	Underspends on staffing	-£658	-£658
	Minor Variance	-£468	-£30
	Commissioning And Procurement Sub total	£334	£772
Human Resources	Minor Variance	-£331	-£295
	Human Resources Sub Total	-£331	-£295
Resources Directorate	Minor Variance	£464	£328
	Resources Directorate Sub Total	£464	£328

Finance Investment And Risk	Release of Housing Benefit Bad Debt Provisions	£0	£602
	Land charges Income Shortfall	£0	£927
	Revenues Courts Costs Income shortfall due to closure of courts during Covid19 pandemic	£903	£0
	Bailiff fees income shortfall, reduced activity due to Covid19	£701	£0
	Minor Variance	£492	£524
	Finance Investment And Risk Sub Total	£2,096	£2,053
Digital And IT	Reduction in recharges to capital	£3,069	£0
	Minor Variance	-£257	-£68
	Digital And IT Sub Total	£2,812	-£68
Law and Governance	Minor Variance	-£301	£592
	Law and Governance Sub total	-£301	£592
Strategy and Partnerships	Minor Variance	-£174	-£104
	Strategy and Partnerships Sub Total	-£174	-£104
RESOURCES TOTAL		£4,900	£3,278

Dept sub total		£76,074	£61,998
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CORPORATE ITEMS			
	Corporate Contingency	£3,437	£2,003
	Minimum Revenue Provision	£1,531	£0
	Unachievable Capital Recharges and staff savings	£2,225	£2,225
	Unachievable Savings for Recharges to HRA	£2,000	£0
	Unachievable Savings for Recharges to Capital	£500	£0
	Further Contribution to Reserves (Subject to Capitalisation Direction)	£15,000	£0
	Loss of Income S31 grants	£4,754	£4,754
	capitalise red'y costs	-£800	£0
	Pension Deficit Cost – Transfer of Assets	£3,500	£0
	Other Minor Variances	£42	£358
CORPORATE ITEMS TOTAL		£32,189	£9,340

SUB TOTAL BEFORE EXCEPTIONAL ITEMS		£108,263	£71,338
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Covld Grants		-£41,882	-£38,017
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SAVINGS HELD CENTRALLY		-£1,700	-£2,200
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TOTAL OVERSPEND		£64,681	£31,121
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RISKS		£31,800	£36,800
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TOTAL		£96,481	£67,921
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7. VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

7.1 There are no virements requiring approval.

8 HRA (HOUSING REVENUE ACCOUNT)

8.1 The current forecast for the HRA is for an estimated overspend of **£0.5m**. The key variances being reported in at Quarter 3 are summarised Table 9 below:

Table 9 – 2020/21 Main variances within the HRA Table

Department	Major Variances	Quarter 3 £'000	Quarter 2 £'000
HRA – DISTRICT CENTRES AND REGENERATION	Vacancies held across division and an underspend on responsive repairs due to covid restrictions (£300k)	(640)	(438)
HRA – HOUSING NEED	Pressure on income due to non-recoverable income write off (£487k) and budget based on in year acquisitions (£275k). Expenditure pressures related to safety measures at Concorde, Sycamore and Windsor blocks (£268k) and utility costs (£387k). One-off income for major works offsetting some of the pressure.	1,170	225
TOTAL HRA PROJECTED VARIANCE		530	(213)

8.2 There continues to be an increase in demand for housing, which places pressure on HRA waiting lists and the budgets for Emergency and Temporary Accommodation. Subject to levels of demand, more HRA stock will reduce the need for temporary housing and therefore enable savings to be made through reducing the need for more expensive private emergency and temporary accommodation solutions.

8.3 Impacting on the HRA, the long term financial implications of obtaining properties can be managed by minimising borrowing costs where possible, using funding from the GLA alongside Right To Buy receipts and more favourable borrowing rates offered for housing by central government or other private sector sources. These long-term costs will be offset by the rental income on properties and, by purchasing new build properties, future maintenance costs should also be more favourable.

9. FORECAST CAPITAL OUTTURN POSITION

9.1 The high level Capital programme for 2020/21 is shown in Table 10 below, full details of all projects are shown in Appendix 1. A forecast under spend of £112.6m is projected for 2020/21.

Table 10 – 2020/21 Capital Programme

Original 2020/21 Budget £'000s	Department	Slippage from 2019/20 £'000s	Budget Adjustments 2020/21 £'000s	Revised Budget 2020/21 £'000s	Actuals April - Dec 2020 £'000s	Forecast Outturn 2020/21 £'000s	Forecast Variance 2020/21 £'000s
3,000	HEALTH, WELLBEING AND ADULTS	4,135	46	7,181	1,311	7,181	0
25,283	CHILDREN, FAMILIES AND EDUCATION	15,703	-12,897	28,089	12,201	28,162	73
159,449	PLACE	13,762	-52,132	121,079	7,170	43,291	-77,788
113,814	RESOURCES	7,975	-101,653	20,136	4,400	10,970	-9,166
301,546	GENERAL FUND TOTAL	41,575	-166,636	176,485	25,082	89,604	-86,881
35,701	HOUSING REVENUE ACCOUNT	8,472	83,239	127,412	10,336	101,742	-25,670
337,247	CAPITAL PROGRAMME TOTAL	50,047	-83,397	303,897	35,418	191,346	-112,551

9.2 The main reported variances on projects within the Council's capital programme are as follows:

- **Fire Safety Programme** (£5m) slippage - Fire safety works are progressing, there has been some slippage as a result of contractor delays, and the impact of Covid19.
- **Major repairs and improvements programme** (£3m) – slippage due to the restrictions during Covid19.
- **BxB programme** £76m – slippage due to review of funding and loans agreements
- **Growth Zone** – borrowing capacity review and current S114 has paused the schemes. at a suitable juncture, design stage 4, where they have been signed off and can then be re-started off the shelf as required.
- **ICT refresh** £2.8m – review of these charges has identified that these are not of a capital nature and cannot be charged to capital – these have been removed from capital and forecast as a pressure on revenue budget.
- **People ICT** (£4m) slippage - the project has been halted due to the restrictions put in place as part of the S11 notice.
- **HRA BxB (£13m)** - slippage due to review of funding and loans agreements

9.3 The capital programme continues to be funded from a number of different funding streams and makes use of capital receipts to support the delivery of the financial strategy. Table 11 below details the funding for the original 2020/21 budget, the revised programme and the forecast outturn.

Table 11 – Sources of capital funding

Funding	Original 2020/21 budget	Revised budget 2020/21	Forecast 2020/21 Outturn
	£000s	£000s	£000s
Capital receipts	0	0	0
ESFA	9,000	9,750	9,750
School Condition Funding	2,000	8,902	8,902
Basic Needs (Education)	0	3,540	3,540
Special Provision Capital Funding	0	1,626	1,626
Disabled Facilities Grants	2,400	2,400	2,400
GLA Urban Tree Challenge Fund	0	0	298
TFL LIP and other funding	2,462	0	1,897
NHS	5,000	0	0
CIL	6,800	6,800	8,800
CIL local meaningful proportion	576	1,848	725
ECVP external funder	600	600	600
Borrowing	42,198	53,236	36,935
Borrowing - (RIF) - BXB and Affordable Homes	115,510	76,002	5,707
Borrowing - Asset Acquisition Fund	100,000	0	0
Borrowing - Growth Zone	15,000	6,673	3,000
Section 106 receipts	0	4,973	5,289
Football foundation	0	135	135
GENERAL FUND	301,546	176,485	89,604
Major Repairs Allowance	12,506	12,506	12,506
HRA - Revenue Contribution	11,150	11,150	11,150
HRA - Use Of Reserves	3,295	3,295	0
HRA - Use of 141 receipts	0	21,823	14,837
GLA Funding of BxB Properties	3,500	10,000	10,000
Borrowing BxB Properties	5,250	68,638	53,249
HRA FUNDING	35,701	127,412	101,742
TOTAL FUNDING	337,247	303,897	191,346

10. FINANCIAL MANAGEMENT

10.1 Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are show in Table 12 below:

Table 12 - Council Tax and Business Rates collection

	Target collection – year to date %	Actual collection – year to date %	Variance to target – year to date %	Monetary Value of Target Variance £	Variance to last year at Q3 %
Council Tax	81.17%	78.53%	(2.64)	6.134m	(2.56)
Business Rates	82.98%	75.70%	(7.28)	5.190m	(6.33)

Council Tax

- 10.2 At the end of Q3 Council Tax collection was under target by 2.63%. The position has stabilised with no further increase compared to Q2. Recovery has been adversely affected by Covid19 and restrictions placed on recovery activity. We are carrying out recovery activity but in a way that prevents hardship to those adversely impacted by Covid19. Courts remain closed for recovery action and we are unable to summons for any arrears, this is a key recovery method. Without this option our ability to recover outstanding debts continues to be impacted.
- 10.3 As part of the Council’s support package for residents who were affected by Covid19, we allowed residents to defer payment of their Council Tax instalments for 2 months. 3,583 residents took up the offer to defer their Council Tax instalments.

Business Rates

- 10.4 At the end of quarter 3 Business Rates collection is 7.28% down. This is due to business rates being heavily impacted due to Covid 19. A large proportion of Businesses have not been trading during various lockdowns but tier restrictions also impacts on income they receive. As recovery action has also been paused, we have been unable to take further action against those who have not yet paid the business rates.
- 10.5 As at the end of Q3 we paid 3944 business grants with a total value of grants paid to the business community is £52,740,000. Further grant payments have been made in Q4 and details will be provided in Q4 reporting.

11. SUMMARY AND CONCLUSIONS

- 11.1 As all Members are aware, managing the 2020/21 budget was going to be difficult with all of the growing demands on services, reduced financial reserves and the ambitious savings programme. The impact of the Covid19 pandemic has now made this extremely challenging. A section 114 notice was issued in November with a further notice in December which we are still working under.
- 11.2 The three year Medium Term Financial Strategy (MTFS) and the setting of a budget for 2021/22 that is robust, balanced and deliverable has been challenging, and has involved

a number of difficult decisions, and discussions with the MHCLG. Details of the work on the MTFs is contained in a separate report on this agenda.

12. FINANCIAL CONSIDERATIONS

- 12.1 This report deals with the assumptions in planning and managing a balanced budget over the medium term as well as informing the cabinet of the 2020/21 outturn position and the challenges faced especially in light of the Covid19 pandemic, S114 notice that is still in place.

Approved by: Approved by Chris Buss Interim Director of Finance, Investment and Risk (Section 151 Officer)

13. LEGAL CONSIDERATIONS

- 13.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that this report details updated information required for the Council's statutory duty to set a balanced budget.

Approved by, Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

14 HUMAN RESOURCES IMPACT

- 14.1 Any proposals on budget that may have any impact on the workforce would be consulted on in line with agreed formal consultation arrangements with the recognised trade unions and managed through the relevant HR policies and procedures.

Approved by: Sue Moorman, Director of HR

15. PRE-DECISION SCRUTINY

- 15.1 The budget has been an agenda item on two recent Scrutiny and Overview Committees. In July the Committee scrutinised the July Financial review and Responding to the Local Government Financial Challenge Cabinet papers and called them back in for further scrutiny in August.

16 EQUALITIES IMPACT

- 16.1 There are no specific issues arising from this report. Equality analysis will need to be undertaken to ascertain the potential impact on staff, service users, vulnerable groups and wider communities groups that share protected characteristics and take actions to mitigate any negative impact as each project is developed and implemented

16.2 This current forecast is based on the known position at the time of writing this report. It is indicative at this time and may alter given the significant uncertainty about the pandemic e.g. the risk of a second spike and the ongoing impact on Council services over the medium term. It is expected the economic recovery and continuing associated impact on residents will require significant Council response going forwards, even after the virus has been contained.

16.3 The Council will ensure that as part of the process of delivering current and future savings, it will protect the most vulnerable in our communities and ensure when making difficult decisions about funding it maintains an absolute commitment to promoting equality for everyone who lives and works in the Borough

Approved by: Yvonne Okiyo, Equalities Manager

17. ENVIRONMENTAL IMPACT

17.1 There are no specific issues arising from this report.

18. CRIME AND DISORDER REDUCTION IMPACT

18.1 There are no specific issues arising from this report.

19. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

19.1 These are detailed within the report.

20. OPTIONS CONSIDERED AND REJECTED

20.1 The options considered are detailed in the report. The only option rejected was the one of do nothing as this is not viable.

CONTACT OFFICER:

Chris Buss Interim Director of Finance, Investment and Risk (S151 Officer)

APPENDICES:

Appendix 1 – Capital Programme 2020/21
Appendix 2 – Outturn Position since Quarter 2 2020/21

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Capital Programme 2020/21

Category	Original budget 2020/21	Slippage 2019/20 2019/20	Budget adjustments 2020/21	Revised budget 2020/21	Actuals 2020/21	Forecast 2020/21 at Q3	Variance 2020/21 at Q3
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Adults ICT	0	284	0	284	0	284	0
Adult Social Care Provision	100	0	46	146	79	146	0
Bereavement Services	0	900	0	900	194	900	0
Disabled Facilities Grant	2,400	2,013	0	4413	1038	4,413	0
Provider Services - Extra Care	500	0	0	500	0	500	0
Sheltered Housing		938	0	938	0	938	0
Health, Wellbeing and Adults including Gateway and Housing Sub Total	3,000	4,135	46	7,181	1,311	7,181	0
Education – Fire Safety Works	1,000	954	-954	1000	15	1,000	0
Education - Fixed Term Expansions	59	140	2,278	2477	258	2,477	0
Education - Major Maintenance	2,882	1,929	3,091	7902	2694	7,902	0
Education - Miscellaneous	1,444	5,650	-6444	650	54	650	0
Education - Permanent Expansion	1,091	817	-1495	413	213	413	0
Education - Secondary Estate	0	0	0	0	47	0	0
Education - SEN	18,807	6,213	-9373	15647	8847	15,647	0
Early Help Centre	0	0	0	0	73	73	73
Children, Families and Education Sub Total	25,283	15,703	-12,897	28,089	12,201	28,162	73
Affordable Housing Programmes	40,000	0	-40,000	0	0		0
Allotments	0	332	0	332	20	332	0
Brick by Brick programme	75,510	0	492	76,002	0	5,707	-70,295
Community Ward Budgets	576	1,272	0	1,848	0	725	-1,123
CALAT Transformation	0	619	0	619	223	318	-301
Devolution initiatives	912	0	-912	0	0	0	0
Electric Vehicle Charging Points	2,400	0	-1,200	1,200	0	1,200	0
Empty Homes Grants	500	0	0	500	53	500	0
Feasibility Fund	330	20	0	350	114	350	0
Fieldway Cluster (Timebridge Community Centre)	0	5,204	0	5,204	72	5,204	0
Fiveways junction	0	0	0	0	0	0	0
Growth Zone	15,000	0	-8,327	6,673	1,038	3,000	-3,673
Grounds Maintenance Insourced Equipment	1,500	0	-1,500	0	0	0	0

Appendix 1

Highways - maintenance programme	6,000	0	0	6,000	2,851	5,500	-500
Highways - maintenance programme (staff recharges)	567	0	0	567	0	567	0
Highways – flood water management	565	151	0	716	40	668	-48
Highways – bridges and highways structures	575	423	0	998	0	998	0
Highways - Tree works	299	0	-117	182	103	298	116
Measures to mitigate travellers in parks and open spaces	0	0	0	0	0	0	0
Leisure centres equipment upgrade	0	0	488	488	0	630	142
Libraries Investment - General	650	1,405	0	2,055	1,621	1,405	-650
Libraries investment – South Norwood library	0	522	0	522	10	850	328
Neighbourhood Support Safety Measures	50	0	0	50	0	50	0
New Addington wellbeing centre	3,000	0	-1,525	1,475	477	510	-965
Parking	2,825	113	0	2,938	4	2,938	0
Park Life	0	412	0	412	31	31	-381
Play Equipment	0	730	0	730	23	225	-505
Safety - digital upgrade of CCTV	250	654	0	904	0	559	-345
Section 106 Schemes	0	0	4,973	4,973	170	4,973	0
SEN Transport	1,460	0	0	1,460	0	1,400	-60
Signage	0	25	0	25	0	0	-25
Sustainability Programme	2,500	0	-1,875	625	0	0	-625
TFL - LIP	2,462	0	-2,462	0	461	1,897	1,897
Unsuitable Housing Fund	0	30	0	30	16	30	0
Walking and cycling strategy	750	125	0	875	-157	100	-775
Waste and Recycling Investment	0	1,558	0	1,558	0	1,558	0
Waste and Recycling – Don't Mess with Croydon	768	0	0	768	0	768	0
Place sub total	159,449	13,595	-51,965	121,079	7,170	43,291	-77,788
Asset Strategy - Stubbs Mead	0	200	0	200	34	200	0
Asset Strategy Programme	0	460	310	770	55	460	-310
Asset Acquisition Fund	100,000	0	-100,000	0	8	0	0
Corporate Property Programme	2,000	0	682	2682	301	3,189	507
Crossfield (relocation of CES)	0	0	0	0	110	0	0
Emergency Generator (Data Centre)	0	0	0	0	-	0	0
Finance and HR system	0	0	955	955	531	955	0

Appendix 1

ICT Refresh & Transformation	6,200	187	0	6387	1,035	3,555	-2,832
People ICT	2,014	7,128	0	9142	2,315	2,600	-6,542
Uniform ICT Upgrade	3,600	0	-3,600	0	11	11	11
Resources Sub Total	113,814	7,975	-101,653	20,136	4,400	10,970	-9,166
GENERAL FUND TOTAL	301,546	41,408	-166,469	176,485	25,082	89,604	-86,881
Asset management ICT database	0	290	0	290	290	290	0
Fire safety programme	0	6314	0	6,314	2,285	1,000	-5,314
Larger Homes	0	1350	0	1,350	11	1,350	0
Major Repairs and Improvements Programme	26,771	0	0	26,771	7,579	25,255	-1,516
Affordable Housing Programme	0	0	38,404	38,404	124	33,000	-5,404
BBB Properties part funded by GLA and HRA RTB	8,750	0	44,835	53,585	-	40,149	-13,436
Special Transfer Payments	180	518	0	698	47	698	0
HOUSING REVENUE ACCOUNT TOTAL	35,701	8,472	83,239	127,412	10,336	101,742	-25,670
LBC CAPITAL PROGRAMME TOTAL	337,247	49,880	-83,230	303,897	35,418	191,346	-112,551

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Outturn Position since Quarter 2 2020/21

	2020/21	2020/21	2020/21		2020/21	2020/21	2020/21
Department	Quarter 2	month 7	month 8		month 9	movement m8 - 9	movement m6 - 9
	£'000	£'000	£'000		£'000	£'000	£'000
Children's, Families and Education	24,266	26,724	25,644		28,435	2,791	4,169
Health Wellbeing and Adults	24,248	23,923	23,733		24,676	943	428
Place	9,206	9,981	14,489		18,063	3,574	8,857
Resources	3,278	2,725	1,802		4,900	3,098	1,622
Capitalise Redundancy	0	0	0		-800	-800	-800
Departmental Total	60,998	63,353	65,668		75,274	9,606	14,276
Non-departmental items – below the line	9,340	9,764	11,560		32,989	21,429	23,649
Total General Fund overspend	70,338	73,117	77,228		108,263	31,035	37,925
MHCLG Funding Tranche 1-4	-35,172	-35,172	-31,996		-31,996	0	3,176
Lost Sales Fees and Charges Income	0	0	-4,531		-4,531	0	-4,531
Further Lost Sales Fees and Grants (Estimated)	-1,845	-1,845	-4,355		-4,355	0	-2,510
Tier 2 Support Grant (£3 per head)	-1,000	-1,000	-1,000		-1,000	0	0
Covid Grants	-38,017	-38,017	-41,882		-41,882	0	-3,865
	32,321	35,100	35,346		66,381	31,035	34,060
Savings Programme	-2,200	-2,700	-2,200		-1,700	500	500
Total overspend	30,121	32,400	33,146		64,681	31,535	34,560

<u>Risks</u>							
BXB Interest	31,000	31,000	31,000		25,755	-5,245	-5,245
HRA	5,800	5,800	5,800		5,800	0	0
Capitalisation		2,000	2,000			-2,000	0
Other interest		500	500			-500	0
MRP Charges 2019/20			200		200	0	200
	36,800	39,300	39,500		31,755	-7,745	-5,045
TOTAL							
	66,921	71,700	72,646		96,436	23,790	29,515

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REPORT TO:	CABINET 1st MARCH 2021
SUBJECT:	INVESTING IN OUR BOROUGH
LEAD OFFICER:	RACHEL SONI, INTERIM DIRECTOR OF COMMISSIONING & PROCUREMENT JACQUELINE HARRIS BAKER, EXECUTIVE DIRECTOR RESOURCES
CABINET MEMBER:	COUNCILLOR CALLTON YOUNG CABINET MEMBER FOR RESOURCES AND FINANCIAL GOVERNANCE
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT	
<p>Effective outcome based commissioning and prudent financial transactions contribute to all corporate priorities.</p> <p>The Council’s Commissioning Framework (2019 – 2023) sets out the approach to commissioning and procurement and puts delivery of outcomes at the heart of the decision making process. As the Council develops more diverse service delivery models, it is important to ensure that our contractual and partnership relationships are not only aligned to our corporate priorities but also represent value for money for citizens and taxpayers.</p>	
FINANCIAL SUMMARY: There are no direct costs arising from this report.	
KEY DECISION REFERENCE NO.:	
There are key decisions mentioned in this report, but approval of the Recommendations would not constitute a key decision.	

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

1 RECOMMENDATIONS

1.1. The Cabinet is requested to approve:

1.1.1. The Corporate Cleaning and Security procurement strategy which will result in contract awards for a maximum term of 6 years as set out at agenda item 6a, and section 5.1.1.

1.2. The Cabinet is requested to note:

1.2.1. The delegated award decisions for contracts over £5,000,000 in value made by the nominated Cabinet Member in consultation with the Cabinet Member for Resources & Financial Governance or, where the nominated Cabinet Member is the Cabinet Member for Resources & Financial

Governance in consultation with the Leader since the last meeting of Cabinet, as set out in section 5.2.1.

1.2.2. The contracts between £500,000 and £5,000,000 anticipated to be awarded under delegated authority from the Leader by the nominated Cabinet Member, in consultation with the Cabinet Member for Resources and Financial Governance and with the Leader in certain circumstances, before the next meeting of Cabinet, as set out in section 5.2.2.

1.2.3. The list of delegated award decisions made by the Director of Commissioning and Procurement, between 18/12/2020 – 25/01/2021, as set out in section 5.2.3.

2 EXECUTIVE SUMMARY

2.1 This is a standard report which is presented to the Cabinet, for information, at every scheduled Cabinet meeting to update Members on:

- Contract awards and strategies to be agreed by the Cabinet at this meeting which are the subject of a separate agenda item;
- Decisions taken by the Director of Commissioning & Procurement under delegated powers, and decisions to be taken by Cabinet Members or Cabinet as listed in this report have been confirmed to have met the Essential Criteria as set out in Section 114 Notice;
- Delegated contract award decisions under delegated authority from the Leader by the Cabinet Member for Children, Young People and Learning in consultation with the Cabinet Member for Resources and Financial Governance related to the Health and Social Care Services - DPS 3 Lot 3 – Young People Semi Independent Accommodation;
- Contracts between £500,000 and £5,000,000 anticipated to be awarded under delegated authority from the Leader by the nominated Cabinet Member, in consultation with the Cabinet Member for Resources and Financial Governance and with the Leader in certain circumstances, before the next meeting of Cabinet;
- Delegated contract award decisions made by the Director of Commissioning and Procurement 18/12/2020 – 25/01/2021;
- Property lettings, acquisitions and disposals agreed by the Cabinet Member for Resources and Financial Governance in consultation with the Leader since the last meeting of Cabinet;
[As at the date of this report there are none]
- Delegated contract award decisions under delegated authority from the Leader by the Cabinet Member for Families, Health & Social

Care in consultation with the Cabinet Member for Resources and Financial Governance related to the Adult and Young People Social Care Dynamic Purchasing Systems (DPS);
[As at the date of this report there are none]

- Partnership arrangements to be agreed by the Cabinet at this meeting which are the subject of a separate agenda item.
[As at the date of this report there are none]

3 DETAIL

- 3.1 Section 5.1.1 of this report lists those contract and procurement strategies that are anticipated to be awarded or approved by the Cabinet.
- 3.2 Section 5.2.1 of this report lists delegated award decisions for contracts over £5,000,000 in value made by the nominated Cabinet Member in consultation with the Cabinet Member for Resources & Financial Governance or, where the nominated Cabinet Member is the Cabinet Member for Resources & Financial Governance in consultation with the Leader since the last meeting of Cabinet.
- 3.3 Section 5.2.2 of this report lists those contracts that are anticipated to be awarded by the nominated Cabinet Member.
- 3.4 Section 5.2.3 of this report lists the delegated award decisions made by the Director of Commissioning and Procurement, between 18/12/2020 – 25/01/2021.
- 3.5 The Council's Procurement Strategy and Tender & Contracts Regulations are accessible under the Freedom of Information Act 2000 as part of the Council's Publication Scheme. Information requested under that Act about a specific procurement exercise or contract held internally or supplied by external organisations, will be accessible subject to legal advice as to its commercial confidentiality, or other applicable exemption, and whether or not it is in the public interest to do so.

4 PRE-DECISION SCRUTINY

- 4.1 This report does not require pre-decision as all the reports listed below are compliant with the Council's Tender & Contracts Regulations.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Proposed Strategy approvals

5.1.1 Procurement strategy for the purchase of goods, services and works with a possible contract value over £5 million decisions to be taken by Cabinet which are agenda item 6a.

Strategy	Contract Revenue Budget	Contract Capital Budget	Dept/Cabinet Member
Corporate Cleaning and Security Contracts Strategy	£19,084,622 (Contract length 6 years)		Homes and Gateway Services / Cllr Avis

5.2 Contract Awards

5.2.1 Delegated award decisions for contracts over £5,000,000 in value made by or anticipated to be made by the nominated Cabinet Member in consultation with the Cabinet Member for Resources & Financial Governance or, where the nominated Cabinet Member is the Cabinet Member for Resources & Financial Governance in consultation with the Leader since the last meeting of Cabinet.

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept/Cabinet Member
Health and Social Care Services - DPS 3 Lot 3 – Young People Semi Independent Accommodation	£80,540,000 (Contract length 10 years)		Children, Young People and Learning / Cllr Flemming

5.2.2 Revenue and Capital consequences of contract award decisions to be made between £500,000 and £5,000,000 by the nominated Cabinet Member in consultation with the Cabinet Member for Resources & Financial Governance or, where the nominated Cabinet Member is the Cabinet Member for Resources & Financial Governance, in consultation with the Leader.

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept/Cabinet Member
Elliott Ltd - St Giles SEN Primary Award	£669,807 (Contract length 3 years)		Children, Young People and Learning / Cllr Flemming
Asbestos Surveying Services Award	£775,000 (Contract length 5 Years)		Resources & Financial Governance / Cllr Young
Pension Administration System Contract Award	£1,530,000 (Contract length 5 years)		Resources & Financial Governance / Cllr Young
Low Code software development platform Contract Award	£877,350 (Contract length 5 years)		Resources & Financial Governance / Cllr Young
Liquid Logic Systems Implementation Partner Contract Variation		£1,546,910 (An increase of £85,000) (Contract length 12 months)	Families, Health and Social Care / Cllr Campbell
Housing IT System Extension (OHMS) Contract Variation	£755,988 (An increase of £123,153) (Contract length 12 months)		Resources & Financial Governance / Cllr Young

5.2.3 Revenue and Capital consequences of delegated decisions made by the Director of Commissioning and Procurement for contract awards (Regs. 19, 28.4 a & b) between £100,000 and £500,000 and contract extension(s) previously approved as part of the original contract award recommendation (Reg. 28.4 d) and contract variations (Reg.30).

Contract Title	Contract Revenue Budget	Contract Capital Budget	Department
Electric Charging Vehicle Points – GULCs 2 Award		£126,000 (Contract length 5 years) (Decision taken on 13 th Jan 2021)	Place

CONTRACT VARIATIONS & EXTENSIONS					
Contract Title	Value of Contract to Date	Value of Extension Term	Total Revenue value including extension term	Contract Capital Budget	Dept.
FM Building Maintenance contract extension	£12,500,000	£2,500,000 (12 months extension)	£3,072,000 (Decision taken on 2 nd Feb 2021)	£11,902,000	Place
FM Mechanical and Electrical contract extension	£25,000,000	£5,000,000 (12 months extension)	£6,395,000 (Decision taken on 2 nd Feb 2021)	£7,389,000	Place
Schools administration IT System Contract Variation	£105,000	£65,000 (12 months extension)	£170,000 (Decision taken on 2 nd Feb 2021)		Children Families and Education
Call centre for Careline (Telecare) Variation	£289,653	£82,000 (12 months extension)	£371,653 (Decision taken on 21 st Jan 2021)		Health Wellbeing and Adults
Housing Responsive Repairs Extension	£126,000,000	£43,692,000 (48 months extension)	£169,692,000 (Decision taken on 2 nd Feb 2021)		Place

Approved by: Matthew Davis, Head of Finance – MTFs, on behalf of Lisa Taylor, Director of Finance, Investment and Risk and Section 151 Officer.

6 LEGAL CONSIDERATIONS

- 6.1 The Head of Commercial and Property Law comments on behalf of the Interim Director of Law & Governance that the information contained within this report is required to be reported to Members in accordance with the Council's Tenders and Contracts Regulations and the council's Financial Regulations in relation to the acquisition or disposal of assets.

Approved by: Sean Murphy, Head of Commercial and Property Law on behalf of the Interim Director of Law and Governance

7 HUMAN RESOURCES IMPACT

- 7.1 There are no immediate HR issues that arise from the strategic recommendations in this report for LBC staff. Any specific contracts that arise as a result of this report should have their HR implications independently assessed by a senior HR professional.

Approved by: Sue Moorman, Director of Human Resources

8 EQUALITY IMPACT

- 8.1 An Equality Analysis process has been used to assess the actual or likely impact of the decisions related to contracts mentioned in this report and mitigating actions have been defined where appropriate.
- 8.2 The equality analysis for the contracts mentioned in this report will enable the Council to ensure that it meets the statutory obligation in the exercise of its functions to address the Public Sector Equality Duty (PSED). This requires public bodies to ensure due regard to the need to advance equality of opportunity; foster good relations between people who share a “protected characteristic” and those who do not and take action to eliminate the potential of discrimination in the provision of services.
- 8.3 Any issues identified through the equality analysis will be given full consideration and agreed mitigating actions will be delivered through the standard contract delivery and reporting mechanisms.

Approved by: Yvonne Okiyo, Equalities Manager

9 ENVIRONMENTAL IMPACT

- 9.1 Any issues emerging in reports to the relevant Cabinet Member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

10 CRIME AND DISORDER REDUCTION IMPACT

- 10.1 Any issues emerging in reports to the relevant Cabinet Member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

11 DATA PROTECTION IMPLICATIONS

11.1 Will the subject of the report involve the processing of 'personal data'?

NO

11.2 Has a Data Protection Impact Assessment (DPIA) been completed?

NO

Data Protection Impact Assessments have been used to assess the actual or likely impact of the decisions related to contracts mentioned in this report and mitigating actions have been defined where appropriate.

Approved by: Rachel Soni, Interim Director of Commissioning & Procurement

CONTACT OFFICER:

Name:	Bianca Byrne
Post title:	Head of Commissioning and Procurement (Corporate)
Telephone no:	63138

BACKGROUND DOCUMENTS:

The following public background reports are not printed with this agenda, but are available as background documents on the Croydon Council website agenda which can be found via this link [Cabinet agendas](#)

- *Health and Social Care Services - DPS 3 Lot 3 – Young People Semi Independent Accommodation;*
- *Pensions Admin Software Award;*
- *Award Report Elliott Ltd - St Giles SEN Primary Award;*
- *Asbestos Surveying Services Award;*
- *Low Code software development platform Contract Award;*
- *Liquid Logic Systems Implementation Partner Contract Variation;*
- *Housing IT System Extension (OHMS) Contract Variation.*

REPORT TO:	CABINET 1 March 2021
SUBJECT:	Corporate Cleaning and Security Contracts
LEAD OFFICER:	Shelley Williams Interim Principal Facilities Manager, Homes and Social Investment Ozay Ali Director of Homes and Social Investment Yvonne Murray Director of Housing Assessment and Solutions
CABINET MEMBER:	Councillor Jane Avis, Cabinet Member for Homes and Gateway Services Councillor Callton Young, Cabinet Member for Resources and Financial Governance Councillor Stuart King, Cabinet Member for Croydon Renewal
WARDS:	All

CORPORATE PRIORITIES

Our priorities – 2021-2024 for Croydon will support the delivery of the new administration priorities as set out below:

We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe. To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.

FINANCIAL IMPACT

The maximum budget proposed for the contract for the provision of cleaning services from 3rd July 2021 to 2nd July 2025 with option to extend for further two years (4+1+1) up to maximum six years, is £12,040,817.25. This will be budgeted from the Council's General Fund and HRA, the split being General Fund £10,847,052.01 and HRA £1,193,765.23.

In summary, this cleaning related expenditure is a priority one service due to the current climate and the legalities of ensuring our buildings are clean for staff to work, this is in accordance with the Health and Safety at Work Act 1974 and under this proposed contract will fall under the following categories: 11.1

- (i) expenditure required to deliver the council's provision of essential statutory services at a minimum possible level
- (ii) expenditure necessary to mitigate additional in year costs

Also, based on the Finance grounds, the new expenditure is to:

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- Prevent Council's financial situation from getting worse, particularly with regards to ensuring compliance with the Council's obligations as a responsible Employer and Landlord for its staff and residents/tenants.

The maximum budget proposed for the security contract from 3rd July 2021 to 2nd July 2025 is £7,043,804.40. This will be budgeted from the Council's General Fund and HRA, the split being General Fund £5,687,922.90 and HRA £1,355,881.50.

In summary, this security related expenditure under this proposed contract falls under the following categories:

- (i) expenditure required to deliver the council's provision of essential statutory services at a minimum possible level
- (ii) expenditure necessary to mitigate additional in year costs

In addition, the main consideration for Finance based on the grounds for 'new' expenditure, as follows:

Prevent the Council's financial situation from getting worse deriving possible Health and Safety breaches, whereby lack of service provision will not enable the Council as a responsible Employer and Landlord, to ensure the safety of staff and tenants at the occupied buildings including extended temporary accommodations.

FORWARD PLAN KEY DECISION REFERENCE NO.: N/A

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

1. RECOMMENDATIONS

- 1.1 The Cabinet is asked to approve the procurement strategy detailed in this report for an open procurement process to be undertaken in order to appoint a single provider in respect of:

Lot 1 cleaning services to a maximum budgeted value of £12,040,817.25

Lot 2 security services to a maximum budgeted value of £7,043,804.40

For a proposed contract term of 4 years with options to extend for two 1 year extension periods (1+1).

2. EXECUTIVE SUMMARY

- 2.1 This report seeks approval of the procurement strategy as detailed, to establish new contracts from 3rd July 2021 for the provision of cleaning services and another for the supply of security to the Council's assets. The Council's existing Cleaning Services contract with Churchill Services Ltd and Security Services

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agreement with Profile Security Services Ltd is part of the wider FM operating model. The contracts are due to expire on 3rd July 2021.

- 2.2 In accordance with the original award of contracts, the current agreement was extended for the final term of 12 months (CCB1575/20-21) which now expires on 2nd July 2021. There is no further option to extend therefore it is the Council's intention to proceed with the procurement for new long term contracts to be implemented. This will capture the Council wide cleaning and security requirements including the temporary accommodation provisions.
- 2.3 The content of this report has been endorsed by the Contracts and Commissioning Board.

CCB ref. number	CCB Approval Date
CCB1658/20-21	17/02/2021

3 DETAIL

- 3.1 As a responsible Employer and/or Landlord, there is a need to set out the proposed procurement strategy to meet the ongoing requirement for provision of cleaning and security services to the Council's estate including Corporate, housing including extended temporary accommodations, social care related properties. This is to provide clean, safe places of work for all employees, workers and residents and take their welfare and security needs into account to meet our legal duties.
- 3.2 As part of the comprehensive commissioning review, a pre-market engagement exercise and spend analysis have been carried out to help inform the Council's proposed procurement strategy.

Existing contract

- 3.3 Following the outcome of a restricted OJEU procurement process, the existing corporate contracts were originally awarded to Churchill Ltd (Ref:25/15/CAB) for cleaning services and Profile Ltd (Ref:2616FT) for security provision, commencing from 3rd July 2016 to 2nd July 2021 which consisted of the following scope:

Cleaning Services:

- a) Cleaning covering general proactive cleaning including programme of chewing gum removal, deep clean, specialist cleaning such as window clean, pest reporting, body spills. Reactive cleaning to be provided catering for spillages and accidents, purchase and supply of all consumables and feminine hygiene. Cleaning of fridges at tea-points as a pass through cost.

Security Services:

- b) Security related services covering sites with an appropriate number of security guards suitable for the consistent delivery of an effective service at all times; Provide services to ensure the security and safety of the Council's

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premises, its employees and visitors at all times; Respond and react, as necessary, calling the emergency services to support Council staff in vulnerable situations such as involving aggressive clients, fire, injury or acts of vandalism; Provide key holding duties and response to intruder alarm call outs; Key management including arranging the replacement of locks or keys through the Helpdesk and CAFM system; Static guarding; Mobile patrols (internal and external); Waking Watch; Event control and reactive security services. Access control administration; Barrier Control; Car Parking; Assist with release of trapped personnel in lifts; Open and lock up services, routine and ad-hoc.

- 3.4 The agreed budget was reflected within the General Fund and HRA Budget 2020/21 and approved by Cabinet during January 2020 (Ref: 19/20a). The budget and costs from Year one to five, is set out below:

Corporate Cleaning Contract: Overview of Budget and Expenditure (Year 1-5)

Budget Year	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21 – projected expenditure
	£	£	£	£	£	
Churchill Cleaning Services Budget	1,200,000	1,588,000	1,714,000	1,700,000	1,693,000	£7.895,000
Churchill Cleaning Services Expenditure	1,191,000	1,607,000	1,650,325	1,627,000	1,693,000	£7,768,325

Corporate Security Contract: Overview of Budget and Expenditure (Year 1-5)

Budget Year	2016/17	2017/18	2018/19	2019/20	2020/21	2020/21 – projected expenditure
	£	£	£	£	£	
Profile Security Services Budget	£623,000	£818,000	£867,000	£892,000	£917,000	£4,740,000
Profile Security Services Expenditure	£623,000	£795,000	£844,000	£874,000	£917,000	£4,053,000

- 3.5 The FM Helpdesk is provided via in-house team and is not included with the budget shown via above table.

- 3.6 The Council acquired Concord, Sycamore and Windsor properties from Room and Studio during 2017, who were the previous landlords. There are 338 flats in the three buildings which contains the following; Concord has 126 Flats, Sycamore has 63 flats and Windsor 149 flats. Each building has a building manager with security personnel. The building managers are responsible for managing the building and the licensee, ensuring all residents are provided with all they need to be comfortable. The building managers work from 9am-5pm Monday to Friday. There are also two handy persons that carry out minor repair related works in the building. The CSW Manager has overall responsibility to provide strategic direction of the scheme. The Council recently acquired 7 Woodstock Road. Residents of these buildings are mainly single mothers or

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fathers, elderly and vulnerable people. The three main buildings are primarily for temporary accommodation.

- 3.7 Konstrukt Property Services were commissioned to provide the required cleaning services for these properties based on Monday to Friday only. One cleaner is stationed at each building undertaking different tasks which include but are not limited to cleaning rooms as soon as they become void and assist the Handy Person clearing the rooms when needed. They also sweep and mop the corridors and communal areas including litter picking the carpark and courtyard and assist with fire alarm activities. The average expenditure since 2017 is approximately £55k per annum.
- 3.8 The required security services is for its residents so that any visitors to the building do not stay in the building beyond 10pm. There is one security guard in each of the properties from Monday to Friday and during the weekends, who patrol the floors every hour and log any incident in the incident book in the office which is reviewed by the building manager on a daily basis. All security guards working in the buildings have been trained on fire risk assessment. They have also been trained on fire reporting procedure in case of a fire being detected in the building.
- 3.9 The existing contract with Sigma Guarding formally known as Zeta Guarding is in place for the CSW related properties and it is proposed to include this within the scope of the Council wide new long term contract which will be implemented from July 2021 onwards.
- 3.10 Event Management for example, approximately 5 guards required every two weeks to support the Planning Meetings and 8 guards required to support full and Annual Council meetings every month.

Market Place Cleaning Services

- 3.11 The outcome of a pre-market engagement during late 2019, demonstrated a good response from 18 potential Suppliers, ranging from large scale and SMEs with well-defined capabilities. The commercial cleaning is a mature and highly competitive market, and was growing although COVID19 pandemic have impacted this sector. The cleaning and hygiene industry has recently been assessing the huge impact of COVID19 and the lockdown on different sectors, businesses and operatives. The findings from the recent British Cleaning Council audit of members shows that organisations and individuals have had to adapt rapidly to the major changes brought by the virus. As reflected via FM industry insights, it is suggested that in the longer term, there could be changes in the delivery of day to day cleaning as many clients may review their use of space. However, increased demand for cleaning and disinfection have been heightened in schools, care homes and hospitals.

Security Services

- 3.12 The outcome of a pre-market engagement during late 2019, demonstrated a good response from potential Suppliers, ranging from large scale and SMEs with well-defined capabilities. The security is a mature and highly competitive

and specialist market, which has been impacted by the COVID19 pandemic. The Security Industry Association, the Electronic Security Association and the Monitoring Association recently conducted a nationwide survey of members to obtain better understanding of the impact deriving from the COVID19 pandemic. The findings from this demonstrated some having more difficulty gaining access to residential customers' homes than access to commercial properties, many of which are unoccupied due to social distancing measures. This could contribute to lower demand for residential services during the pandemic. The median loss of revenue reported by residential related security was 31-40% while those reported by commercial related security reflect a median revenue loss of 21-30%. As part of the procurement process, financial standing checks will be carried out and the payment terms will be based on completion of provision of service, the potential Bidders will also be offered the opportunity to join the Council's Premier Supplier Programme, to enable their invoices to be paid promptly whilst Council may have the opportunity to receive % income generation from discounted rebate payment scheme.

Demand Management

- 3.13 The cleaning services is provided to approximately 82 buildings and security is required for 12 properties across the borough of Croydon including corporate, housing including extended temporary accommodations and hostels, special sheltered accommodations and Council's care homes. Whilst engaging with the key stakeholders across the Council, some lessons learnt have been captured which has informed this proposed procurement strategy. It is proposed for flexibility to be applied to the delivery model to future proof the Council's requirements including void clearances, deep cleaning of private properties, waking watch security provision, enabling drive for sustainability and innovation. The pricing schedule will allow for appropriate demand management arrangements to be applied and enable services to be called off as and when required, with the volume of sites and/or services to decrease/increase in accordance with the Council's instructions. The pricing schedule to reflect the contract requirements relating to the business hours, out of hours rates and ensure they reflect compliance with London living wage. The pricing schedule shall be fixed for two years and thereafter, based on CPI indexation which will also include any increases applied to London living wage. The contract will contain a termination clause of six months prior notice to be applied for the cleaning and security, however, for the Waking Watch security provision, there will be ten days prior notice to terminate and remove this service from the respective site(s).
- 3.14 To encourage consistent communication across the Organisation in particular during a pandemic, ensuring alignment with the Government and Public Health guidance, it is recommended for a collaborative cross functional requirements across the Council's estate to be applied to the proposed contract. This will also prevent duplication of efforts and enhance aggregation of spend, maximising the Council's negotiation leverage particularly with driving business process efficiencies and obtaining good intelligence data. Also maintain compliance with governance requirements, Health and Safety as well as delivery of social value commitments including London Living Wage. Implementation of a strategic relationship and performance management in accordance with the Council's

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contract management framework will be strengthened within the proposed new contract.

- 3.15 As part of the commissioning review, it was found that there was large volume of invoices raised per annum therefore a business process efficiency exercise will be implemented to reduce this via the Council's procure to pay system. There was also apparent that there is lack of clarity with regards to the Council's spend, therefore the project team will seek to improve the future quality of data intelligence, whereby spend report will be able to accurately reflect the profile of expenditure relating to windows, cleaning, voids and cleaning consumables.
- 3.16 Following the outcome of the commissioning review and stakeholder engagement, the recommended proposed scope of contract is to include the following:

Cleaning Services:

- Commercial 'routine' cleaning for the corporate estate (including the cleaning of communal areas within sheltered and special sheltered accommodation);
- Commercial 'periodic' cleaning. For example, deep cleans, industrial cleans etc;
- Void cleaning and clearances
- Specialist commercial cleaning services, for example, guano removal, disinfection, fabric cleans
- Washroom supplies;
- Medical waste;
- Confidential paper waste.
- Window cleaning (including the window cleaning to all communal areas for 775 housing properties throughout the Borough).

Security Services:

- Security Industry Authority (SIA) Licensed Static Guarding for identified buildings within the Council's estate
- Mobile security patrol service
- Waking Watch security provision
- Escort Duties
- Key holding and out of hours response service
- Helpdesk support service
- 24/7 Emergency Response

- 3.17 The outcomes from the new Council wide contract to be achieved are:
- A quality corporate cleaning contract that ensures our buildings are clean, secure and safe to meet the expectations of residents, service users and ensuring adherence to Government and/or Public Health guidance particularly with regards to pandemic situations e.g. COVID19;
 - The Council have specialist cleaning and security arrangements that are both flexible and meets the future needs of the Council and take a holistic approach to the provision arrangements;

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- The Council is provided with the most cost effective and efficient means of monitoring and analysing cleaning and security performance data.

Proposed Procurement Route

- 3.18 The Council has considered a number of commissioning options which are reflected within the attached Appendices. Following the outcome of the pre-market engagement, there was an apparent preference for a Lead Provider approach to be applied for each service provision lot, whereby they would be responsible to deliver all the respective cleaning and security related services as part of the proposed contracts. It is also determined from the findings of the commissioning options review, to adopt the PCR Open procedure which would offer better competition and enable the SMEs to have the opportunity to tender including the existing incumbent Providers. TUPE may apply and this will follow the appropriate HR procedures which will be reflected within the final invitation to tender pack.
- 3.19 The proposed contract models will be based on the Council's standard terms and conditions for professional services, with no guarantee of business reflected and the fixed two year pricing with appropriate CPI indexation and LLW increase to be applied thereafter. The proposed contract term to be based on 4 years with an option to extend for a further two years (4+1+1) up to a maximum term of six years.
- 3.20 The tender responses will be evaluated by the
- Interim Head of Facilities Management
 - Facilities Building Manager (North)
 - Facilities Building Manager (South)
 - Helpdesk Team Leader
 - Security Manager
 - CSW Manager
- 3.21 It is proposed to deviate from the Council's standard 60% Quality and 40% Price weightings to 50% Quality and 50% to reflect the current priorities. The council needs to find optimum prices for its contracts to support its financial position, but at the same time recognises that this is a priority one service. The council's standard approach to ensuring quality standards within its award of contracts will apply, with minimum scoring criteria throughout the tender.

In accordance with Tender and Contract regulation 19, it is recommended to apply Tier One weighting of 50% Quality and 50% Price. The ratio split is broken down based on the criteria for each method statement. For example 8% Tier 2 weightings is a 50% breakdown of 4% for each Tier 3 weightings applied to the method statements. Find the proposed breakdown into Tier two and three weightings for each service provision lot below:

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Service Provision Lot 1: Cleaning Services

Tier One Weighting: 50% Quality			
Criteria	Tier 2 Weighting	Criteria	Tier 3 Weighting
Overall strategic delivery and resource allocation.	8%	Overall strategic delivery and proposed resource allocation to deliver contract in accordance with Council's requirements.	50%
		Performance and Contract Management including Contract Manager.	50%
Operational Service Delivery	10%	Commercial routine/periodic cleaning including windows for housing;	30%
		Specialist Commercial cleaning;	25%
		Void clearances and cleaning;	25%
		Medical and Confidential paper Waste;	10%
		Washroom supplies.	10%
Staffing Experience – strategic and operational	10%	Overall staffing experience both from strategic and operational perspective to support delivery of contract in accordance with Council's requirements inc: Maintaining competency; Innovation; Environmental Sustainability;	100%
Quality Assurance and Compliance	10%	Quality assurance methodology to ensure delivery of contract in accordance with Council's requirements and quality standards;	30%
		Method of approach to ensure Organisation is compliance with Health and Safety (including Government and Public Health guidance relating to COVID19 pandemic and/or equivalent);	25%
		Method of approach to ensure Organisation is compliance with legislation and regulations;	25%
		Method of approach to monitoring and preventing modern slavery;	20%
Social Value	10%	Social Value	100%
PSP	2%	PSP	100%

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Service Provision Lot 2: Security Services

Tier One Weighting: 50% Quality			
Criteria	Tier 2 Weighting	Criteria	Tier 3 Weighting
Overall strategic delivery and resource allocation.	10%	Overall strategic delivery and proposed resource allocation to deliver contract in accordance with Council's requirements.	50%
		Performance and Contract Management including Contract Manager.	50%
Operational Service Delivery	10%	Static and Mobile Security Patrols for;	30%
		Business as Usual security provision for Corporate premises;	25%
		Waking Watch security provision for housing related properties including extended temporary accommodations;	25%
		Business as Usual security provision for housing and social care related properties including care homes:	10%
Key holding arrangements;	10%		
Staffing Experience – strategic and operational	10%	Overall staffing experience both from strategic and operational perspective to support delivery of contract in accordance with Council's requirements inc: Maintaining competency; Ensuring business continuity; Innovation; Environmental Sustainability;	100%
Quality Assurance and Compliance	8%	Quality assurance methodology to ensure delivery of contract in accordance with Council's requirements and quality standards;	30%
		Method of approach to ensure Organisation is compliance with Health and Safety including adherence to Government and Public Health guidance relating to COVID19 pandemic and/or equivalent, also Safeguarding policy and procedures;	25%
		Method of approach to ensure Organisation is compliance with legislation and regulations;	25%
		Method of approach to monitoring and preventing modern slavery;	20%
Social Value	10%	Social Value	100%
PSP	2%	PSP	100%

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- 3.22 A minimum quality score threshold will be applied, whereby if a Bidder's method statement response is allocated with a score less than 2, then its entire tender submission will be rejected.
- 3.23 The Tier one 50% weighting will be applied to the pricing criteria and Tier two sub-criteria will be applied as per following:

Lot 1: Cleaning

Total Cost for Cleaning Services for in-scope sites/services: 40%

Total Cost for Housing Window Cleaning: 5%

Total Cost for Schedule of Rates for out of scope Services: 5%

Lot 2: Security

Total Cost of Security Services for in-scope sites/services: 35%

Total Cost of Key Holding for in-scope sites: 10%

Total Cost of Schedule of Rates for other Services: 5%

- 3.24 Following the PCR Open procedure in accordance with PCR 2015, the Council will publish the invitation to tender pack which includes the minimum requirement questionnaire (MRQ) via the London Tender portal. The ITT pack includes an overview of the evaluation methodology for each service provision lot, to provide transparency on how the tender responses will be assessed with the relevant steps to be taken. A moderation session will take place to enable the Council to determine the consensus score following the assessment of the quality method statement responses and agree the final feedback to be given to the unsuccessful bidders. Following the completion of the evaluation, the Bidder with the highest combined qualitative and pricing score, demonstrating that it provides the Council with the most economically advantageous tender will be recommended to Cabinet for the award of contract.

Contract Management

- 3.25 The contractor performance will be reviewed in accordance with the Council's contract management framework and quarterly Tier one scorecards are reported to ELT. Formal strategic quarterly review meetings to take place and KPI performance is reported on a quarterly basis to the Head of Corporate FM. The KPIs and benchmarking are used to allow the Council to:
- Set performance targets at the outset of the Contract
 - Monitor performance over the lifetime of the Contract
 - Benchmark performance to provide a basis for continuous improvement
 - Develop its use of KPIs to ensure they are challenging and fit for purpose.
- 3.26 There are five groups of KPIs for cleaning services:
- Generic KPIs which measure performance across the whole service including Customer satisfaction;
 - Reactive KPIs which measure performance against the routine and periodic cleaning service;
 - Voids KPIs which measure performance against the Voids service;

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- Housing window cleaning, all housing properties to display a sticker which must be updated when the clean takes place;
- Confidential waste and feminine hygiene collections to take place in line with the contract;

3.27 There are two groups of KPIs for security services:

- Generic KPIs which measure performance across the whole service including Customer satisfaction;
- Reactive KPIs which measure performance against the routine and reactive security service;

3.28 In order to maintain quality a joint audit with the awarded Providers will take place whereby, performance outputs and continuous improvements are identified as part of the contract corrective action programme.

Procurement Timeline

3.29 Based on the outcome of a comprehensive commissioning review, it is recommended for the Council to adopt the PCR Open procedure in accordance with PCR2015, and based on the proposed indicative procurement timetable to be applied:

Activity	Proposed Date
CCB	14 th January 2021
Cabinet	1 st March 2021
Final ITT Pack to be drafted and approved	2 nd March 2021
PCR Contract Notice and ITT Pack published	5 th March 2021
Tender return deadline	6 th April 2021
Tender evaluation	7 th – 15 th April 2021
Moderated scores and feedback finalized and award report drafted.	19 th - 26 th April 2021
Commissioning and Contract Board	6 th May 2021
Cabinet meeting (if applicable) Delegated Cabinet Members signing/approval of decision with 5 days scrutiny period	4 th June 2021
Standstill period conclude:	14 th June 2021
Contract award	17 th June 2021
Mobilisation	June/ July 2021
Contract commencement	3 rd July 2021
PCR Contract Award Notice dispatch (if applicable)	4 th July 2021
PCR Contract Award Notice dispatch (if applicable)	4 th July 2021

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4. CONSULTATION

- 4.1 The Council has engaged with the end users via the Business User Group with regards to the performance of the existing contract and collated lessons learnt which has been reflected within the proposed procurement strategy.
- 4.2 Further consultation has been taken with respective Service Areas including Gateway services and Head of Temporary Accommodation and Service Development to ensure a coordinated approach is applied to managing the Council's assets and support services in a cohesive and efficient way. This enables the Council to maximise opportunities for efficiencies to be achieved from the Council having a clear co-ordination of the cleaning and security support service related requirements.
- 4.3 A pre-market engagement has been carried out to inform this proposed procurement strategy and prepare the market in readiness to respond to the Council's invitation to tender which is due to commence from 5th March 2021.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Revenue and Capital consequences of report recommendations

	Contract Initiation year	Medium Term Financial Strategy (MTFS) – 3 year forecast		
	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Revenue Budget available				
Expenditure cleaning	1.34m	1.7m	1.7m	1.7m
Expenditure security	0.83m	1.17m	1.17m	1.17m
Income				
Effect of decision from report				
Expenditure cleaning	1.37m	1.90m	1.96	2.03m
Expenditure security	0.8m	1.11m	1.15m	1.19m
Income				
Remaining budget	_____	_____	_____	_____
Capital Budget available				
Expenditure				
Effect of decision from report				
Expenditure				
Remaining budget	_____	_____	_____	_____

5.2 The effect of the decision

The effect of the decision will be to approve the proposed strategy identified within this report, to go via the PCR Open procedure for new contracts to commence from 3rd July 2021. The proposed Cleaning contract will be for the initial term of 4 years with an option to extend for one plus one years (4+1+1: Maximum 6 years). The estimated contract value of £1 million per annum, therefore based on the full proposed term of 6 years will bring the maximum contract value to £12,040,817.25. The estimated Security contract value of £1.1 million per annum, therefore based on the full proposed term of 6 years will bring the maximum contract value to £7,043,804.40.

Should the Council dispose of some of their Council's building during the term of the contract there will be less costs associated to providing cleaning and security services.

The Council will expect the provider of the cleaning services and security services to pay the London Living Wage. The effect of this, is a year on year increase of 3.5%, this has been reflected in the budget above.

5.3 Risks

Risk	Rating	Mitigation / Control
Costs for the new contract are higher than the allocated budget.	Medium	Following outcome of a comprehensive commissioning review, this has informed the proposed budget as part of this procurement strategy.
Not all staff may want to transfer over to the new provider	Medium	Every effort will be made to ensure smooth mobilisation arrangements are in place to enable transition from the existing contract to the new awarded provider. A 2 month mobilisation period has been allowed within the proposed timetable to ensure the contract is ready for delivery from the agreed start date of 3 rd July 2021.
Not all cleaning equipment is available or transferred between the incoming and outgoing contracts	Low	Ensure that all programmed works and services are identified and agreed prior to the start of any contract. Consideration for equipment not being made available as part of the transfer, will be determined and possibly procured via alternative source. Also to ensure the Provider demonstrates capacity to delivery in accordance with the agreed timescales.
The application process for a security guard to be SIA licensed (Security Industry Authority) is lengthy and has	Medium	Every effort will be made to ensure smooth mobilisation arrangements from the existing

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<p>potential risk of such application being refused.</p>		<p>contract to the new awarded Provider. A mobilisation period is allowed to mitigate implications, to ensure contract is ready for delivery from the agreed start date.</p> <p>The ITT pack will contain the requirement for the Provider to demonstrate they have the capacity to deliver the Council's requirements and ensure robust business continuity arrangements are in place. It will also be a requirement for the Provider to demonstrate how they would manage the application process and mitigate potential risk of such application being refused.</p>
<p>Unforeseen delays with the procurement process.</p>	<p>Low</p>	<p>A project timetable has been developed and forms part of this report.</p>
<p>Lack of tender response due to Council's currently subject to Section 114.</p>	<p>Medium/High</p>	<p>Strategy been subject to Council's required governance process and classified as essential expenditure. Robust contract and budgetary management to be applied. Project team to inform the potential market of the Council's intention to issue an invitation to tender via the PCR Open procedure. It should be noted that despite an S114 the Council still honour all contractual payments for suppliers.</p>

5.4 Options

Following the outcome of the options appraisal undertaken by the Council, it has been determined that in order to achieve the best value for money, it is recommended to proceed with the invitation to tender via the Open procedure route to market and to include two service provision lots, one for cleaning services and another for security provisions.

Other options included various framework agreements such as CCS Framework RM1056, NHS London Procurement Facilities Management Framework ESPO Framework 676 – Total Facilities Management, although the framework contains approved providers, there is no guarantee that the Council will receive good competitive tender responses. The Council would be required to use the Framework's supplier terms and conditions which may not necessarily comply with the Council's standard weightings of 60% Quality and 40% Price. The need to ensure the framework is suitable, particularly with regards to meeting the Council's requirements. For example, some frameworks

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will not provide the ability for the Council's requirements relating to London Living Wage and Social Value to be incorporated within the ITT pack. Local suppliers don't have the opportunity to tender as the approved framework providers are already established. The incumbent supplier will not have the opportunity to bid for the contract.

Should the Council do nothing but continue to not proceed with this option, this would leave the Council unable to fulfil its obligations as a responsible Employer and be in breach of PCR 2015. Also, significant financial implications may be borne on the Council with lack of formal strategic contract and risk management arrangements in place with regards to the provision of security including Waking Watch across the Organisation.

5.5 Future savings/efficiencies

The council will continue to evaluate cleaning services provided and will actively work and encourage the new provider to be innovative with new ways of working. Lean business process will be applied to mitigate the need for high volume of invoice transactions. The provision of security related expenditure will be closely monitored ensuring strategic alignment with the respective Service areas commissioning requirements, in particular should Waking Watch security be implemented in response as a mitigation step to ensure safety of its vulnerable residents whilst the fire remedial actions identified via the Fire Risk Assessment are delivered. Ten calendar day prior notice to be submitted to the Provider by the Council, should the Waking Watch provision need to be terminated therefore withdrawn from site and/or premises.

Approved by: Felicia Wright, Head of Finance – Place

6. LEGAL CONSIDERATIONS

- 6.1 The Head of Commercial and Property Law comments on behalf of the Director of Law and Governance that there that there are no additional legal considerations directly arising from recommendations in this report beyond those detailed in the body of the report.

Approved by Sean Murphy, Head of Commercial and Property Law on behalf of the Interim Director of Law & Governance.

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7. HUMAN RESOURCES IMPACT

- 7.1 TUPE may apply to the contracts and the existing incumbent Providers are being contacted to collate the necessary information which will form part of the tender documents. The application of TUPE will ultimately be determined by the incumbent and any new service Provider, for which the Council is the client. On that basis, the role of the Council would usually extend no further than facilitating the process, and the project team will seek advice and support from the Council's HR team.
- 7.2 The timetable for the project includes a 2 month mobilisation period between award and start of the contracts to enable smooth and compliant transition arrangements.
- 7.3 Any HR issues which arise will be managed under the Council's Policies and Procedures.

Approved by Jennifer Sankar, Head of Human Resources – Place, for and on behalf of Sue Moorman, HR Director.

8. EQUALITIES IMPACT

- 8.1 An equality analysis has not been undertaken because the proposed change is not relevant to equality and is unlikely to impact on groups that share one or more protected characteristics. The contract terms and conditions as part of the proposed ITT pack, will include the obligation for the successful Provider to comply with the Equality Act 2010. This will also include the commitment to support the Council with delivering its public sector equality duties as well as reporting on any equalities requirements as stipulated in the contract.

Approved by: Yvonne Okiyo, Equalities Manager

9. ENVIRONMENTAL IMPACT

- 9.1 The invitation to tender pack will reflect the Council's requirements for the potential Bidders to demonstrate their approach to applying environmental considerations. There will be an obligation on the successful Provider to support the Council's commitment to make the borough more sustainable and Carbon neutral by 2030.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 The security service contract will protect vulnerable residents and staff occupying the Council buildings. There are no crime and disorder reduction impacts from the proposed procurement strategy and when subsequently award the contract.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 In accordance with the Council meeting its obligations as a responsible Employer and Landlord, following the outcome of the commissioning options that have been explored, it is recommended for the Council to issue a competitive invitation to tender via the PCR Open procedure in accordance with PCR 2015. This will enable provision of cleaning and security service contracts to commence from 2^{ne} July 2021 onwards, when the existing contract expires on 3rd July 2021.

12. OPTIONS CONSIDERED AND REJECTED

12.1 Following the outcome of the options appraisal undertaken by the Council, it has been determined that in order to achieve the best value for money, it is recommended to proceed with the invitation to tender via the PCR Open procedure for the provision of cleaning and security services.

12.2 Should the Council do nothing but continue to not proceed with this option, this would leave the Council unable to fulfil its obligations as a responsible Employer and/or Landlord and be in breach of PCR 2015. Also lack of reassurance can be given to ensure holistic compliance with Health and Safety requirements, including adherence to Government and Public Health guidance during pandemic. Also, significant financial implications may be borne on the Council with lack of formal strategic contract and risk management arrangements in place with regards to the provision of cleaning and security provision for the Council's estate including the extended temporary and emergency accommodations.

13. DATA PROTECTION IMPLICATIONS

13.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NONE

13.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO

The Interim Director of Homes and Social Investment comments that there are no additional data protection implications arising directly from the report.

Approved by: Ozay Ali, Interim Director of Homes and Social Investment.

CONTACT OFFICER:

Name:	Shelley Williams
Post title:	Principal Facilities Manager, Homes and Social Investment
Telephone number:	Ext. 50146

BACKGROUND DOCUMENTS: None

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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