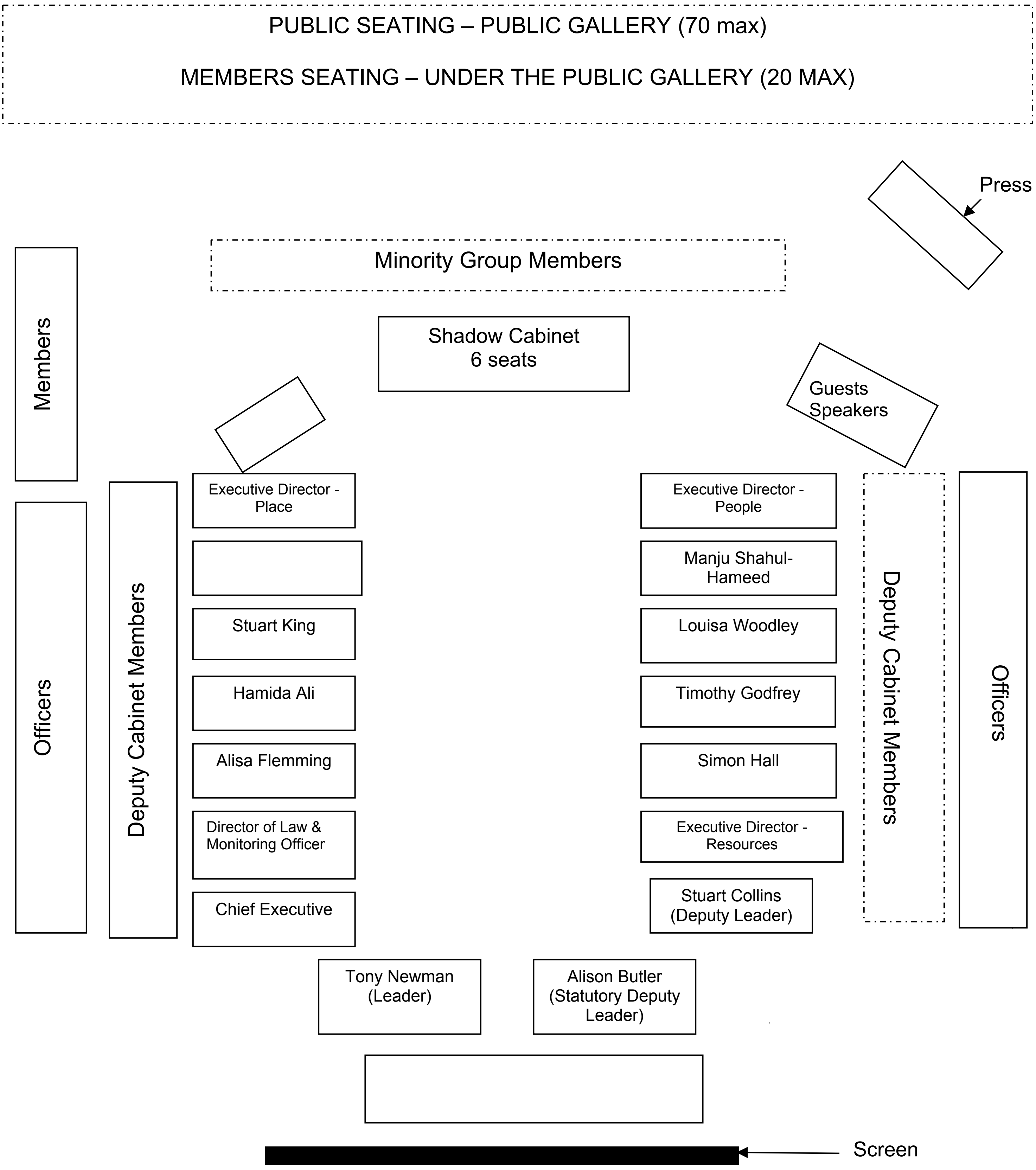
Public Document Pack

CABINET AGENDA

for the meeting
on
26 February 2018 at
6.30 pm

CABINET SEATING PLAN



To: **Croydon Cabinet Members:**

Councillor Tony Newman, Leader of the Council
Councillor Alison Butler, Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration and Planning
Councillor Stuart Collins, Deputy Leader and Cabinet Member for Clean Green Croydon
Councillor Alisa Flemming, Cabinet Member for Children. Young People & Learning
Councillor Hamida Ali, Cabinet Member for Communities, Safety & Justice
Councillor Timothy Godfrey, Cabinet Member for Culture, Leisure & Sport
Councillor Simon Hall, Cabinet Member for Finance & Treasury
Councillor Stuart King, Cabinet Member for Transport & Environment
Councillor Manju Shahul-Hameed, Cabinet Member for Economy and Jobs
Councillor Louisa Woodley, Cabinet Member for Families, Health & Social Care

Invited participants: All other Members of the Council

A meeting of the **CABINET** which you are hereby summoned to attend, will be held on **Monday, 26 February 2018** at **6.30 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER	Victoria Lower
Director of Law and Monitoring Officer	020 8726 6000 x14773
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Bernard Weatherill House	www.croydon.gov.uk/meetings
8 Mint Walk, Croydon CR0 1EA	16 February 2018

Members of the public are welcome to attend this meeting. If you require any assistance, please contact officer as detailed above.
The meeting webcast can be viewed here: http://www.croydon.public-i.tv/core/portal/home
The agenda papers are available on the Council website www.croydon.gov.uk/meetings

AGENDA – PART A

1. Apologies for Absence

2. Minutes of the previous meeting (Pages 7 - 12)

To approve the minutes of the meeting held on 22 January 2018 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.

Cabinet Member: Councillor Alison Butler, Councillor Simon Hall, Councillor Tony Newman

5. Budget 2018/20 and Council Tax

a) **General Fund and HRA Budget 2018/20** (Pages 13 - 114)

Officers: Richard Simpson and Lisa Taylor
Key decision: Council Tax recommendations are reserved to Council. Housing rents and charges are Key Executive Decisions

b) **Quarter 3 financial performance report 2017/18** (Pages 115 - 140)

Officers: Richard Simpson and Lisa Taylor
Key decision: No

c) **Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2018/2019** (Pages 141 - 176)

Officers: Richard Simpson and Lisa Taylor
Key decision: reserved to Council

Cabinet Member: Councillor Alisa Flemming

6. **Update on the development of Legacy, Croydon Youth Zone** (Pages 177 - 184)

Officers: Barbara Peacock and David Butler
Key decision: no

Cabinet Member: Councillor Alisa Flemming

7. **Children's Services Improvement update report** (Pages 185 - 194)

Officers: Barbara Peacock
Key decision: no

Cabinet Member: Councillor Alison Butler and Louisa Woodley

8. **Implementation of the Homelessness Reduction Act 2017** (Pages 195 - 210)

Officer: Shifa Mustafa
Key decision: no

Cabinet Member: Councillor Alison Butler and Simon Hall

9. **Brick by Brick Business Plan 2018/19** (Pages 211 - 236)

Officers: Shifa Mustafa and Colm Lacey
Key decision: no

Cabinet Member: Councillor Tony Newman

10. **Housing Commission on Community-Led Housing** (Pages 237 - 244)

Officer: Julian Ellberby
Key decision: no

Lead Member: Councillor Sean Fitzsimons

11. **Stage 1: Recommendations arising from Scrutiny** (Pages 245 - 248)

Lead Member: Councillor Sean Fitzsimons, Chair of Scrutiny & Overview Committee
Officers: Richard Simpson, Stephen Rowan
Key decision: no

Cabinet Member: All Cabinet Members

12. **Stage 2 Response to Recommendations arising from Children and Young People Scrutiny Sub-Committee (19 September 2017) and the Streets, Environment and Homes Scrutiny Sub-Committee (12 September 2017)** (Pages 249 - 258)

    Officers: Jo Negrini
    Key decision: no

Cabinet Member: Councillor Simon Hall

13. **Investing in our Borough** (Pages 259 - 264)

    Officer: Sarah Ireland
    Key decision: no

14. **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 AGENDA - NONE

Cabinet

Meeting of held on Monday, 22 January 2018 at 6.30 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillor Tony Newman (Chair);
Councillor Alison Butler, Deputy Leader (Statutory) (Vice-Chair)
Councillors Stuart Collins, Alisa Flemming, Hamida Ali, Timothy Godfrey, Simon Hall, Stuart King, Mark Watson and Louisa Woodley.

Also Present: Councillors Manju Shahul-Hameed, Robert Canning, Sherwan Choudhury, Sean Fitzsimons, Humayun Kabir, Shafi Khan, Maggie Mansell, Joy Prince, Pat Ryan, Simon Brew, Jan Buttinger, Maria Gatland, Lynne Hale, Yvette Hopley, Helen Pollard and Tim Pollard.

Apologies: For absence were received from Councillors Jason Cummings, Vidhi Mohan, Steve O'Connell, Jason Perry, Phil Thomas and Wayne Trakas-Lawlor.

PART A

1/18 **Minutes of the previous meeting**

The part A minutes of the Cabinet meeting held on 11 December 2017 were received. The Leader of the Council signed the minutes as an accurate record.

2/18 **Disclosure of Interests**

There were none.

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

There were no items of urgent business, but Cabinet Members made announcements on the following, the full details of which can be viewed on the meeting webcast:

Children's Services
Councillor Tony Newman, the Leader of the Council reported the receipt of the letter from the Minster of State in late December and that there would be a report back on progress to the next Cabinet meeting on 26 February. Councillor Alisa Flemming, Cabinet Member for Children, Young People & Learning, reported that Ofsted have recognised the great progress achieved since the inspection.

Unaccompanied Asylum Seeking Children (UASC) - related funding
Councillor Simon Hall, Cabinet Member for Finance & Treasury, announced that the Minister for Housing, Communities and Local Government had announced funding to Croydon which was less than two per cent of the £19m the Controlling Migration Fund has committed to councils who care for UASC. The Council will be challenging the lack of funding.

Library Services following the collapse of Carillion
Councillor Tony Newman, the Leader of the Council paid tribute to all staff involved in maintaining the Library service following the collapse of Carillion. Councillor Timothy Godfrey, Cabinet Member for Culture, Leisure & Sport, thanked the core officer team and frontline library staff for their work and Councillor Simon Hall, Cabinet Member for Finance & Treasury, reported that the Council had no financial exposure at termination.

Croydon Local Plan
Councillor Alison Butler, Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration and Planning announced that the government appointed inspector had found the Croydon draft local plan is sound and fit for purpose. Councillor Butler thanked all the officers involved.

Citiscape - replacement cladding
Councillor Alison Butler, Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration and Planning announced that, on behalf of local residents, she was seeking re-assurance from Citiscape and developers of similar blocks that the costs or replacement cladding should not be passed on to the residents.

Developers viability reports
Councillor Alison Butler, Deputy Leader (Statutory) and Cabinet Member for Homes, Regeneration and Planning announced that developers' viability reports will be made public in future.

4/18 **Corporate Plan Performance - April to September 2017**

A video presentation was introduced by Councillor Tony Newman for this agenda item, which is available on the meeting webcast.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out below

RESOLVED

1. To note the performance for the period April to September 2017 as detailed at Appendix 1 to the report.

2. To note the achievements, progress, and work to date, as detailed in this report, of delivery against the promises set out in the 2015-18 Corporate Plan.

3. To note the areas of challenge (where the Council is responsible for performance) and the work underway / proposed to address these areas as detailed in this report and Appendix 1 to the report.

5/18 **One Croydon Alliance: Extension of the Alliance Agreement - Outcomes Based Commissioning**

A video presentation was provided by Councillor Louisa Woodley for this agenda item, which is available on the meeting webcast.

Kate Pierpoint – the Chief Executive of Age UK Croydon and
Paul Etheridge – a Personal Independence Coordinator at Age UK Croydon spoke during this agenda item.

The Leader of the Council has delegated to the Cabinet the power to make the executive decisions set out below:

RESOLVED to

1. Agree to the extension of the One Croydon Alliance Agreement term for a further 9 years, commencing 1 April 2018 to 31st March 2027.

2. Agree to expand the remit of the Alliance Agreement to ensure the potential for whole system transformation for health and social care. Decisions to materially increase programme scope will be taken as part of the Council's decision making process.

3. Delegate to the Interim Executive Director of Social Services and the Executive Director of Resources in consultation with Cabinet Member for Families Health and Social Care and the Cabinet Member for Finance and Treasury the signing of the final 9 year Alliance agreement on or around 1/04/2018 and extension / appropriate award of the in scope service contracts.

6/18 **Education Estates Strategy**

A presentation including video was provided by Councillor Alisa Flemming for this agenda item, which is available on the meeting webcast.

The Leader of the Council has delegated to the Cabinet the power to make the executive decisions set out below:

RESOLVED to

School Place Planning

1.1 agree Croydon's School Place Supply Strategy (tables 1, 2 & 3 in the report) for the next 3 academic years – 2018/19 to 2020/21 - and the funding to deliver these additional places (Appendix 1 to the report – Capital Programme Budget summary)

1.2 note the review of pupil projections undertaken in July – projections vs available school places – Appendix 2 to the report.

Special Educational Needs

1.3 note update on Croydon's new special free school that has been approved by Department for Education (DfE)

1.4 note proposed partnership with Croydon Further Education (FE) college to establish new local post 16 places in an SEN Centre of Excellence

1.5 note the continued planned expansion of secondary autism Enhanced Learning Provision at Oasis Coulsdon and Oasis Arena.

School Admissions

1.6 agree to recommend to full Council that it determine the proposed Admission Arrangements for Croydon's community schools for the 2019/20 academic year (Appendix 3), including the responses to consultation on the proposed reduction of the PAN for Norbury Manor and Monks Orchard Primary Schools (Appendix 3a to the report) and adoption of the proposed Pan London co-ordination arrangements (Appendix 3b to the report).

School Maintenance and Compliance

1.7 approve the proposed Schools' Maintenance Plan for 2017/18 and 2018/19 – Appendix 4 to the report – including an additional £3m for fire safety works in community schools and as in previous years £2m for the 3 year programme for major maintenance work to be carried out in 2020/21.

7/18 **Croydon Cycling Strategy 2018-2023**

The Leader of the Council has delegated to the Cabinet the power to make the executive decisions set out below:

RESOLVED to adopt the Cycling Strategy for Croydon, as detailed in the report and appendix to the report.

8/18 **London Councils Grants Scheme 2018/19**

The Leader of the Council has delegated to the Cabinet the power to make the executive decisions set out below:

RESOLVED

1. In order to meet the deadline of 1 February 2018 for setting the London Councils Grants Scheme budget by two-thirds of constituent Council's, to agree the recommendation of the London Councils Leaders Committee to:

(a) Approve the London Councils Grants Scheme budget for 2018/19 of £8.668m; and
(b) Agree Croydon Council's 2018/19 contribution to the London Councils Grants Scheme budget amounting to £290,085.

9/18 **Stage 1: Recommendations arising from Scrutiny**

The Leader of the Council has delegated to the Cabinet the power to make the executive decisions set out below:

RESOLVED to receive the recommendations arising from the Streets, Environment and Homes Scrutiny Sub-Committee (7 November 2017) and Children and Young People Scrutiny Sub-Committee (28 November 2017) to provide a substantive response within two months (ie.at the next available Cabinet meeting on 19 March 2018).

10/18 **Investing in our Borough**

The Leader of the Council has delegated to the Cabinet the power to make the executive decisions set out below:

RESOLVED to note

1. The contracts over £500,000 in value anticipated to be awarded by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Treasury or, where the nominated Cabinet Member is the Cabinet Member for Finance and Treasury, in consultation with the Leader.

2. The list of delegated award decisions made by the Director of Commissioning and Improvement, between 09/11/2017 – 13/12/2017.

3. The list of decisions taken since the last meeting of Cabinet by the nominated Cabinet member in consultation with the Cabinet Member for Finance and Treasury, under the Leaders specific delegated authority for those contract awards.

The meeting ended at 8.19 pm

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

CORPORATE PRIORITY/POLICY CONTEXT:

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

FINANCIAL SUMMARY:

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

FORWARD PLAN KEY DECISION REFERENCE

The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 27th February 2018.
The recommendations in section 1.2 I, II and III are key executive decisions (reference no.06/18/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

1.0 RECOMMENDATIONS

1.1 The Cabinet recommend to full Council:

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

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

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

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

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

V. The two year revenue budget assumptions as detailed in this report and the associated appendices :-

- The programme of revenue savings and growth by department for 2018/20 (Appendix A).
- The Council's detailed budget book for 2018/19 (Appendix B).

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

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

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

1.2 That Cabinet agree:

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

II. No increase to Garage and Parking space rents.

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

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

1.3 That Cabinet note:-

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

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

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

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

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

2.0 EXECUTIVE SUMMARY

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

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

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

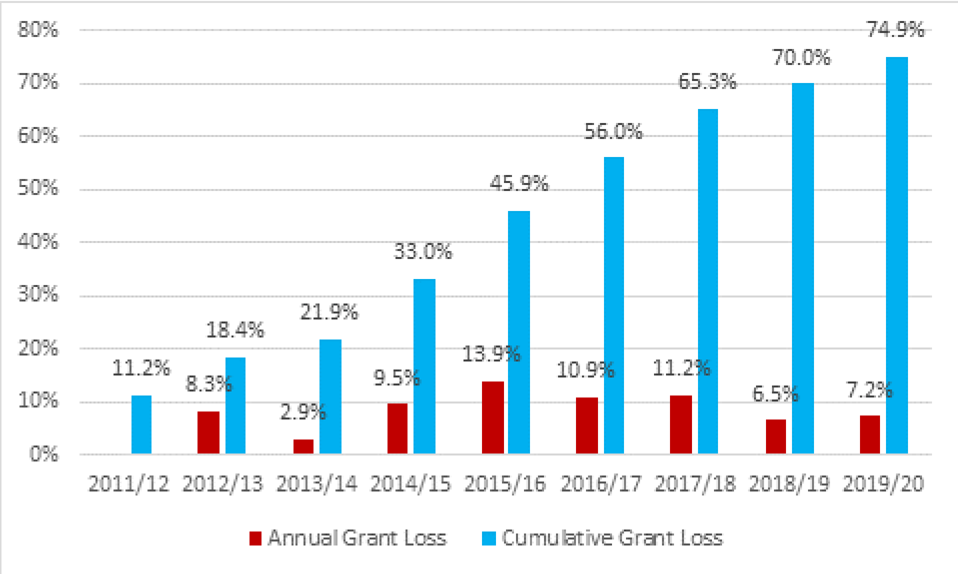
2.4 The choices made in this budget reflect the clear priorities of the administration. This is particularly clear in the focus on reducing back office costs and protecting the front line and those services that matter most to residents. This is reflected in table 3 and 4 which show the investment and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

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

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

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

Graph 1: Croydon's Grant Reductions 2011/20



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

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

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

2.10.1 £150m of additional funding to be allocated through Adult Social Care Support Grant. This is to be funded from anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government. This funding is distributed according to the adult social care relative needs formula, with £23m being allocated to London and £0.876m directly allocated to Croydon.

2.10.2 £16m of additional one off funding through Rural Services Delivery Grant (taking funding from £65m to £81m in 2018/19. This is in addition to the increase of £15m that was made at the Provisional Settlement in December. The additional funding is distributed in line with the existing methodology, and Croydon does not benefit from this funding stream.

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

£2bn. by 19/20. The pressures on local authorities are shown by the recent decision by Northamptonshire County Council.

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

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

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

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

<u>Table 1 – Local Taxation & GLA Taxation increase (Band D comparison)</u>

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

3 2018/20 General Fund Revenue Budget

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

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

Table 2 – Budget Gap

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

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

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

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

Table 3 – Summary of Growth Options by Department

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 4 – Summary of Savings Options by Department

Department	2018/19 £m	2019/20 £m	2018/20 Total £m
People	(7.209)	(5.992)	(13.201)
Place	(5.974)	(4.431)	(10.405)
Resources and Chief Executives	(4.334)	(4.371)	(8.705)
TOTAL	**(17.517)**	**(14.794)**	**(32.311)**

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

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

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

Getting the most out of our assets

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

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

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

Better Commissioning and Contract Management

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

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

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

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

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

- Legal Services

Managing Demand and Early Intervention and Prevention

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

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

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

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

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

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

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

Integration of Health and Social Care

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

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

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

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

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

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

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

Delivering Growth

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

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

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

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

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

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

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

Commercial approach

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

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

- Traded services with schools – Octavo is continuing to provide a range of traded services to local authority and academy schools.
- Housing development company – Brick by Brick is now on site and has

commenced on its ambitious building programme
- Croydon Equipment Solutions – is now trading commercially providing social care equipment.

Digital

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

Flexibility to Use Capital Receipts for Transformation Projects

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

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

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

4 Local Taxation / Collection Fund

Local Taxation Charge for 2018/19

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

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

Table 5– Local Taxation for 2018/19

	2018/19 £	Increase £
Croydon Band D per year	1,257.18	38.24
Adult Social Care Levy per year	85.55	25.58
Band D per year	**1,342.83**	**63.82**

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

Table 6 – Croydon Council percentage increase since 2015/16

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

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

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

Table 7 - Increase in Council Tax Base

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

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

Projected Collection Fund Surplus

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

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

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

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

Greater London Authority Precept 2018/19

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

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

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

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

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

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

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

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

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

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

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

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

Table 8 – Mayors Consolidated Budget

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

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

Table 9– Local Taxation increase and the GLA Tax increase

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

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

5 External Financial Environment

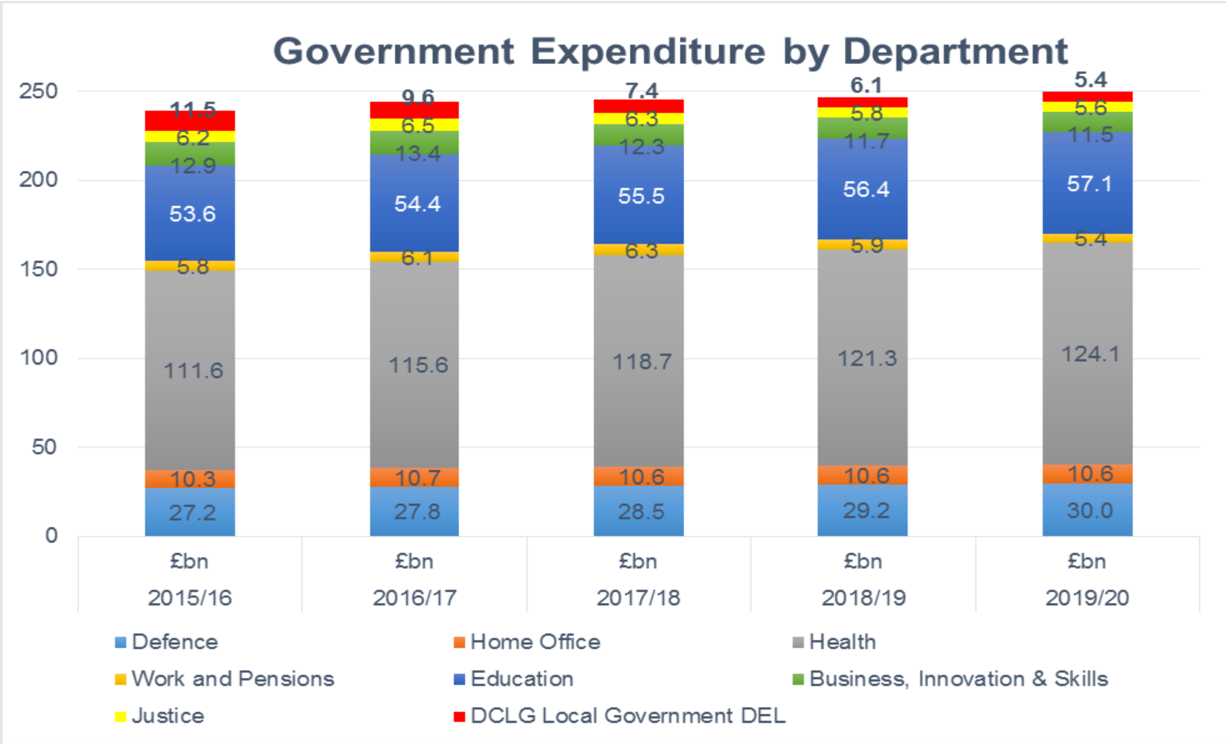
Spending Review 2015 and settlement 2018/19

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

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

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

Graph 2 Published Funding Amounts for Selected Government Departments



6 Economic Projections – Autumn Budget 2017

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

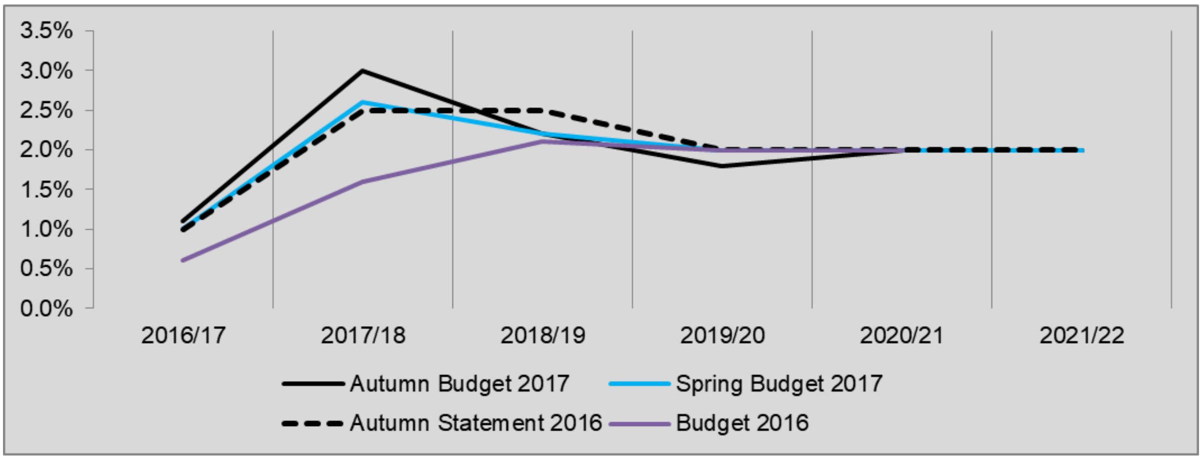
Inflation - CPI

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

Table 10 CPI Inflation Forecasts

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

Graph 3 - CPI Inflation Forecasts



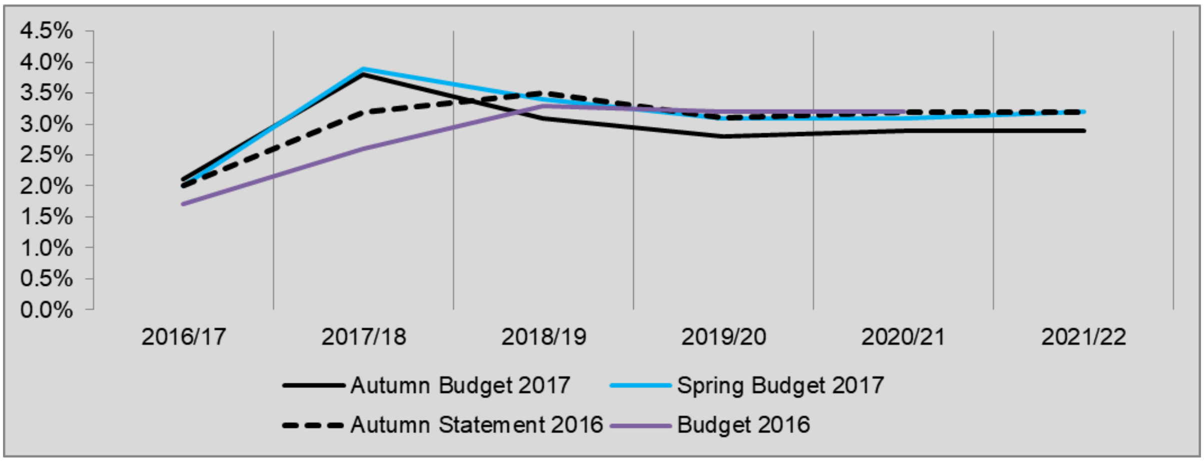
Inflation - RPI

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

Table 11 RPI Inflation Forecasts

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

Graph 4 RPI Inflation Forecasts



Projected receipts from council tax

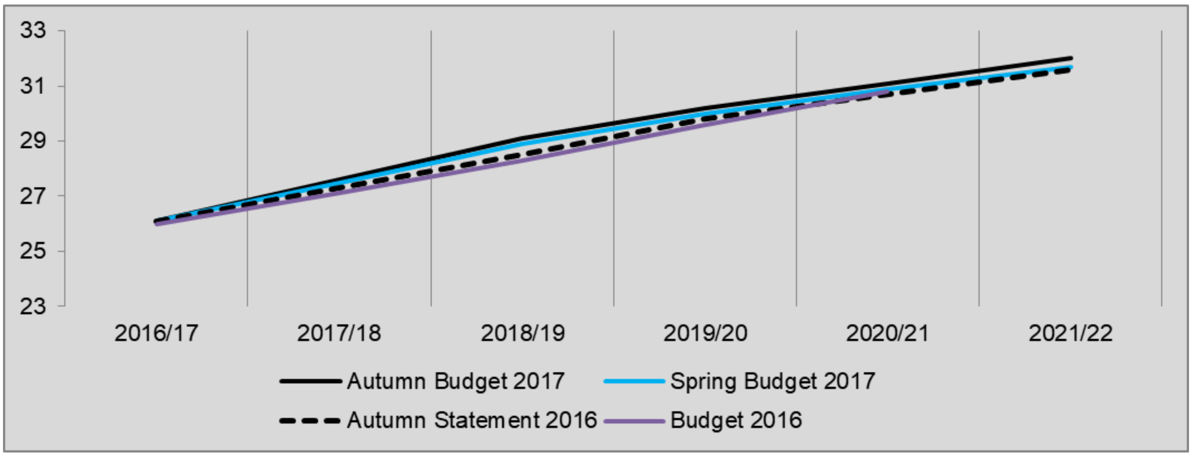
6.4 Table 12 below shows the forecast projected receipts from Council Tax for England. For Autumn Budget 2017, the updated figures show increases of between £0.1bn and £0.3bn per annum between 2017/18 and 2021/22 compared to the Budget in March.

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

Table 12 Projected receipts from Council Tax (£bn)

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

Graph 5 - Projected Receipts from Council Tax (£bn)



Projected receipts from business rates

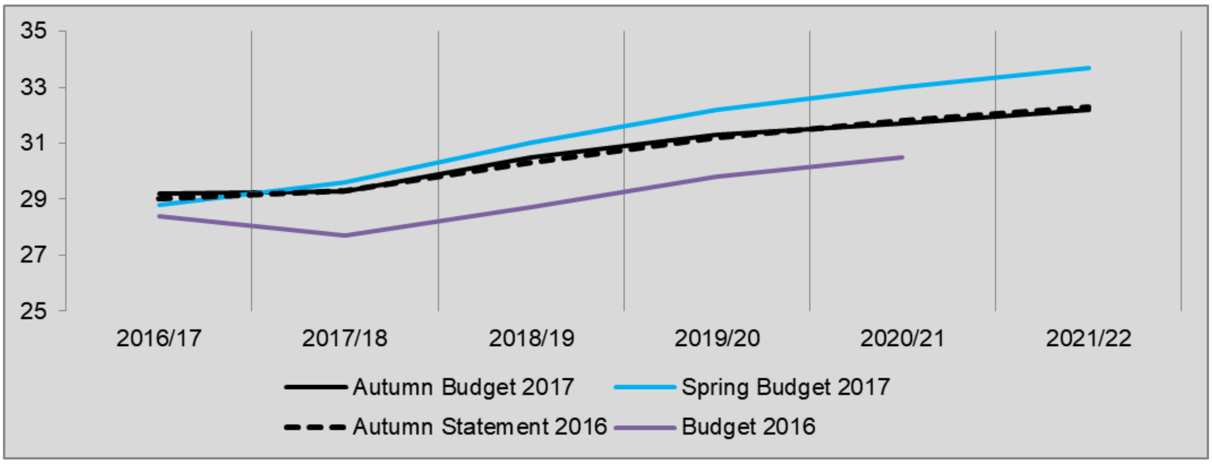
6.6 The table 13 below shows the Budget 2017 forecast projected receipts from business rates against those published in previous announcements. For Autumn Budget 2017, income for 2016/17 is shown to be £0.4bn higher. However, there are decreases in receipts for business rates projected by between £0.3bn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

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

Table 13 Projected receipts from business rates (£bn)

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

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



7 Local Government Finance Settlement 2018/19 – Nationally

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

7.2 The main announcements were:

- The publication of the consultation paper “Fair funding review: a review of relative needs and resources”, a technical consultation on relative need, with the intention being that the new needs formulae will be introduced in 2020/21.

- The roll out of 75% business rates retention across all areas in 2020/21, alongside a reset of the business rates baseline.
- An increase to the referendum limit for Council Tax from 2% to 3% for 2018/19.
- A further ten business rate pilot areas were announced for 2018/19; there were in addition to the London pilot that was previously announced at the 2017 Autumn Budget.
- Inclusion of the additional Improved Better Care Funding, previously announced at the March 2017 Budget.
- An additional £31m in Rural Services Delivery Grant for 2018/19
- Additional funding of £150m for Adult Social Care

Overall Funding: Core Spending Power

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

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

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

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

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

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

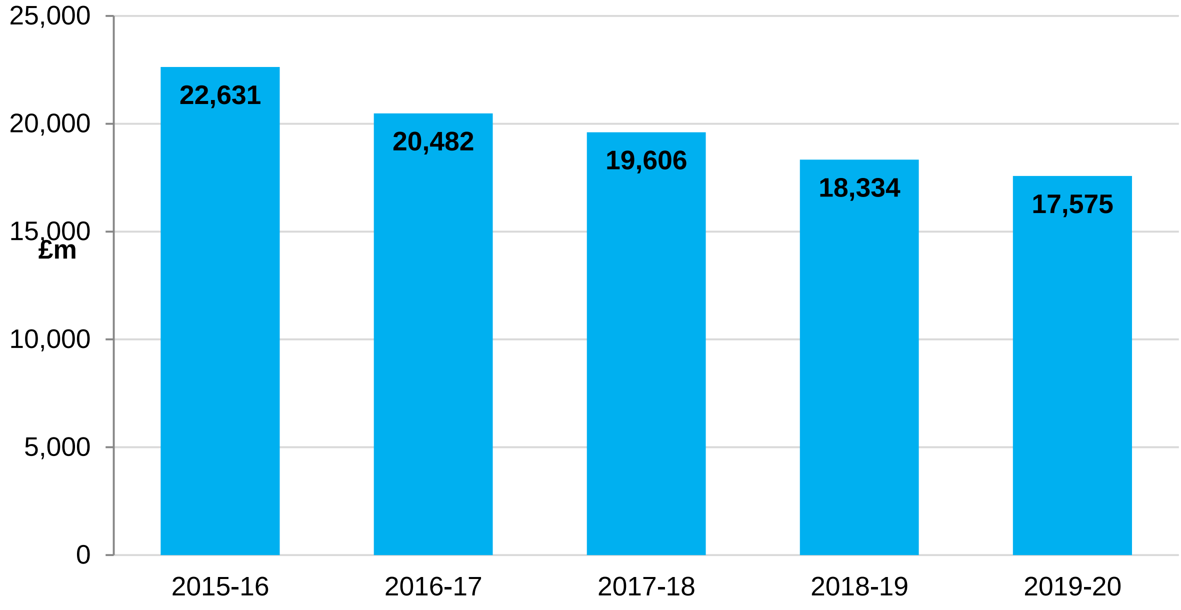
7.5 The table above shows:

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

Core Spending Power: Excluding Council Tax

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

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



Social Care Precept

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

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

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

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

Council Tax

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

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

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

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

New Homes Bonus

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

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

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

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

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

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

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

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

Four Year Settlements

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

Fair Funding Review

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

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

Business Rates Retention: Future Changes

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

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

Business Rates Pilots

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

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

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

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

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

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

8 Local Government Finance Settlement 2018/19 – Croydon

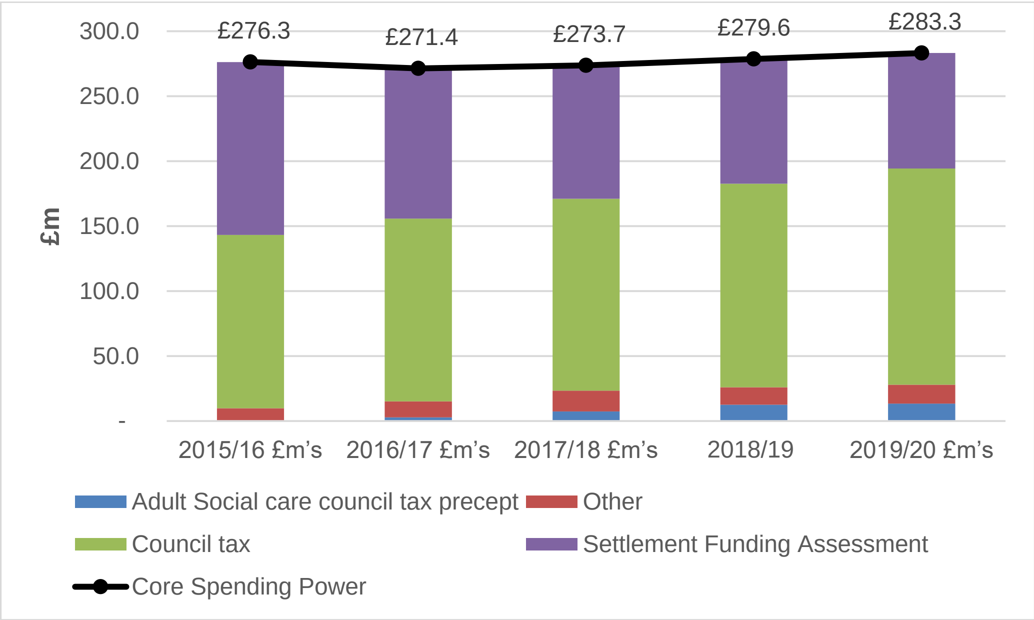
8.1 The published Core Spending Power figures for Croydon are shown in the table and graph below. The funding per head reduces in real terms from £726 per person in 2015 to £631 in 2020. This is a reduction of 13% or £95 per head.

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

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

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

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



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

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

Council Tax

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

New Homes Bonus

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

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

Improved Better Care Fund

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

London Pilot

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

Business Rates Retention Changes

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

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

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

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

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

Fair Funding Review

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

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

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

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

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

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

8.17 The review will:

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

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

i) relative needs,

ii) relative resources, and

iii) transitional arrangements.

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

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

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

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

Table 17 – Settlement Funding Assessment per Head

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

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

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

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

9 Homelessness Reduction Act

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

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

10.0 Public Health grant

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

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

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

11.0 Dedicated Schools Grant (DSG)

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

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

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

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

Schools Block

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

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

11.7 In 2017/18 Croydon's funding rate for the Schools block was £4,794.79 per pupil. In 2018/19 the NFF has used a similar allocation methodology, but rather than one rate for all pupils funding has been split to be one rate for primary pupils and one for secondary pupils. The rates per pupil are £4,238.50 for primary pupils and £5,317.93 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 24th out of 32

London boroughs. This is the same ranking position as 2017/18. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of the gap between how much extra a pupil in one of our nearest neighbours is funded compared to Croydon.

High Needs

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

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

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

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

Early Years

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

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

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

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

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

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

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

13.0 Capital Budget 2018/21

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

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

Table 18 – Capital Programme

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

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

Table 19: Funding for the capital programme

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

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

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

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

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

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

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

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

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

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

Revolving Investment Funding (RIF) for Housing and other development

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

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

Growth Zone

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

<u>Table 20 Indicative breakdown of Growth Zone projects</u>

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

Section 106 and Community Infrastructure Levy (CIL)

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

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

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

Table 21 – S106 breakdown of funds

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

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

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

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

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

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

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

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

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

Housing Programme

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

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

Repair and Improvement of council stock

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

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

Capital Allowance (HRA)

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

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

14 Housing Revenue Account (HRA)

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

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

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

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

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

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

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

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

Disposal of "high value" properties

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

Right to Buy

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

Changes in Rent

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

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

Table 22 – Comparison of rents in Croydon

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

Service Charges

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

14.14 The charges for 2018/19 will therefore be:

Table 23 –2018/19 Tenant Service Charges

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

Heating charges

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

Garages and parking spaces

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

Table 24 – 2018/19 Parking and Garage Charges

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

HRA Savings

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

Table 25 – 2018/19 HRA Savings Proposals

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

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

15 **Treasury Management**

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

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

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

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

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

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

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

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

Growth and Savings in service expenditure

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

Local Taxation

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

The Level of Reserves and Balances

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

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

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

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

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

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

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

16.14 Table 26 shows the schools reserves position.

Table 26 Reserves (Schools)

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

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

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

17.0 Summary and Conclusions

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

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

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

18.0 Financial Considerations

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

19.0 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

Budget and Council Tax Setting

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

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

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

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

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

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

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

Discretionary Council tax reduction for Care Leavers Scheme:

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

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

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

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

20.0 HUMAN RESOURCES IMPACT

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

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

Table 27 – Indicative net reduction on posts per department

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

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

Pay Policy Statement

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

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

20.5.1 The remuneration of its senior staff including chief officers

20.5.2 The remuneration of its lowest paid employees

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

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

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

21 EQUALITIES CONSIDERATIONS

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

- Eliminate unlawful discrimination, harassment and victimisation;

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

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

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

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

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

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

- Pensioners on low incomes.

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

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

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

23.0 ENVIRONMENTAL IMPACT

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

24.0 CRIME AND DISORDER REDUCTION IMPACT

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

25.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

26.0 OPTIONS CONSIDERED AND REJECTED

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

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

Background documents: none

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People Department Budget Options **Appendix A**

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

PLACE DEPARTMENT BUDGET OPTIONS

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

RESOURCES DEPARTMENT BUDGET OPTIONS

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

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

Chief Executives Office Budget Options | **Appendix A**

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

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Appendix C
Cabinet Report 26th February 2018

SUMMARY OF REVENUE ESTIMATES - FINANCIAL STRATEGY PLANNING MODEL

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

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Appendix D
Cabinet 26th February 2018

COUNCIL TAX 2018/19 INCREASES

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

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

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

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

OVERALL CHANGE
5.01%

RECOMMENDATIONS FOR COUNCIL TAX REQUIREMENT 2018/19

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

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

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

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

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

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

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

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

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

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

(H) That, having calculated the aggregate in each case of the amounts at (F) and (G) above the Council, in accordance with section 30(2) of the local government finance act 1992, hereby set the following amounts as the amounts of council tax for the year 2018/19 for each of the categories of dwellings shown below:-

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

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

Dear Roger,

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

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

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

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

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

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

Delivering for Croydon

General comments

Timing of the Settlement

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

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

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

Disproportionate cuts to local government

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

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

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

Acute funding pressures facing London local government

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

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

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

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

Council tax principles

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

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

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

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

Reductions in New Homes Bonus funding

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

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

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

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

The continued lack of transparency

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

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

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

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

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

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

Future of the local government finance system

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

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

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

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

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

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

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

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

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

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

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

Consultation Questions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

46. See paragraphs 15-17 above.

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

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

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

Yours sincerely

Richard Simpson
Executive Director Resources and S151 Officer

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Appendix G

Cabinet Report 26th February 2018

DEDICATED SCHOOLS GRANT (DSG)

Table 1 – 2018/19 DSG Funding Breakdown

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

2018/19 DSG allocation for Croydon

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

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

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

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

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Croydon Council

Cabinet 26th February 2018
Appendix H

Pay Policy Statement 2018-19

1. Introduction

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

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

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

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

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

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

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

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

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

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

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

2. Pay structure

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

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

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

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

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

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

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

3. Remuneration

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

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

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

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

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

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

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

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

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

Additional remuneration elements

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

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

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

3.5. on the engine size and emissions of the employee's car as shown in Appendix A.

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

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

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

Remuneration on appointment

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

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

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

Redundancy payments and payments on leaving

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

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

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

Re-employment of officers previously made redundant and retirement

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

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

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

4. Remuneration of lowest paid employees

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

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

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

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

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

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

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

6. Non-permanent staffing resources

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

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

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

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

7. Publication

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

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

End

Appendix A

Pay structure for Tier 1 and Tier 2

Tier 1: 01 April 2018 to 31 March 2019

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

Tier 2: current (2017-18)

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

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

Car allowances and mileage payments

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

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

Appendix B

CROYDON COUNCIL

RELOCATION SCHEME

Introduction

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

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

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

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

Eligibility

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

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

Conditions

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

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

The employee is responsible for:

- taking steps to sell their property (if applicable) and obtaining accommodation within reasonable travelling distance (90 minutes) within 6 months of their start date with Croydon Council.

- seeking approval for any relocation expenses prior to incurring the expense.

- signing the three year agreement

- providing a full breakdown of costs and comprehensive receipts for all expenses claimed for under the scheme. Bank statements or credit card receipts cannot be accepted.

- providing at least two quotes if claiming for removal expenses.

The manager is responsible for:

- obtaining approval of the Director of Human Resources and their Director and the correct financial authorisation (including departmental expenditure panel if relevant), before offering a relocation package

- subject to the eligibility criteria, informing the successful candidate of the relocation scheme when offering the appointment

- ensuring that finances are available to fund a relocation package

- agreeing with the employee the types of expenses they are able to cover and the maximum amount to be paid

- reviewing the situation if positive steps are not being taken by the candidate/employee to sell and/or buy a new property within 6 months of starting their employment.

- ensuring an agreement is signed by the employee and storing a copy on their personal HR file

- keeping a copy of the agreement, a full breakdown of costs, receipts and quotes.

- arranging for payment(s) to be paid into the employee's bank account before the end of the tax year following their appointment date and that taxable payments are paid via Payroll

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

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

Tax

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

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

*subject to tax and NI contributions

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

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

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

1. SCOPE AND PURPOSE OF SCHEME

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

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

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

2. GENERAL

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

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

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

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

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

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

4. REDUNDANCY

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

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

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

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

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

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

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

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

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

6. COMPLYING WITH LEGISLATION

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

End

Appendix 1

"Ready Reckoner" For Statutory Redundancy Pay

Figures in grid show the number of weeks pay due

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

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

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

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

Notes:

Statutory redundancy payments are based on length of continuous service (up to max of 20 yrs) and age as follows:

- for each completed year of service up to age 21 inclusive: half a week's pay
- for each completed year of service from age 22-40 inclusive: one week's pay.
- for each completed year of service from age 41 inclusive: one and a half week's pay.

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REPORT TO:	**CABINET 26 February 2018**
SUBJECT:	**QUARTER 3 FINANCIAL PERFORMANCE 2017/18**
LEAD OFFICER:	**RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)**
CABINET MEMBER:	**CLLR TONY NEWMAN LEADER OF THE COUNCIL CLLR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT:

The recommendations in the report will help to ensure effective management, governance and delivery of the Council's medium term financial strategy and ensure a sound financial delivery of the 2017/18 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.

AMBITIONS FOR CROYDON & WHY WE ARE DOING THIS:

Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2015 - 2018, 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.

FINANCIAL IMPACT

The reduced financial settlement and ongoing demand pressures on a range of statutory services is resulting in pressures to the Council's budget, and resulting in a forecast over-spend at Quarter 3.

FORWARD PLAN KEY DECISION REFERENCE NO.

Not 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

Cabinet is recommended to :

i) Note the current revenue outturn forecast at the end of the third quarter of 2017/18 of **£0.369m underspend,** this is before exceptional items of **£6.23m**, resulting in a total overspend of **£5.861m**;

ii) Note the **£4.7m** collection fund surplus released on the 1st April 2018 which can offset the overspend. This would leave a net drawdown on general fund balances of **£1.161m**.

iii) Note the ongoing engagement with and lobbying of Government by the Council for additional funding for Croydon, both in general terms and specifically Unaccompanied Asylum Seeking Children given Croydon's gateway status, fire safety measures and mitigation of the impact of the Universal Credit implementation, notably Croydon's pilot status.

iv) Note the HRA position of a **£0.274m** forecast underspend against budget;

v) Note the capital outturn projection of **£61.9m** forecast underspend against budget;

vi) Approve the changes to the capital programme to include new schemes of **£2.1m**, set out in Table 5, Section 7.2

vii) Endorse the approval of the 2018/19 Discretionary Business Rates Relief Scheme, as discussed in paragraphs 8.5 to 8.10 and set out in full in Appendix 3

2. EXECUTIVE SUMMARY

2.1 This report updates the Council's financial outlook at the end of the third quarter of 2017/18, which remains against a context of a series of adverse national funding changes affecting Local Government finance.

2.2 The budget set in February 2017 for 2017/18 assumed grant reductions of 11.2**% (£12.9m)** in the financial year. To manage this reduction there were a number of savings totalling **£19.5m** built in to the budget. Alongside these savings there was growth of **£13.8m** and assumptions around increased levels of income.

2.3 Croydon Council remains under huge financial pressures, deriving notably from:

- Historic underfunding of Croydon over the last 15-20 years,
- Cumulative cuts of more than 75% of government funding between 2010/11 and 2019/20,
- Failure to recognise the inflationary pressures the Council is subject to,
- Chronic underfunding of adult social care and children's social care – the Local Government Association has reported that three quarters of local authorities with responsibility for social care are showing overspends and estimates that, by 2019/20, there will be a £2billion funding gap for each of adult social care and children's social care in England,
- Substantial population increase,
- Significant growth in demand for services, both from demographic pressures, such as an aging population and changes to the make-up of the Croydon population
- Impact of welfare reform, notably the benefits cap, freezing of in-work benefits, local housing allowance, universal credit,
- Underfunding of new duties, such as Health Visiting, Deprivation of Liberty assessments and the Homelessness Reduction Act,
- Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC),
- Impact of the underfunding of the health economy,

- Failure to fund the cost of building new schools,
- Failure to fund essential safety costs associated with Grenfell Tower,
- Restrictions on council housing, the Housing Revenue Account borrowing cap, rent restrictions, rules on right-to-buy receipts.
- Delivering improvement as a result of the recent Ofsted inspection findings in Children's Social Care.

2.4 The financial monitoring process has identified a number of pressures across the council with the most significant being with Children and Adults social care. The Council's overall forecast revenue over spend of **£5.861m** is made up of Departmental over spends of **£4.597m,** non departmental under-spends of **£4.966m** and exceptional items **of £6.230m.** These exceptional costs relate to additional costs associated with Unaccompanied Asylum Seeking Children (UASC) over and above the burden on Croydon council taxpayers assumed in the 2017/18 budget and the impact of the failure of Central Government to implement the provisions of the Immigration Act as far as they would impact on No Recourse to Public Funds costs for UASC and the impact of Universal Credit in Croydon. Without these exceptional items the forecast underspend would be **£0.369m**, as shown in table 1 below.

2.5 If the **£5.861m** forecast overspend is not reduced by the end of the year it will result in a reduction in our usable balances, either unallocated reserves or earmarked reserves. The Council's collection fund is currently in surplus, however due to accounting restrictions the surplus isn't released until the year following the year it is achieved. At the current time this is expected to be **£4.7m** and can be released on the 1st April 2018. This has not been assumed in our budget planning, and can therefore all be released to go back into reserves in 2018/19. Therefore based on the current forecast the reduction in unallocated reserves after the allocation of the collection fund surplus would be **£1.161m**. This represents approximately 0.5% of the council's net budget.

Table 1 – Summary of forecast revenue outturn position at Quarter 3

Department	Quarter 3 Forecast Variance £'000s	Quarter 2 Forecast Variance £'000s
People	5,664	4,694
Place	(2,259)	0
Resources	442	396
Chief Executives	750	750
Council wide recruitment freeze	0	(2,000)
Departmental Overspend	**4,597**	**3,840**
Corporate Items	(4,966)	(3,043)
Sub Total	**(0.369)**	**797**
Exceptional Items	6,230	4,300
Total Projected Over-spend	**5,861**	**5,097**

2.6 The Council is continuing to make a concerted drive for fairer funding for Croydon. The Leader of the Council and the Cabinet Member for Finance and Treasury met with the Immigration Minster on the 16th November and follow up discussions are taking place between council officers and the Home Office to ask for a re instatement of our Gateway funding which would increase our funding by **£2m** in 2017/18. We have also highlighted a number of other areas where prioritisation by the Home Office could result in a saving to Croydon, including prioritising unresolved appeals for families with no recourse to public funds and a co-ordinated approach to enforcement action with individuals where appeal rights are exhausted.

2.7 The government have announced an additional £19m of controlling migration funding to help manage the pressures of UASC. Draft allocations were announced in January. Croydon has been allocated £380,000 just 2% of the total allocation despite us having just under 10% of the children in our care and our 'gateway authority' duties. The Leader has written to Ministers to express concern about the fairness of this allocation in advance of the final allocations being confirmed.

2.8 We also continue to engage with the Department for Communities and Local Government seeking funding of **£10m** for fire safety works following the tragic incident at Grenfell Tower. The Cabinet Member for Homes, Regeneration and Planning has written to the Secretary of State twice seeking commitment to fund essential safety works in Croydon. To date, responses form the DCLG have been disappointing and have failed to provide any funding, stating that our works do not meet the department's criteria of essential safety works and that the government expects Croydon to fund measures to make buildings safe.

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

2.10 Details of major variances are provided in Table 2, Section 3 of this report, with further information about all projected outturn variances available in Appendix 1 to this report.

3. GENERAL FUND 2017/18 REVENUE SUMMARY

3.1 The projected outturn position at the third quarter of 2017/18 is showing the effect of anticipated saving and recovery plans that are being implemented.

3.2 The 2017/18 budget was set with the inclusion of growth to help manage previously identified pressures and ambitious savings targets. Despite this growth there continues to be increasing demand for the services in the People department in relation to adult and children's social care. There are also a number of areas of budget pressures in the Resources department relating to utility costs and SEN transport.

Table 2 – 2017/18 significant variances over £500k

Department	Major Variances over £500k	Quarter 3	Quarter 2	2016/17 Outturn
		£'000	**£'000**	**£'000**
PEOPLE				
Early Help and Children's Social Care (CSC)	**Early Help and CSC Directorate** – Increased legal costs driven by additional demand, and delays in achieving digital and enabling savings	422	1,149	769
	Care Planning Service - Increase in the cost of section 17 B&B places, which are court driven. Additional costs of supernumerary and locum staff	1,475	1,208	2,495
	Looked After Children - Increase in the number of external placements and specialist foster care placements. Increase in costs due to court driven assessments.	5,028	3,241	3,093
	Early Help and MASH –Savings associated with supplies and services, transport and third party payment underspends.	(235)	(235)	(1,304)
	Release of Reserves no longer required	(861)	0	0
Adult Social Care & All Age Disability	**25 -65 Disability Service** - Increase in cost of care packages and staff costs as a result of rising demand	959	678	2,115
	Over 65s provider services social care(assessment, care management & hospital discharge) – Overspend primarily in care packages due to increase in domiciliary care provision	1,236	870	(480)
	Disability Commissioning and Brokerage-Staffing vacancies	(670)	(560)	0
	Directorate- Delays in achieving Digital and Enabling savings and increased enhanced pension costs	721	717	0
0-25 Send Service	Increase in transitions, care packages and staffing costs	3,455	2,897	1,331
People Directorate	Improved Better Care Fund (IBCF)	(5,268)	(5,268)	0
	People Department Variances below £500k	(598)	(3)	1,979
	PEOPLE Total	**5,664**	**4,694**	**9,998**

Department	Major Variances over £500k	Quarter 3 £'000	Quarter 2 £'000	2016/17 Outturn £'000
PLACE				
Streets	**Highways** – Credit amounts relating to PFI Street Lighting contract, and energy costs {HOW COME THIS HAS VARIED SO MUCH BETWEEN Q2 AND Q3}	(1,754)	(2,404)	0
	Waste - pressure on cost of disposal caused by 2.8% year-on-year growth on landfill tonnages plus shortfall on rebate for recycled material	1,332	1,628	1,527
Gateway and Welfare	Universal Credit costs reported as an exceptional item	(2,300)	0	0
	Place Department Variances below £500k	463	776	(993)
	PLACE Total	**(2,259)**	**0**	**534**

Department	Major Variances over £500k	Quarter 3 £'000	Quarter 2 £'000	2016/17 Outturn £'000
RESOURCES				
Commissioning and Improvement	**SEN transport –**Increasing service demand and complexity of need, only partly offset by route management, independent travel training and other initiatives	3,336	2,689	1,013
Customer and Corporate Services	**Facilities Management –**Various savings on FM and Assets and review of split of FM costs between capital and revenue	(1,149)	(1,229)	267
Customer and Corporate Services	**ICT –** service credits, rebasing of contract and increased project work	(1,500)	(702)	0
Legal Services	**Legal** –Use of in house legal team	(594)	(1,101)	(551)
	Resources Department Variances below £500k	349	739	(848)
	RESOURCES Total	**442**	**396**	**(119)**

Department	Major Variances over £500k	Quarter 3 £'000	Quarter 2 £'000	2016/17 Outturn £'000
CHIEF EXECUTIVES OFFICE				
	Delay in achieving Digital advertising income	750	750	0
	CHIEF EXECUTIVES Total	**750**	**750**	**0**

Total Departmental Overspend	**4,597**	**5,840**	**10,413**

Council Wide recruitment freeze (except Children's improvement posts/ HRA funded/ capital funded & transformation funded posts)	**0**	**(2,000)**	**0**

Revised Departmental Overspend	**4,597**	**3,840**	**10,413**

Department	**Major Variances over £500k**	**Quarter 3 £'000s**	**Quarter 2 £'000**	**2016/17 £'000**
CORPORATE ITEMS				
	Use of contingency budget	(1,000)	(1,000)	(1,000)
	Minimum Revenue Position and Interest borrowing costs lower than projected, due to slippage within the capital programme	(2,387)	(2,337)	(1,888)
	Additional government grant anticipated –Section 31 Grants	(1,220)	(1,220)	(5,888)
	Other corporate items under £500k	(359)	1,511	(1,687)
	CORPORATE ITEMS TOTAL	**(4,966)**	**(3,046)**	**(10,463)**
	SUB TOTAL BEFORE EXCEPTIONAL ITEMS	**(369)**	**797**	**(50)**
Exceptional Items – UASC and NRPF and Universal Credit		6,230	4,300	0
	TOTAL VARIANCE	**5,861**	**5,097**	**(50)**

3.3 The People Department overspend in 2017/18 is £5.664m and continues to be made up of pressures in children's social care and adult social care. The major change is driven by the increase in looked after children and the complexity of those placements. The People Department also has exceptional items relating of £3.93m, a reduction of £0.4m from quarter 2.

3.4 The total exceptional items reported at quarter 3 continue to relate to UASC and clients with No Resource to Public Funds (NRPF), and Universal Credit, all of which we are continuing to lobby the government to fund. The UASC pressure has reduced to £2.93m since Quarter 2 and the unachievable £1m savings target for No Recourse to Public Funds remains the same as quarter 2. We are also now reporting the impact of universal credit as an exceptional item rather than within the department items, this is estimated to be £2.3m. These items are again considered to be exceptional. The UASC increase is as a result of the Home Office continuing to only fund a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored. The Home office are committed to reviewing rates of funding before April but we are not aware of the impact on Croydon at this stage. The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act. In addition to these exceptional items Croydon also funds in excess of £4m of other costs relating to NRPF across Adults, Children's and Gateway services from our own resources. The Universal Credit pressure is as a result of the scheme in year, the government is making changes to Universal Credit from 1st April 2018 and we are continuing to lobby the government

3.5 The Improved Better Care Funding is for a three year period and was allocated in two tranches. Tranche 1 was allocated in spending review 2015 and formed part of adult social care core funding to mitigate the reduction in core grant funding. This allocation was built in to base budgets and enabled protection from cuts. Tranche 2 was allocated in the spring 2017 budget. This money will be spent across the health and social care sector to ensure the criteria of the funding of Meeting Adult Social Care Needs, Supporting Hospital Discharge and Stabilising the Social Care provider Market are met.

3.6 The national pressures faced in adult social care, estimated by the LGA to reach some £2bn by 19/20, are well documented and short term funding through the council tax precept and IBCF show government has also acknowledged these pressures in part. The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2015/16 councils surpassed their children's social care budgets by £605m in order to protect children at immediate risk of harm. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16.

3.7 The chair of the LGA's Children and Young People Board, has recently said: "The fact that the majority of councils are recording high levels of children's services overspend in their local areas shows the sheer scale of the funding crisis we face in children's social care, both now and in the near future."

3.8 There are calls on the government to introduce a fairer funding system based on demand for services. Referrals to children's services have increased and the number of children subject to child protection plans has doubled in the last decade. "Government needs to take note on this issue sooner rather than later, otherwise we are sleepwalking into another funding crisis for services that less fortunate young people rely on. LGA noted that a nationwide children's services funding gap of £2bn will exist by 2020. As detailed in this report we are continuing to experience rising demand and costs.

3.9 This year to date, Children's Social Care assessments have increased by 16%, and the number of children with a Child Protection Plan has also increased by 10%, contributing to towards the reported overspend.

3.10 The findings from the last year's Children's Social Care Ofsted inspection have put increased pressure on our financial resources. Some £4m has been allocated from transformation funding to support the targeted improvement work over the remainder of this year. Growth of £10.7m has been allocated in the 2018/19 budget to reflect the growth pressures in this area.

3.11 The excellent work on reducing the level of homelessness in the borough would be showing a significant favourable variance in the forecast outturn, were it not for the concerns about the level of bad debt being experienced in this area as a direct result of benefit reform, most notably the rules around universal credit.

3.12 With Croydon having been a Universal Credit Pilot Authority we have been unfairly subject to increased financial pressures with bad debt increasing by £1.5m in year. We will be continuing to lobby the government to correctly fund this.

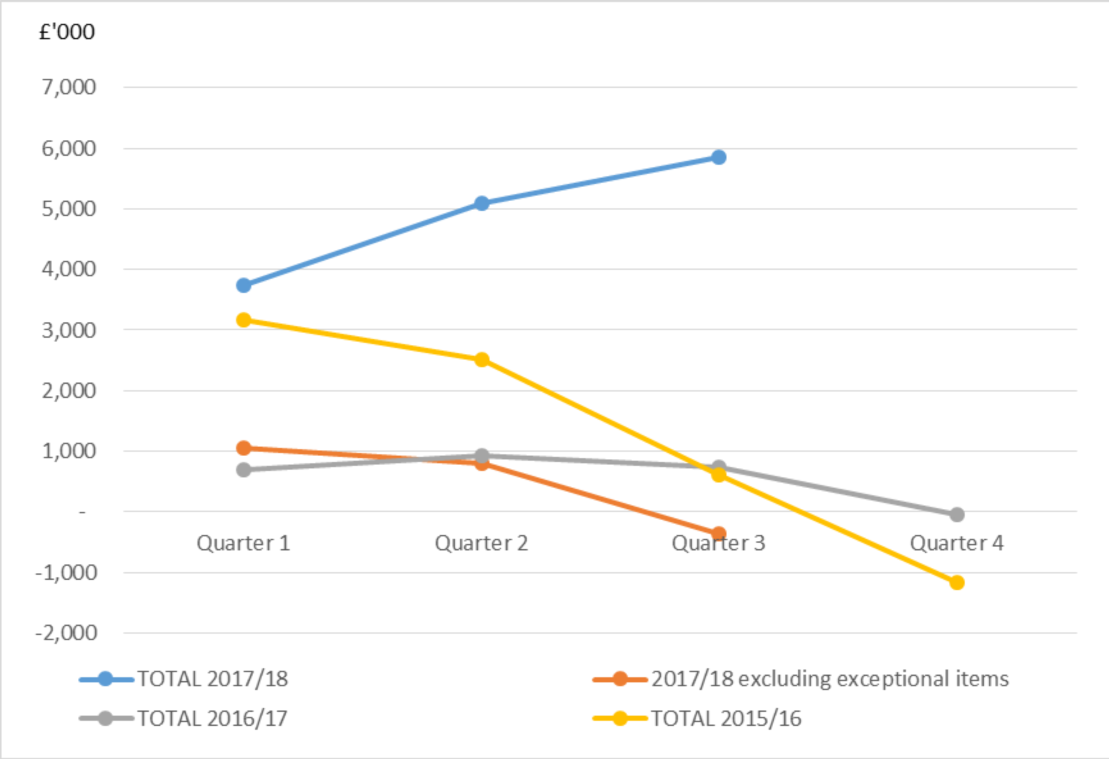
3.13 Alongside this we have also increased our Discretionary Housing Payments from the £1.7m awarded by Government to £3.2m, with the difference of £1.5m funded directly from Council resources.

3.14 To help manage the budget and mitigate rising costs a Council wide recruitment freeze was put in place in November for all but essential posts. Whilst £2.0m was estimated in the Quarter 2 report, the effects of this are now shown within the departmental position.

4 GENERAL FUND REVENUE SUMMARY POSITION 2017/18

4.1 Graph 1 below shows the forecast variance for 2017/18 compared to previous years. The Council continues to manage its finances through the rigorous monitoring and control of spending within the framework of the Financial Strategy.

Graph 1 – Forecast Variances



5 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

5.1 There are no virements requiring approval.

6. HOUSING REVENUE ACCOUNT (HRA)

6.1 The current forecast for the HRA is for an estimated underspend of £0.274m. The key variances being reported at Quarter 3 are summarised in Table 3 below:

Table 3 – 2017/18 Main variances within the HRA

Department	Major Variances	Quarter 3 £'000	Quarter 2 £'000	2016/17 Outturn £'000
HRA – HOUSING NEEDS	Staff Savings – Vacant Posts	(150)	(364)	(432)
HRA – DISTRICT CENTRES AND REGENERATION	Staff Savings – Vacant Posts and saving on HRA project review team	(124)	(374)	(306)
TOTAL HRA PROJECTED VARIANCE		**(274)**	**(738)**	**(738)**

6.2 Longer term budget planning for the HRA is continuing to take place and includes reviewing the impact of the Housing and Planning Act 2016 to understand and model the impact of future rent reductions. The Council will also continue to model the likely impact of the high value asset levy, and we still await confirmation if the government will continue with this policy.

6.3 As previously reported to this Cabinet, Croydon Affordable Homes LLP will be responsible for managing a number of affordable rented properties working alongside Brick by Brick and The Hub to deliver these additional properties by 2019. This is in addition to the 93 street properties that were purchased under the ETA (Emergency Temporary Accommodation) programme that have been transferred to the LLP and the additional street properties that are currently being purchased.

6.4 Ongoing fire safety works are continuing and will continue to be funded from the HRA as a result of the government failing to provide funding for these essential works. As previously reported this investment will be in the region of £10m, with works commencing this financial year and completing in 2018/19.

7. FORECAST CAPITAL OUTTURN POSITION

7.1 The high level Capital programme for 2017/18 is shown in Table 4 below, full details of all projects are shown in appendix 2. A forecast under spend of £61.995m is projected for 2017/18.

Table 4 – 2017/18 Capital Programme

Original 2017/18 Budget £'000s		Carry forward from 2016/17 £'000s	Re-profiling / Increases in Schemes £'000s	Revised Budget 2017/18 £'000s	Actuals April-Dec 2017 £'000s	Forecast Outturn £'000s	Forecast Variance £'000s
68,748	PEOPLE DEPT	26,565	(21,818)	73,495	34,324	51,469	(22,026)
311,780	PLACE DEPT	21,357	(199,102)	134,035	32,549	104,256	(29,779)
6,246	RESOURCES DEPT	5,364	3,079	14,689	2,624	9,459	(5,230)
386,774	**GENERAL FUND TOTAL**	**53,286**	**(217,841)**	**222,219**	**69,497**	**165,184**	**(57,035)**
27,051	**HOUSING REVENUE ACCOUNT**	**3,943**	**0**	**30,994**	**14,964**	**26,034**	(4,960)
413,825	**CAPITAL PROGRAME TOTAL**	**57,229**	**(217,841)**	**253,213**	**84,461**	**191,218**	**(61,995)**

7.2 The revised budget has been update to include new schemes into the 2017/18 capital programme. These schemes have been prioritised in year as they are associated with invest to save schemes, statutory duties and new contracts delivering improved services. These new additions will be funded from underspends elsewhere within the programme. Details of these schemes can be found in Table 5 below.

Table 5 – Additional schemes included within the capital programme

Project Title and description of scheme	Amount £000s
Highway - bridges and highways structures	160
Highways - flood water management	230
Leisure centres equipment upgrades associated with the new contract	976
Highways - Tree planting	179
Parking investment - Digitisation of Traffic Management Orders Parking	20
Surrey Street shop front Improvement,	25
Asset Management Projects	510
Total projects added to Capital Programme	**2,100**

7.3 In addition to these new items the HRA capital programme has been reprofiled to fund fire safety works, and to enable this important work to take place other works have been postponed.

7.4 The main reported variances on projects within the Council's capital programme are as follows:

7.4.1 **New Addington Leisure Centre** (£13.373m) – this project has been re-profiled but with no overall change to the final completion date, and the majority of the work is now expected to be delivered in 2018.

7.4.2 **Onside Youth Zone** (£3.436m) – This scheme has been re-profiled and £135k is forecast to be spent in 2017/18. With the scheme due for completion by January 2019.

7.4.3 **Blackhorse Road Bridge** (£2.053m) - work expected to be delivered in 2018/19.

7.4.4 **Education Programme** (£15.2m) – Schemes re- profiled to 2018/19.

There are a number of other capital schemes where the cash flow is not as forecast and the spend will now take place in 2018/19, full details are in appendix 2.

7.5 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 6 below details the funding for the original 2017/18 budget, the revised programme and the forecast outturn.

7.6 The majority of the general fund borrowing detailed excluding that specifically identified for the Revolving Investment Fund is to fund the education programme due to the inadequate level of funding received from Government and the essential need to provide school places in the borough.

Table 6 – Sources of capital funding

	Original Budget 2017/18 £'000s	Revised Budget 2017/18 £'000s	Forecast Outturn 2017/18 £'000s
Borrowing	61,810	97,461	54,960
Capital Receipts	20,644	0	0
External Grants – Education	2,104	9,631	9,601
Transport for London	4,154	4,912	4,837
External Grants – Coast to Capital LEP	14,000	14,000	14,000
Better Care Fund	1,600	2,846	1,500
Other Grants	0	2,105	1,195
Growth Zone	2,000	2,000	1,808
Section 106	745	2,134	1,633
Community Infrastructure Levy (CIL)	7,000	7,000	7,000
Borrowing (RIF)	274,717	80,130	68,650
General Fund – Funding Total	**386,774**	**222,219**	**165,184**
Major Repairs Allowance	17,903	17,903	17,903
Revenue Contributions to Capital	2,697	6,640	1,680
HRA Receipts	6,451	6,451	6,451
HRA – Funding Total	**27,051**	**30,994**	**26,034**
Capital Programme Total	**413,825**	**253,213**	**191,218**

8. FINANCIAL MANAGEMENT

8.1 The Council Tax and Business Rates are two key income streams for the Council. Collection rates for the current year are show in Table 7 below:

Table 7 - Council Tax and Business Rates collection

	Target collection– year to date %	Actual collection – year to date %	Variance to target – year to date %	Variance - last year - at Q3 %
Council Tax	81.76	81.02	-0.74	-0.52
Business Rates	84.01	82.67	-1.34	-1.81

Council Tax

8.2 At the end of quarter 3 Council Tax collection was down by 0.74% on the end of month target. As with the previous quarter, this is again due to the amount of council tax owing to the council increasing towards the end of the quarter. This increase in the amount to collect arises from new properties becoming liable, and the removal of discounts from existing accounts.

8.3 Because there was no opportunity to collect an instalment before the end of the quarter, the collection rate has been impacted at the end of Quarter 3. However, it is expected that the Council will achieve the full year target of 97% as collection catches up in the final quarter.

Business Rates

8.4 Business Rates collection is down by 1.34% against target. This position has been affected by refunds made in December. As refunds are made from the current year's income, it counts against the collection rate. However, there is some £750k of income profiled to be collected in February and March of this year, and it is expected that business rates collection will achieve the full year target of 98.75%.

Discretionary Business Rates Relief – 2018/19

8.5 In March 2017, the Government announced that funding would be made available across 2017-18 to 2021-22 to protect businesses from increases in business rates caused by the revaluation of business property. Accordingly, the Council introduced a discretionary scheme in June 2017 cabinet, (later amended in December 2017) to allocate this funding to businesses that had seen their business rates charges increase as a result of the national revaluation.

8.6 The discretionary scheme for 2017/18 was only applicable for that financial year and it is therefore necessary to consider the 2018/19 scheme for approval for the upcoming financial year. The 2018/19 proposed scheme can be found in Appendix 3, and it is proposed that it will keep the same principles as the 2017/18 scheme, namely:

- Relief will only be allocated where a qualifying ratepayer's bill has increased due to the 2017 revaluation;
- The maximum amount of relief available will be £5,000 per property;
- Relief awarded will be after all other reliefs and exemptions have been applied;
- Properties not in the list at 1 April 2017, or properties where chargeable occupation ceases will not be eligible to receive support;
- The following types of uses will not be eligible for local discretionary business rates relief:
    - Betting shops and premises
    - Public Houses (in receipt of a separate funding scheme)

8.7 The funding allocations to Croydon are set out in table 8 below. However, because the level of funding made available by Government is reducing each year, the following changes are proposed to the scheme:

- Only ratepayers in receipt of discretionary support in 2017/18 are in scope of the 2018/19 scheme, as this is a pre-condition to have been affected by the revaluation
- Discretionary support will not be offered to large businesses (rateable value over £100k) in 2018/19: only small and medium business will received discretionary support. Note: large businesses will continue to receive an award of national transitional funding, where applicable.
- Discretionary relief will be added at a single relief rate to either small or medium businesses

Table 8 – Discretionary funding for business rates revaluation

	2017/18 £'000s	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	Total £'000s
Croydon Council	1,791	870	358	51	3,070

8.8 Table 9 shows the anticipated effect of these changes in the award of funding:

Table 9 – Anticipated relief of discretionary funding

		2017/18		2018/19	
Business Type	**Total properties in borough**	**Actual award of relief**		**Anticipated award of relief**	
		number	**£'000**	**Number**	**£'000**
Small	6,921	2,493	749	2,038	352
Medium	1,308	798	650	678	524
Large	580	265	377	0	0
Total	**8,809**	**3,556**	**1,776**	**2,716**	**876**

8.9 Numbers of recipients has reduced as businesses cease to be eligible during the year (e.g. by ending their rateable occupation) but new accounts will not become eligible retrospectively, as the funding can only be used to support rate payers directly affected by the April 2017 revaluation.

8.10 If endorsed, the proposed scheme will be agreed by delegated decision ahead of the 2018/19 annual billing process for business rates, ensuring that it is reflected in initial 2018/19 bills, which will ensure disruption for ratepayers is at a minimum.

9. CONSULTATION

9.1 All departments have been consulted during the preparation of this report.

10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

10.1 This report sets out the current financial position of the Council, and actions being taken to address the projected overspend.

The report is submitted by the Richard Simpson – Executive Director of Resources (Section 151 Officer)

11. COMMENTS OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

11.1 The Solicitor to the Council comments that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

11.2 The Local Government Act 1972 Section 151 states that each local authority has a statutory duty to make arrangements for the proper administration of their financial affairs. In addition, the Accounts and Audit Regulations 2015 impose an explicit duty on the Council to ensure that financial management is adequate and effective and that they have a sound system of internal control, including arrangements for the management of risk.

11.3 "Proper administration" is not statutorily defined; however, there is guidance, issued by CIPFA on the responsibilities of the Chief Finance Officer (CFO). This states that local authorities have a corporate responsibility to operate within available resources and the CFO should support the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework. Regular monitoring of the Council's actual expenditure to budget and forecasting of the expenditure for the full year is part of the proper administration and governance of the Council.

11.4 Statutory Guidance on the Flexible Use of Capital Receipts has been issued under the Local Government Act 2003. By Section 15(1) the Council is required to have regard to this guidance. The guidance applies with effect from 1 April 2016 to 31 March 2019. The guidance should be read alongside the Flexible use of capital receipts Direction made by the DCLG in exercise of its powers under the Local Government Act 2003 Sections 16(2) (b) and 20.

11.5 Provision is made within the Local Government and Finance Act 1988 (“the Act”) as amended (including by section 69 of the Localism Act) for the Council to grant discretionary rate relief subject to parameters as set out within the Act and detailed within the proposed 2018/19 policy . Such rate relief terms are also subject to the terms of the Section 31Grant from Government. The Non-Domestic Rating (Discretionary Relief) Regulations 1989 require authorities to provide ratepayers with at least one year’s notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year.

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

12. HUMAN RESOURCES IMPACT

12.1 The items from the savings packages and action plans included in the report or those that need to be developed in response to the report are likely to have a significant HR impact. These can vary from posts not being re-filled or deleted through restructures proposals leading to possible redundancies. Where that is the case, the Council’s existing policies and procedures must be observed and HR advice must be sought.

Approved by:- Sue Moorman, Director of Human Resources

13 EQUALITIES IMPACT

13.1 The key service areas that currently have over spend in budgets are Children’s Social Care and Adults Social Care. These are areas that provide services to customers from equality groups that share protected characteristics; such as younger people (Looked after Children), people with a disability (Children with special educational needs), older people and BME groups. There are a number of known equality and inclusion issues in the above mentioned service areas such as an over-representation of BME young people in looked after children, over-representation of BME groups and other vulnerable groups, young children with a disability who have a special educational needs and their carers, vulnerable older people with complex needs etc. The mitigating actions, on these specific services are unlikely to affect these groups more than the population as a whole. In fact, a number of those will affect these groups less.

13.2 In addition, there are policy changes made by Government that will impact on the in–year budget, in particular the delay in the implementation of the Immigration Act. The Council will work to ensure key services to Croydon residents are protected wherever possible. However, it is likely that some of the areas affected will be a reduction in Home Office funding for Unaccompanied Asylum Seeking Children, a cut to the Public Health Grant and the Youth Justice Board grant and changes to the Welfare and Housing Bill. There is a likelihood that these cuts will have a more significant adverse impact on some groups that share a protected characteristic such as age, race and disability. Changes to the Welfare and Housing Bill are also likely to have an adverse negative impact on the more vulnerable customers.

13.3 In order to ensure that our vulnerable customers that share a “protected characteristic” are not disproportionately affected by the actions proposed to reduce in year budget over spend we will ensure that the delivery of the cost reduction initiatives are informed by a robust equality analysis of the likely detrimental impact it could have on all services users and in particular those that share a “protected characteristic”.

13.4 If the equality analysis suggests that the cost reductions initiatives are likely to disproportionately impact on particular group of customers, appropriate mitigating actions will be considered. This will enable the Council to ensure that it delivers the following objectives that are set out in our Equality and Inclusion Policy:

- To increase the rate of employment for disabled people, young people, over 50s and lone parents who are furthest away from the job market
- To increase the support offered to people who find themselves in a position where they are accepted as homeless especially those from BME backgrounds and women
- To reduce the rate of child poverty especially in the six most deprived wards
- To improve attainment levels for white working class and Black Caribbean heritages, those in receipt of Free School Meals and Looked After Children, particularly at Key Stage 2 including those living in six most deprived wards
- To increase the percentage of domestic violence sanctions
- To increase the reporting and detection of the child sexual offences monitored
- To reduce the number of young people who enter the youth justice system
- To reduce social isolation among disabled people and older people
- To improve the proportion of people from different backgrounds who get on well together
- To reduce differences in life expectancy between communities

14 ENVIRONMENTAL IMPACT

14.1 There are no direct implications contained in this report.

15 CRIME AND DISORDER REDUCTION IMPACT

15.1 There are no direct implications contained in this report.

16 REASONS FOR RECOMMENDATION /PROPOSED DECISION

16.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position.

17 OPTIONS CONSIDERED AND REJECTED

17.1 Given the current in year-position Executive Leadership Team have been tasked to identify options to achieve a balanced year-end position. The alternative would be to over-spend and draw down on balances, which would not be prudent.

CONTACT OFFICER:

Richard Simpson Executive Director Resources (Section 151 Officer). Tel number 020 8726 6000 ext. 61848

BACKGROUND PAPERS – none

REVENUE VARIATIONS OVER £100K WITH EXPLANATION Appendix 1

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
Early Help and Children's Social Care (CSC)	**Early Help and CSC Directorate** - Increased legal costs and delayed digital and enabling savings	422	1,149
	Care Planning Service - Increase in the costs of Section 17 B&B places, which are court driven. Additional costs of supernumerary and locum staff.	1,475	1,208
	Looked After Children (LAC) - Increase in the number of external placements and specialist foster care placements.	5,028	3,241
	Safeguarding and LAC Quality Assurance - Additional cost of locum posts within Safeguarding and Quality Assurance	251	478
	Early Help and MASH – Revised savings forecast associated with supplies and services, transport and third party payments.	(235)	(235)
	Release of Reserves	(861)	0
	Other Minor Variances < £100k	(80)	4
	Sub-total Early Help Children's Social Care	**6,000**	**5,845**
Adult Social Care & All Age Disability	**Adult Social Care and All Age Disability Service** - Delayed digital and enabling savings and increased enhanced pensions and legal costs	721	717
	25-65 Disability Service - Increase in cost of care packages and staff costs as a result of rising demand, mitigated by transformation funding and use of reserves	960	678
	Disability Commissioning and Brokerage - Underspend relates to staffing vacancies leading to delays in commissioning	(670)	(561)
	Mental Health - Increase in cost of care packages, will be partially met through iBCF funding	468	458
	Over 65s provider services (assessment, care management & hospital discharge) – Overspend primarily in care packages due to increase in domiciliary care provision	1,236	870
	Over 65s Commissioning – a number of minor variances	114	(30)
	Day and Employment Services - Unachievable savings on externally provided day care and lower than budgeted levels of income	305	245
	Transformation and Clienting – additional funding from transformation reserves	(763)	(250)
	Safeguarding	(301)	(204)
	Other Minor Variances < £100k	1	0
	Sub – Total Adult Social Care & All Age Disability	**2,071**	**1,923**
0-25 Send Service	Increase in Transitions, care packages and staffing costs.	3,427	2,897
	Subtotal - 0-25 Send Service	**3,427**	**2,897**
Education and Youth Engagement	**Place Planning Admissions And Learning Access** – Underspend relates to staffing vacancies within the schools client and admissions teams	(201)	0
	Education Commission & Post-16 Participation - Underspend relates to staffing vacancies	(105)	0
	Other Minor Variances < £100k	37	0
	Subtotal Education and Youth Engagement	**(269)**	**0**

Division	Explanation of variance	Qtr 3 Amount (£000)	Qtr 2 Amount (£000)
People Directorate	Additional funding to cover the increased costs associated with National Insurance in the People Department	(297)	(787)
	IBCF funding	(5,268)	(5,268)
	Sub-total People Directorate	**(5,565)**	**(5,555)**
	Total Forecast Variance – People Department	**5,664**	**4,694**

Division	Explanation of variance	Qtr 3 Amount £'000	Qtr 2 Amount £'000
Place Directorate	Additional funding to cover increased NI costs across the Place Department.	(226)	(330)
	Sub-total Place Directorate	**(226)**	**(330)**
Streets	**Waste** – pressure on cost of disposal caused by 2.5% year-on-year growth on landfill tonnages plus shortfall on rebate for recycle material	1,332	1,628
	Street Lighting – Credit amounts relating to the PFI street lighting contract and energy costs	(1,754)	(2,404)
	Other Minor Variances < £100k	(74)	(62)
	Sub-total Streets	**(496)**	**(838)**
Safety	**Parking** - Forecast reduced to break-even to account for closure of Ann's Place due to Brick by Brick development.	(151)	0
	Neighbourhood Operations – FPN issuance rates are lower than budgeted, along with staff overspends and unachievable external recharges.	300	324
	Public Protection - shortfall on HMO licensing fees and one-off employee costs	173	168
	Partnership & Intelligence – CCTV savings plus prevention grant funding	(139)	0
	Licensing - under recovery of licencing income (low take-up on the new Street Trading fee structure). Additional costs in relation to Surrey Street Market (inc. cleaning at North End).	188	227
	Other Minor Variances < £100k	0	14
	Sub-total Safety	**371**	**733**
Planning	**Development Management** – staff pressures driven by agency cover and increased legal fees.	190	318
	Other Minor Variances <£100k	44	37
	Sub-total Planning	**234**	**355**
Economic Growth	Other Minor Variances <£100k	20	0
	Sub-total Economic Growth	**20**	**0**
Gateway & Welfare	**Bereavement and Registrars-** Income shortfall	214	84
	Universal Credit – exceptional item	(2,300)	0
	Other Minor Variances <£100k	(138)	0
	Sub-total Gateway & Welfare	**(2,224)**	**84**
District Centres and Regeneration	Minor Variances <£100k	62	80
	Sub-total District Centres and Regeneration	**62**	**80**
	Total Forecast Variance – Place Department	**(2,259)**	**0**

RESOURCES DEPT

Division	Explanation of variance	Qtr 3 Amount £'000	Qtr 2 Amount £'000
Customer and Corporate Services	**Business Support and Customer Contact -** Delay on delivery of digital and enabling savings and under recovery of business support income	1,482	1,205
	ICT - Saving on the ICT contract plus additional project work charged to capital	(1,500)	(1,302)
	Facilities Management – Capitalisation of FM costs	(1,149)	(1,229)
	Other Minor Variances < £100k	(102)	(10)
	Sub-total Customer and Corporate Services	**(1,269)**	**(1,336)**
Commissioning and Improvement	**SEN Transport -** Non delivery of previously identified savings and increasing service demand and complexity of need	3,336	2,689
	Other Minor Variances < £100k	(65)	(67)
	Sub-total Commissioning and Improvement	**3,271**	**2,622**
Finance Investment and Risk	**Assets –** Over -achievement of rental income	(140)	155
	Insurance – reduction in insurance claims	(175)	0
	Other Minor Variances < £100k	23	50
	Sub-total Finance Investment and Risk	**(292)**	**205**
Governance	Other Minor Variances < £100k	(43)	20
	Sub-total Finance Investment and Risk	**(43)**	**20**
Legal	Overachievement of income	(594)	(1,011)
	Other Minor Variances < £100k	0	0
	Sub-total Legal	**(594)**	**(1,011)**
Resources generic	Minor underspends	(632)	0
	Sub-total other resources	**(632)**	**0**
Human Resources	Other Minor Variances < £100k	1	(104)
	Sub-total Human Resources	**1**	**(104)**
	Total Forecast Variance - Resources	**442**	**396**

CHIEF EXECUTIVES DEPT

Division	Explanation of variance	Qtr 3 Amount £'000	Qtr 2 Amount £'000
Communication and Engagement	Unachievable digital advertising income	750	750
	Total Forecast Variance - Chief Executives	**750**	**750**

CORPORATE ITEMS

Division	Explanation of variance	Qtr 3 Amount £'000	Qtr 2 Amount £'000
ALL DEPARTMENTS	Council Wide recruitment freeze	0	(2,000)
	Departmental Variance	**4,597**	**3,840**
CORPORATE ITEMS	Use of contingency budget	(1,000)	(1,000)
	Additional Utility costs	1,121	1,121
	Lower interest borrowing costs and Minimum Revenue Provision	(2,387)	(2,337)
	Additional grants – Education Services and S31 Grant	(3,093)	(1,220)
	Other non-service items	393	393
	Total Forecast Variance – Corporate	**(4,966)**	**(3,043)**
	SUB TOTAL BEFORE EXCEPTIONAL ITEMS	**(369)**	**797**
	Exceptional Items – UASC and NRPF and Universal Credit	**6,230**	**4,300**
	Total Overspend	**5,861**	**5,097**

2017/18 Q3 Capital Outturn Forecast

Category	2017/18 Original Budget £000s	2016/17 carry forward £000s	In Year Budget Adjusts. £000s	2017/18 Revised Budget £000s	2017/18 Q3 Actual £000s	2017/18 Outturn Forecast £000s	Forecast Variance £000s
Adults ICT	0	993	0	993	248	326	(667)
Disabled Facilities Grants	1,600	601	645	2,846	244	1,500	(1,346)
Bereavement Services	1,300	43	0	1,343	16	36	(1,307)
Unsuitable Housing Fund	0	0	250	250	0	80	(170)
Education – DDA	0	139	(5)	134	36	134	0
Education - Fixed term expansion	0	2,813	242	3,055	1,167	2,760	(295)
Education - Major Maintenance	2,000	78	1,423	3,501	1,185	3,501	0
Education - Miscellaneous	4,383	3,992	(5,963)	2,412	1,041	2,183	(229)
Education - Permanent Expansion	43,698	12,095	(8,157)	47,636	28,800	36,388	(11,248)
Education - Secondary Schools	150	224	(340)	34	274	4	(30)
Education - Special Educational Needs	13,500	4,133	(9,913)	7,720	1,178	4,422	(3,298)
Onside Youth Zone	2,117	1,454	0	3,571	135	135	(3,436)
People Sub-Total	**68,748**	**26,565**	**(21,818)**	**73,495**	**34,324**	**51,469**	**(22,026)**
East Croydon Station Bridge	0	1,200	**(1,200)**	0	8	8	8
Empty Homes Grants	500	0	0	500	178	500	0
Fairfield Halls (Council)	1,500	0	0	1,500	697	1,500	0
Feasibility Fund	0	0	275	275	121	121	(154)
Growth Zone	2,000	0	0	2,000	144	1,808	(192)
Highways Programme	5,000	0	569	5,569	1,370	5,569	0
Measures to Mitigate Travellers	0	125	0	125	17	41	(84)
New Addington Leisure Centre	8,500	8,060	2,000	18,560	1,887	5,187	(13,373)
Old Ashburton Library	1,155	90	0	1,245	2,243	2,328	1,083
P&D Machine Replacement Programme	0	1,161	0	1,161	1,216	1,465	304
Public Realm	0	4,228	0	4,228	1,243	2,693	(1,535)
Purley MSCP	0	117	0	117	0	212	95
Salt Barn	0	611	0	611	2	4	(607)
Section 106 Schemes	0	786	552	1,338	519	888	(450)
Surrey Street Market	0	418	405	823	823	823	0
TFL - Local Implementation Programme	4,154	0	758	4,912	1,660	4,837	(75)
Thornton Heath Public Realm	0	2,105	0	2,105	664	1,195	(910)
New Waste Contract Vehicles	1,094	0	846	1,940	0	1,940	0
Brick by Brick Programme (RIF)	286,717	0	(228,187)	58,530	18,562	47,050	(11,480)
Affordable Housing LLP (RIF)	0	0	9,100	9,100	0	9,100	0
Affordable Housing LLP - Reducing EA/TA (RIF)	0	0	12,500	12,500	0	12,500	0
CIL Local Meaningful Proportion	1,000	0	0	1,000	60	1,000	0
Waste and Recycling Investment	160	2,456	0	2,616	1,135	2,260	(356)
Blackhorse Road Bridge	0	0	2,053	2,053	0	0	(2,053)
ANPR Cameras	0	0	206	206	0	206	0
Leisure Centres Equipment Upgrade	0	0	976	976	0	976	0
Parking Investment – TMOs Digitisation	0	0	20	20	0	20	0
Surrey Street Shop Front Improvement	0	0	25	25	0	25	0
Place Sub-Total	**311,780**	**21,357**	**(199,102)**	**134,035**	**32,549**	**104,256**	**(29,779)**

Category	2017/18 Original Budget £000s	2016/17 Slippage £000s	Budget Adjusts. £000s	2017/18 Revised Budget £000s	2017/18 Q3 Actual £000s	2017/18 Outturn Forecast £000s	Forecast Variance £000s
Corporate Property Maintenance Programme	2,000	727	1,000	3,727	974	1,839	(1,888)
ICT and Transformation	3,000	4,637	(65)	7,572	941	5,500	(2,072)
Emergency Generator (Data Centre)	0	0	1,200	1,200	0	0	(1,200)
Finance and HR System	1,126	0	434	1,560	709	1,490	(70)
Ward Programmes	120	0	0	120	0	120	0
Stubbs Mead Depot	0	0	300	300	0	300	0
BWH 3rd Floor	0	0	50	50	0	50	0
Relocation Family Justice Centre	0	0	50	50	0	50	0
Relocation of Capita from Davis House	0	0	50	50	0	50	0
Heathfield House Refurbishment	0	0	60	60	0	60	0
Resources Sub-Total	**6,246**	**5,364**	**3,079**	**14,689**	**2,624**	**9,459**	**(5,230)**
GENERAL FUND TOTAL	**386,774**	**53,286**	**(217,841)**	**222,219**	**69,497**	**166,184**	**(57,035)**
Major Repairs & Improvements Programme*	26,771	3,228	324	30,323	14,894	25,813	(4,510)
Larger Homes	100	324	(324)	100	29	100	0
Special Transfer Payments	180	391	0	571	41	121	(450)
HOUSING REVENUE ACCOUNT TOTAL	**27,051**	**3,943**	**0**	**30,994**	**14,964**	**26,034**	**(4,960)**
LBC CAPITAL PROGRAMME TOTAL	**413,825**	**57,229**	**(217,841)**	**253,213**	**84,461**	**191,218**	**(61,995)**

*includes fire safety works of £10m.

Delivering for Croydon

Appendix 3

Proposed Criteria for granting Local Discretionary Business Rate Relief – distribution of Government funded allocation 2018/19 (Section 69 Localism Act 2011)

Introduction

In March 2017, the government announced a local discretionary fund of £300 million, to be distributed under 'locally designed criteria'. This fund allocates decreasing amounts to councils over four years. The discretionary business rate relief scheme as set out below has been formed to distribute the funding made available to Councils to address increases arising from the 2017 revaluation, and does not replace the local hardship relief scheme approved by Cabinet in December 2016.

This scheme does not deal with other types of mandatory or discretionary rate relief such as small business rate relief as detailed on the business rates pages of the Croydon Council website.

Whilst devising a scheme within government determined parameters, the Council recognises the importance of supporting local businesses and organisations to promote the provision of local facilities, economic growth, employment and investment to improve prosperity across Croydon and in particular support the most disadvantaged communities.

Councils have the power to grant discretionary rate relief to organisations that meet certain criteria and this policy sets out how the Council will grant local discretionary business rate relief pursuant the amendments introduced by Section 69 of the Localism Act 2011 to the Local Government Finance Act 1988.

Our criteria

This criteria will address increases in liability arising from the 2017 revaluation, based on the following conditions:

- Relief will only be provided where a qualifying ratepayer's bill has increased due to the 2017 revaluation
- Businesses with no rate liability before 1 April 2017 will not be eligible;
- As at the date of this meeting, the government has allocated reducing totals of relief over 4 years. The criteria and percentages in this appendix will apply for the year 1 April 2018 to 31 March 2019 only; but will be reviewed each year so as to remain within the funding made available from central government for the above purpose;
- The maximum amount of relief available will be £5,000 per property;
- Where a qualifying ratepayer's 2017/18 rates bill is reduced for any reason, the amount of discretionary relief will be reduced or removed accordingly.
- Large businesses (defined as those with a rateable value in excess of £100k) will not be eligible to receive this relief

The following types of uses are not eligible for this local discretionary business rate relief:

- Public Houses and premises
- Betting shops and establishments

Ratepayers will **not be eligible** for relief if one or more of the following criteria applies:

- Ratepayers are in receipt of small business rate relief support, which limits increases on small properties causes by the loss of small business rates relief to £600 per year;
- Rateable occupation of the premises ceases;

- Where the award of relief would not comply with EU law on State Aid (Businesses will be asked to inform the Council if they breach the EU State Aid cumulative limit of €200,000.)

Amount of relief
Croydon Council has the discretion to allow relief at any rate up to 100% of the business rates charge under the provisions of Section 69, however in doing so the Council must have regard to the impact this will have on other residents and tax and rate payers within the borough. As the government has allocated a separate national pot of £300 million, over 4 years, there should be no detrimental impact on residents or rate payers.

This discretionary rates relief scheme has been designed to allocate the funding made available Croydon Council in 2018/19, which is capped at £870,000.

Calculation of the proposed Local Discretionary Business Rate Relief

The government have allocated a national pot of £300 million over four years. Croydon Council's share of this pot was £1.791m in 2017/18, and has reduced to £0.870m in 2018/19 and £0.358m and £0.051m in the following two years. Within the annual funding allocation, Local discretionary business rate relief (LDBRR) is calculated after any or all of the following have been applied:

- Exemptions and other reliefs
- Transitional reliefs or premiums

And before the application of the Business Rates Supplement (BRS). LDBRR does not apply to the BRS supplement.

In accordance with the terms of the government grant for LDBRR, all ratepayers will be subject to CPI inflationary increase on their bill in 2018/19, to which the relief will not apply.

Relief will be awarded upon the following basis:

Type of Business	Relief Percentage
Small Businesses (rateable value up to £28,000)	3.8%
Medium Businesses (rateable value between £28,001 and £100,000)	3.3%
Large Businesses (rateable value over £100,000)	0%

Submitting an application for discretionary relief

An application for LDBRR will not be necessary, as this will be a direct award made by the Council's business rates team.

How payments will be made
Any relief granted will be credited against the business rates bill.

Relief will cease where the:
- Applicant ceases to be liable for business rates;
- The property for which the relief is granted becomes empty;
- The use of the property changes to a category that is not included;
- When the business reaches the threshold for state aid, which is a cumulative €200,000 of assistance from a public body over a three-year period. (Businesses will be asked to inform the Council if they breach this cumulative limit.)

Notification

As there is fixed funding and pre-determined criteria, as outlined above, ratepayers will not be invited to apply. Instead the Council will inform the ratepayer in writing of the amount of relief awarded, via a revised bill for business rates.

Overpayments

Should a ratepayers eligibility for relief change during the year, the Council will recover all overpayments of discretionary rate relief.

Right of review

Applications will not be invited and there will be no right of review.

Consultation

The award of discretionary business rates relief funding by the government was subject to Council's consulting first with major precepting authorities. The Council has carried out consultation with the Greater London Authority in forming this proposed scheme.

Review

The government has announced a reducing scale of funding over the four years. However each year of the scheme is specifically stated to only be applicable for the relevant financial year and the grant of relief in any one year is not to be taken as an indication of eligibility in any subsequent year. Accordingly the scheme criteria will be reviewed by the Council in advance of the financial year, also taking into account other Council policies and priorities and any changes in legislation.

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Agenda Item 5c

For General Release

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

CORPORATE PRIORITY/POLICY CONTEXT:

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

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

FINANCIAL IMPACT:

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

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

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

(0.750)

KEY DECISION REFERENCE NO.:

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

1. RECOMMENDATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

2. EXECUTIVE SUMMARY

2.1. The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.2. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, and estimated and actual figures.

1. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

    - the capital plans (including prudential indicators);
    - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
    - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
    - an investment strategy (the parameters on how investments are to be managed

2. **A mid-year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and flag whether any policies require revision;

3. **An annual treasury report** – This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2.3. The Local Government Act, 2003 requires the Council to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities, 2017, ("The Code"), to ensure that the Council's capital investment plans are affordable, prudent and sustainable. In particular, the Prudential Code requires the Council to set a number of Prudential Indicators for the next three financial years. This report, which both incorporates these indicators, and recommends that Cabinet recommends to full Council the adoption of the latest Code, also details the expected treasury activities for the year 2018/2019, set in the context of the longer term planning forecasts for the organisation. The implications of these key indicators function as the overriding control and guidance mechanism for the future capital programme and the revenue consequences that arise for the Council in future financial years.

2.4. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its expenditure requirement for each financial year to include the revenue costs that flow from capital financing decisions.

3. TREASURY MANAGEMENT STRATEGY FOR 2018/2019

3.0 The strategy for 2018/2019 covers two main areas:

Capital issues

- The capital plans and borrowing need (paragraphs 3.1 and 3.2);
- The minimum revenue provision (MRP) policy (paragraph 3.3).

Treasury management issues

- Policy on use of external service providers paragraph 3.4);
- The Current Treasury Position (paragraph 3.5);
- Borrowing Requirement (paragraph 3.6);
- Treasury indicators which limit the treasury risk and activities of the Council (paragraph 3.7);
- Interest Rate Exposure and Prospects for Interest Rates (paragraph 3.8) ;
- The Borrowing Strategy (paragraph 3.9);
- The policy on borrowing in advance of need (paragraph 3.10);
- Debt Rescheduling and Repayment (paragraph 3.11);
- Sources of Finance (paragraph 3.12);

Annual Investment Strategy

- The investment policy (paragraph 3.13);
- The Annual Investment Strategy (paragraph 3.14);
- Treasury Limits (paragraph 3.15) and
- Prudential Indicators (paragraph 3.16).

CAPITAL ISSUES

3.1. Capital Expenditure and borrowing need

3.1.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure

3.1.2 In order to fulfil its ambitions for Croydon the Council has an extensive capital programme. This includes funding for: a Revolving Investment Fund (RIF), set up to fulfil the Council's Growth Promise and initially be principally focused on the delivery of development and regeneration on Council Land; a Development company also focused on regeneration in the borough, primarily homes; and a Growth Zone, which invests in priority infrastructure to help deliver sustainable economic growth in Croydon. The RIF, Growth Zone and Development Company are expected to create their own revenue streams in order to repay the debt taken out to finance the expenditure.

3.1.3 Members are asked to note the capital expenditure forecasts given in the table below:

Table 1: Capital Expenditure Forecasts (2017/2021)

Capital expenditure £m	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
Non-HRA	165.184	313.466	115.429	145.901
HRA	26.034	32.385	31.951	26.951
Total	**191.218**	**345.851**	**147.380**	**172.852**

3.1.4 This financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

3.1.5 The Council's financing need is funded from various capital and revenue resources plus borrowing.

3.2 The Council's borrowing need (the Capital Financing Requirement)

3.2.1 The Council's Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

3.2.2 The Council's estimated CFR is detailed in the table below:

Table 2: Estimated Capital Financing Requirement 2017 / 2021

	2017/18 £m	2018/19 £m	2019/20 £m	2020/2021 £m
	Forecast	**Estimate**	**Estimate**	**Estimate**
Capital expenditure	191.218	345.851	147.380	172.852
Less amount funded from resources	(65.800)	(50.447)	(60.115)	(37.920)
Gross In Year Borrowing Requirement (CFR)	**125.418**	**295.404**	**87.265**	**134.932**
Less In Year Minimum Revenue Provision (MRP) for debt repayment.	(6.632)	(7.445)	(8.709)	(9.232)
In Year Borrowing Requirement (Net)	118.786	287.959	78.556	125.7
1. Loans repaid during year	158.000	21.000	25.000	32.000
2. Less loans taken up in-year	(154.000)	0.0	0.0	0.0
3. Less reduction in investment balances (internal borrowing)	(24.745)	0.0	0.0	0.0
In Year Borrowing Requirement outstanding	**98.041**	**308.959**	**103.556**	**157.700**

3.3 Minimum Revenue Provision

3.3.1 Minimum Revenue Provision (MRP), which is often referred to as a provision for the repayment of debt, is a charge to revenue in relation to capital expenditure financed from borrowing or through credit arrangements.

3.3.2 Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended], local authorities are required to charge MRP to their revenue account in each financial year. Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to the statutory guidance issued by the Secretary of State. The latest version of the guidance was issued on 2 February 2018.

3.3.3 MRP only applies to the General Fund. There is no requirement to make a MRP charge for the Housing Revenue Account (HRA).

3.3.4 Along with the above duty, the Government issued guidance in February 2012 and revised on 2 February 2018 ("Statutory Guidance on Minimum Revenue Provision") which requires that a statement on the Council's policy for its annual MRP should be submitted to Full Council for approval before the start of the financial year to which the provision will relate.

3.3.5 The Executive Director of Resources is responsible for ensuring that accounting policies and the MRP policy comply with the statutory Guidance in determining a prudent level of MRP.

3.3.6 As part of the mid-year review of the 2015/2016 Minimum Revenue Provision Statement, the Council's General Purposes and Audit Committee approved a revised Annual Minimum Revenue Provision Statement on 9 December 2015 (Minute A62/15). The Draft MRP Policy Statement for 2018/2019 attached at Appendix D for onward recommendation to full Council for approval also adopts these revisions.

TREASURY MANAGEMENT ISSUES

3.4 Treasury management consultants

3.4.1 The Council uses Link Asset Services, as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

3.5 The Current Treasury Position

3.5.1 The Council's Treasury position as at 31st December 2017 comprised:

Table 3: Borrowing by the Council as at 31 December 2017

		Principal £m	Average Rate %
Fixed Rate Funding	- PWLB[1]	639.926	3.75
	- Other [2]	0.315	3.50
	- LOBO [3]	79.500	3.76
	- Local Authorities[4]	53.0	0.95
	- Amber Green LEEF 2LLP	3.575	1.80
	- European Investment Bank	44.745	2.0
Variable Rate Funding	- LOBO [3]	60.000	4.23
Internal Loans – Trust Funds		0.006	0.23
Total External Debt as 31/12/2017		**881.067**	**3.52**
Additional			
GF borrowing requirement outstanding for 2017/2018		98.041	
HRA borrowing requirement outstanding for 2017/2018		0	
Estimated Debt as at 31/03/2018		**979.11**	**3.50**

1. PWLB is the Public Works Loan Board, the branch of Government that is the principle lender to local authorities. Included within this amount is the £223.1m borrowed for the HRA self-financing settlement made on 28/3/2012.

2. Other relates to 3 ½% Irredeemable Stock which was issued by this Authority in the past.

3. Lender's Option Borrower's Option (LOBOs) loans are commercial debts with options for the lender to vary the rate at pre-set intervals. If the option is exercised, then the Council can either accept the new rate or repay the loan with no penalty.

4. As an alternative to borrowing from the Government, several local authorities have come to the market offering loans at competitive rates.

3.5.2 The Council's debt maturity profile is included in **Appendix A**.

Table 4: Temporary Investments as at 31 December 2017

	Principal £m	Average Rate %
Temporary investments outstanding as at 31/12/2017	**59.4**	**0.43**
Estimated temporary investments outstanding as at 31/03/2018	**80**	**0.53**

3.6 The Borrowing Strategy and Borrowing Requirement

3.6.1 The Council's capital expenditure plans are set out in Sections 3.1.1, 3.1.2 and 3.1.3. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.6.2 The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 5: Borrowing and the Capital Financing Requirement 2017 / 2018

£m	2016/2017 Actual	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
External Debt					
Debt at 1 April	801.567	881.067	979.108	1,267.067	1,345.623
Expected change in Debt	79.500	98.041	287.959	78.556	125.7
Actual gross debt at 31 March	881.067	979.108	1,267.067	1,345.623	1,471.323
The Capital Financing Requirement	**905.725**	**1,024.511**	**1,312.47**	**1,391.026**	**1,516.726**
Under/(over) borrowing	24.658	45.403	45.403	45.403	45.403

Note: this calculation does not allow for the impact of internal borrowing which has the effect of reducing real borrowing (see Table 2, above).

3.6.3 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/2019 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

3.6.4 The Executive Director of Resources reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.7 Treasury Indicators: limits to borrowing activity

This section considers the operational boundary and the authorised limit for external debt which together form an important control metric.

3.7.1 **The operational boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table 6: The operational boundary for 2017 / 2021

Operational boundary £m	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
Debt	979.108	1,267.067	1,345.623	1,471.323
Other long term liabilities	-	-	-	-
Total	979.108	1,267.067	1,345.623	1,471.323

3.7.2 **The authorised limit for external debt.** Another key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which could be afforded in the short term, but is not sustainable in the longer term.

3.7.3 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

3.7.4 The Council is asked to approve the following authorised limit:

Table 7: The Authorised Limit for External Debt 2017 / 2021

Authorised Limit £m	2017/2018 Estimate	2018/2019 Estimate	2019/2020 Estimate	2020/2021 Estimate
Debt	1,019.108	1,307.067	1,385.623	1,511.323
Other long term liabilities	-	-	-	-
Total	1,019.108	1,307.067	1,385.623	1,511.323

3.8 Interest Rate Exposure and Prospects for Interest Rates

3.8.1 The Council manages its exposure to interest rate risk by borrowing the majority of its funding requirements at fixed rates over a range of durations. This limits the impact on the Council's ability to cover interest costs when interest rates are rising. The Council is also looking into securing borrowing using forward agreements to limit exposure to future increases in interest over the short term. The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their and our central view.

Table 8: Interest Rate Forecast December 2017 to March 2021

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

3.8.2 Commentary on interest rate forecasts and the economy has been provided by Link Asset Services in **Appendix G**.

3.9 The Borrowing strategy

3.9.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with borrowing as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent when investment returns are low but counterparty risk is still an issue that needs to be considered. Against this background and the risks within the economic forecast, caution will be adopted with the 2018/2019 treasury operations. The Executive Director of Resources (Section 151 Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp **FALL** in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper **RISE** in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

3.9.2 Any decisions will be reported to Cabinet at the next available opportunity.

3.10 Policy on borrowing in advance of need

3.10.1 The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.11 Debt rescheduling and repayment

3.11.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

3.11.2 The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.11.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. The forecasts under-pinning this strategy assume that cash balances will be used to repay maturing debt, at least for the short-term, i.e. the next three-year period.

3.11.4 All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

3.12 Sources of finance

3.12.1 The Council's main source of finance is borrowing from the Public Works Loan Board (PWLB) where funds can be borrowed for up to 50 years at both fixed and variable rates. The Council has qualified for borrowing from the PWLB at the 'certainty rate' which is the prevailing PWLB interest rate on the date of borrowing less a discount of 0.20%. This discounted rate applies for funding of capital schemes through prudential borrowing and for the refinancing of maturing long term debt. With long-term PWLB rates currently low, this 'certainty rate' now makes funding through the PWLB a relatively attractive option. In order to reduce the risk that loans will mature when interest rates are peaking, debt is taken on in tranches that mature over a spread of years. This is described as the debt maturity profile. New loans will be taken to fit into gaps in the Authority's existing debt maturity profile.

3.12.2 The Council continues attempt to source cheaper alternatives to the PWLB in order to finance the borrowing requirement for future years. Other than the PWLB, the Council currently uses other UK local authorities willing to offer loans up to 5 years and the European Investment Bank, both of which provide financing below the PWLB certainty rate. The PWLB Certainty Rate will be used as a benchmark against which borrowing options are assessed. The Council has also found and will make use of commercial lenders willing to lend at rates below the PWLB certainty rate and continues to look at options such as Local Authority Bonds and the Municipal Bond Agency. The Government is currently consulting on making debt available at a discounted rate to support investment in infrastructure. This option will be considered alongside those others listed here.

3.12.3 Long-term borrowing to support Borough regeneration will service the capital financing requirements of the Council's arms-length development company, Brick by Brick. Onwards lending will be at a margin to the cost of borrowing and interest payments together with repayment of principal will prime additional investment. Investment in the Borough's Growth Zone should generate additional business rates that can be applied to service debt funding.

ANNUAL INVESTMENTSTRATEGY

3.13 Investment policy

3.13.1 The Council's investment policy has regard to the Ministry of Housing, Communities and Local Government (MHCLG)'s (previously the DCLG) Guidance on Local Government Investments 3rd Edition ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes2017 Edition ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return. In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

3.13.2 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

3.13.3 Investment instruments identified for use in the financial year are listed in **Appendix B** under the ‘specified’ and ‘non-specified’ investments categories. Counterparty limits will be as set through the Council’s treasury management practices – schedules.

3.13.4 The Council may wish, from time to time, to take advantage of financial derivative instruments in order to better manage risks, such as exposure to interest rate movements. Local authorities, including the Council, have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans). However, previous legislation was understood to prevent the use of such tools where they were not embedded in other instruments. The Localism Act 2011 includes a general power of competence that removes the uncertain legal position over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires local authorities to clearly detail their policy on the use of derivatives in their annual strategy.

3.13.5 The Council will only use financial derivatives (such as swaps, forwards, futures and options) either on a standalone, or embedded basis, where it can be clearly demonstrated that as part of the prudent management of the Council's financial affairs the use of financial derivatives will have the effect of reducing the level of financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. This will be determined in liaison with the Council's external advisors. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit if applicable.

3.13.6 At all times the Council will comply with CIPFA advice and guidance on the use of financial derivatives and have regard to CIPFA publications on risk management.

3.14 Annual Investment Strategy

3.14.1 The investments, both specified and non-specified, that officers will be permitted to undertake in-house are summarised below. Further details are provided in **Appendix B.**

a. **Specified Investments** - All investments shall consist of investments under one year as follows:

- Debt Management Agency Deposits Facility (DMADF).
- Term deposits with UK Government or with UK local authorities.
- Term deposits with credit - rated deposit takers (banks and building societies).
- Certificate of Deposits.
- AAA rated Money Market Funds.
- Bonds issued by multinational development banks.
- Enhanced AAA rated Money Market Funds.
- UK Government Gilts.

- UK Government Treasury Bills.

b. **Non-specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies).
- Term deposits with UK local authorities.
- Certificate of Deposits (CD).
- Callable deposits with credit rated deposit takers (banks and building societies).
- Forward deposits with credit rated banks and building societies.
- Bonds issued by multinational development banks.
- Enhanced AAA rated Money Market Funds.
- UK Government Gilts.
- Property Funds.
- Floating Rate Notes (FRNs) issued by institutions on the Council's authorised lending list.
- Investment grade Corporate Bonds issued by Corporate Institutions.
- AAA rated Covered Bonds.
- Investment in the equity of any company wholly owned by Croydon Council.

3.14.2 Investment Income Gross - Based on cash flow forecasts for 2018/2019, the Council anticipates its average daily cash balances for the year to be £82.5m, which includes the £98.0m of new borrowing to be undertaken in 2018/2019. The overall balances include schools balances and HRA revenue balances for which an apportionment of investment interest earned is made. The net income then due to the General Fund is estimated at £0.750m for 2018/2019.

3.14.3 All credit ratings in respect of financial institutions that the Council invests monies in will be continuously monitored together with the limits imposed on amounts that can be invested and the duration of such investments. The Council is alerted to news relating to financial institutions and changes in ratings by its treasury management advisers as these occur and is therefore in a position to take appropriate action to protect the Council's interests.

3.14.4 The Executive Director of Resources will be responsible for managing all investments within the credit limits as set out in **Appendix E** and in accordance with CIPFA's Treasury Management in the Public Services Code of Practice 2017 Edition.

3.14.5 Link Asset Services have advised and assisted Council Officers in compiling and maintaining a counterparty lending list based on FITCH credit ratings and other related information in force as at 31st December 2017. This is attached at **Appendix E** and the Council is recommended to approve this list of counterparties and the criteria set for inclusion on to both List A and List B. In respect of List A the credit limits that apply range from £15m to £25m depending on the institution and the credit limit for institutions on List B is set at £10m for each institution. The maximum duration of investments in the institutions on both lists will be subject to Link Asset Services' recommendations at the time that investments are made. Under the updated regulations the Authority is obliged to consider a range of different sources of information before taking a view on whether to invest with any counterparty. These sources include each of the rating agencies, the Credit Default Swap (CDS) spreads which gives early warning of likely changes in credit ratings as well as the sovereign rating for the country and other market driven information. Link Asset Services summarise these different views in forming an overall picture of the creditworthiness of each, which is communicated to this Authority. FITCH ratings are the most valuable in this particular case as they focus more on European banks whereas Moody's and Standard & Poor's look more at the US.

3.14.6 The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. There is a growing concern, triggered by a succession of high profile banking scandals, that the reducing pool of quality counter-parties, such as banks, is increasing the level of risk for the Authority. These risks are not simply the risk that principal sums invested might be lost but also reputational risks to the Authority. In response, the Council's Treasury team has investigated other high-grade deposit takers, to increase diversification of investments and thereby reduce the overall concentration of risk of default. As a consequence of this, the Council has put into place a Custodian agreement offered at a discount by the Bank of New York Mellon – the Custodian used by the Council's Pension Fund. This has enabled the Treasury team to diversify investments and to enhance yields by investing in those specified and unspecified investments that require custody arrangements. A list of the Specified and Non-Specified investments that Council Officers are permitted to undertake in-house is detailed in **Appendix B.** In the immediate short-term there will be no increase in returns, but the Treasury team will be better placed to exploit market opportunities in the longer term.

3.14.7 Of the two part-nationalised UK banks, the UK government's stake in the Royal Bank of Scotland (RBS) PLC group at around 72.9% makes it the majority shareholder in that bank. As such, whilst the government announced plans to sell off its stake in that bank, the size of the current equity stake makes it unlikely that the sale process will materially dilute the government's holding in RBS in the near future. The RBS Group will therefore be retained as an approved investment counterparty until such time as the situation changes. Further, as National Westminster Bank PLC which is part of the RBS PLC Group, provides the Council with banking services, the investment limit for this counterparty will remain at £25m. The UK government's stake in the other part-nationalised bank, Lloyds Banking Group PLC, currently stands below 11% with plans to sell this stake within the coming months to bring the bank back into private ownership. For investment purposes, the Council's treasury advisers have recommended that Lloyds Banking Group should now be evaluated on a stand-alone basis and should only be included onto an approved counterparty list if the bank meets the minimum rating criteria set. At present, the bank's ratings exclude it from the Council's approved lending list but like other entities this can change over time.

3.14.8 Ring-fencing legislation, brought in by the government to strengthen the financial system following the financial crisis that began in 2007, requires each large UK bank to separate its retail banking activity from the rest of its business. This is to protect customers and the day-to-day banking services they rely on from unrelated risks elsewhere in the banking group and shocks affecting the wider financial system. It is intended to reduce the likelihood that essential banking services are put at risk by a failure in another part of the business, such as investment banking. The large UK banks must implement ring-fencing by 1 January 2019. They started making changes in 2017 and will continue to do so during 2018 in order to meet this deadline.

3.14.9 With regard to UK Challenger banks, the majority of local authorities do not include these banks in their counterparty lists. Although at present, Challenger banks do not have credit ratings and so fall outside investment strategy criteria, it is expected that these banks may get rated in the future. The situation on Challenger banks and UK part-nationalised banks will be monitored continuously.

3.14.10 In 2014/2015, the Council had invested £20m in the Real Lettings Property Fund Limited Partnership. The property fund, which has a 7-year life, offers investors the opportunity to invest in a diversified portfolio of London residential property and aims to deliver a minimum return of 5% per annum based on the letting of the properties on 5-year lease terms. For Croydon, this investment will also provide added benefit in that the properties purchased would offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. An additional £10m was advanced to the Fund on 9 September 2015. Returns generated by the investment will serve to boost the Council's overall income in the future.

3.14.11 In the current low interest rate environment, Money Market Funds (MMFs) can also be used effectively to provide returns in excess of straight overnight bank deposits and to provide for excellent liquidity if required. The Council invests in MMFs which are AAA rated by the FITCH rating agency and at least one of the other two major ratings agencies – Moodys and Standard & Poor's.

3.14.12 In addition, the Council will continue to lend to other UK local authorities and to the Debt Management Office, which effectively is lending to the Government.

3.14.13 As at 31st December 2017, short-term investment interest rates (1-3 months) were between 0.40% and 0.45% with longer term rates (up to 1 year) between 0.45% and 0.65%. Investments will be made to take advantage of higher yields and to hedge against future decreases in bank rates. Daily liquidity requirements will be met by investing in AAA-rated MMFs. As investment rates are influenced throughout the year by the release of key items of data, there may be occasions when some investments will be pitched towards specific periods to take advantage of any unexpected higher rates resulting from data issued. In all cases investment decisions will adhere to Link Asset Services' recommended maximum investment durations for the counterparty concerned.

3.14.14 With the introduction of the Markets in Financial Instruments Directive II on 3 January 2018 this local authority was classified as a retail investor. This has meant that to enable the Treasury management function to operate effectively, the authority has had to opt up to be treated as a professional investor with some of its counterparties in order to use certain financial instruments. To date the authority has not experienced any issues when opting up.

3.15 **Treasury Limits**

3.15.1 Section 3 of the Local Government Act 2003 requires the Council to set limits and to keep under review how much it can afford to borrow. The amounts so determined are to be set on a rolling basis, for the forthcoming financial year and two successive financial years, a period of three years in total from 2018/2019 to 2020/2021 and are termed:

1. The **'Operational Boundary for External Debt'**. This reflects the maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.

2. The **'Authorised Borrowing Limit'**. This limit represents an assessment of the maximum debt the authority may need to incur at any point throughout the year as determined in the Financial Strategy by the Executive Director of Resources.

3.15.2 The Executive Director of Resources will be responsible for setting the Council's Affordable Borrowing Limit. This limit requires the Council to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon future council tax and housing rent levels is acceptable.

3.15.3 The Council's authorised borrowing limit has been estimated to be **£1,019.108m** for **2017/2018**, **£1,307.067m** in **2018/2019, £1,385.623m** in **2019/2020** and £**1,511.323m** in **2020/2021** as detailed in **Appendix C**. These limits reflect the maximum amount the Council can borrow for capital and revenue purposes and allows for unexpected events for example a possible delay in the receipt of anticipated council tax, National Non-Domestic Rates (NNDR) direct debits, housing benefit subsidy or other government grant that had been notified to Council Officers in advance. The sum of £40m has been included in respect of revenue borrowing to cover the possibility of this shortfall. The limit reflects a level of borrowing which while not desirable is affordable in the short term to fund the cash flow requirements of the organisation and to address any potential risks that may arise.

3.16 **Prudential Indicators**

3.16.1 The Prudential Indicators for 2018/2019 to 2020/2021 are attached in **Appendix C** in accordance with the Prudential Code for Capital Finance in Local Authorities 2017 Edition.

3.16.2 The Executive Director of Resources is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy.

3.16.3 The Council is also required to indicate if it has adopted the CIPFA Code of Practice on Treasury Management.

3.16.4 The Prudential Indicators set will continue to be monitored throughout the year and will be reported to Cabinet on a regular basis.

3.16.5 The indicators break down into four blocks relating to capital expenditure; the affordability of that investment programme; debt; and treasury management as follows:

1. The capital investment indicators reflect the Authority's future plans to undertake capital works, and the extent to which these will be funded through borrowing. (**See Appendix C**).

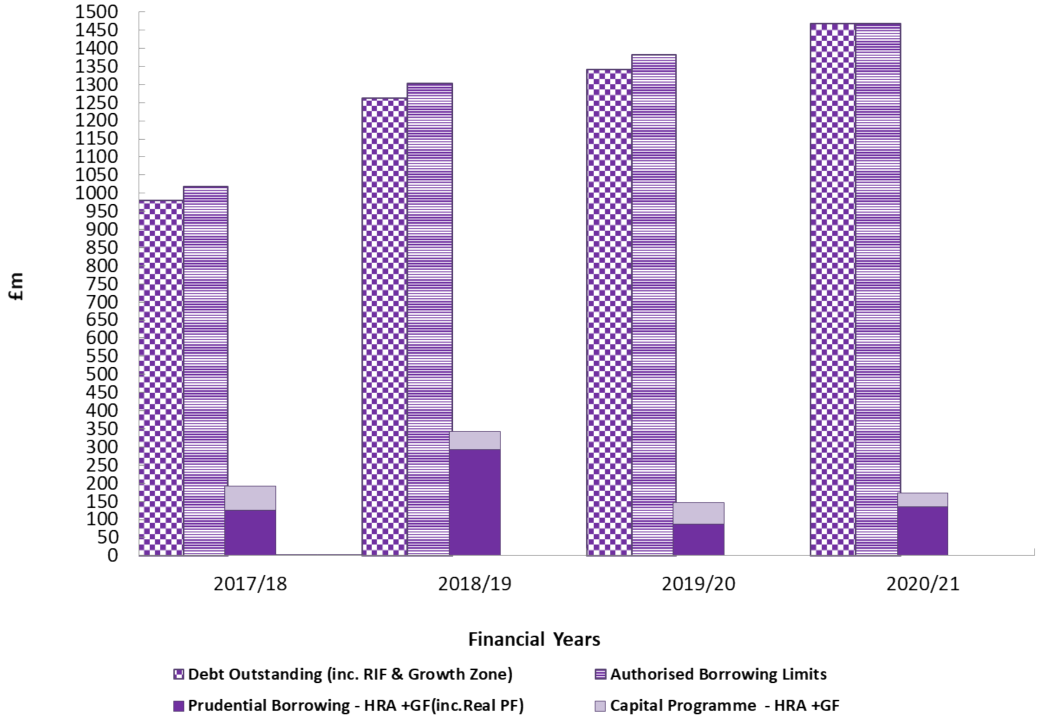
2. Apart from borrowing that is directly supported by government grant funding, the cost of new prudential borrowing to the Authority will be £22.17 per Band D council taxpayer in 2018/2019. This Prudential Indicator reflects the impact of funding decisions relating to capital investment in Croydon. The Prudential Code specifically indicates that it is not appropriate to compare this indicator with other authorities.

3. The external debt indicators illustrate the calculation of the affordable borrowing limit.

4. The treasury indicators show that the Authority will limit its exposure to variable rate debt to no more than 20% of total debt and will only invest up to 30% of the total investments for periods in excess of one year, for reasons of limiting exposure to risk and guaranteeing adequate liquidity. The final indicator sets a profile for the maturing of new debt.

3.16.6 These main indicators are featured below as follows:

Chart 1: Comparison of Debt against Prudential Limits 2017 / 2021



3.17 **Conclusion**

3.17.1 The Council's treasury advisers forecast that the bank rate, currently at 0.50%, will increase by 0.25% by December 2018 and a further 0.25% by December 2019, maintaining a slow upward trajectory in the short to medium term. The longer term (25 years) PWLB interest rates, which currently are 2.9%, are expected to increase to around 3.10% by December 2018 and 3.30% by December 2019. Over the next year the Council will be able to borrow at rates below its current average cost of debt of 3.52% to finance its capital programme.

3.17.2 Temporary investment rates are currently between 0.40% and 0.70% for up to one year and between 0.70% and 1.5% for between one and five years. It is anticipated that investment rates will increase gradually next year in line with bank rate expectations.

3.17.3 A glossary of terms associated with this report is attached in **Appendix F**.

4 **CONSULTATION**

4.1 Full consultation in respect of the contents of this report has taken place with the Council's treasury management advisers Link Asset Services in preparing this report.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Revenue and Capital consequences of this report are dealt with within this report.

There are no additional financial considerations other than those identified in this report.

5.2 The effect of the decision

Approval to this report will ensure that the Council meets both its legal and financial management requirements in respect of Treasury Management.

5.3 Risks

There are no further risks issues other than those already detailed in this report**.**

5.4 Options

These are fully dealt with in this report.

5.5 Future savings/efficiencies

This report sets out the Treasury Strategy and identifies that new loans and debt restructuring will only be undertaken on advice from our treasury management advisers.

Approved by: Richard Simpson, Executive Director of Resources.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Council Solicitor comments that there are no additional legal considerations beyond those detailed in the body of the report.

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

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR considerations that arise from the recommendations of this strategy for Croydon Council staff or workers, other than the formation of a Development Company; HR advice will be given separately in relation to the specific people issues that will arise from that proposal.

Approved by:

8. EQUALITIES IMPACT

8.1 Consistent with the requirements of equal opportunities legislation including the Public Sector Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

8.2 The Council’s Capital and Revenue Budget 2018/2019 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

9. ENVIRONMENTAL IMPACT

9.1 There are no Environment and Design impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no Crime and Disorder reduction impacts arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The recommendations proposed are in accordance with the Treasury Management in the Public Services Code of Practice 2017 Edition and the Prudential Code for Capital Finance in Local Authorities 2017.

12. OPTIONS CONSIDERED AND REJECTED

12.1 Consideration and evaluation of alternative options are dealt with within this report.

CONTACT OFFICER: Nigel Cook, Head of Pensions and Treasury Ext 62552

BACKGROUND DOCUMENTS: Previously published

CIPFA's Prudential Code for Capital Finance in Local Authorities – 2017 Edition.

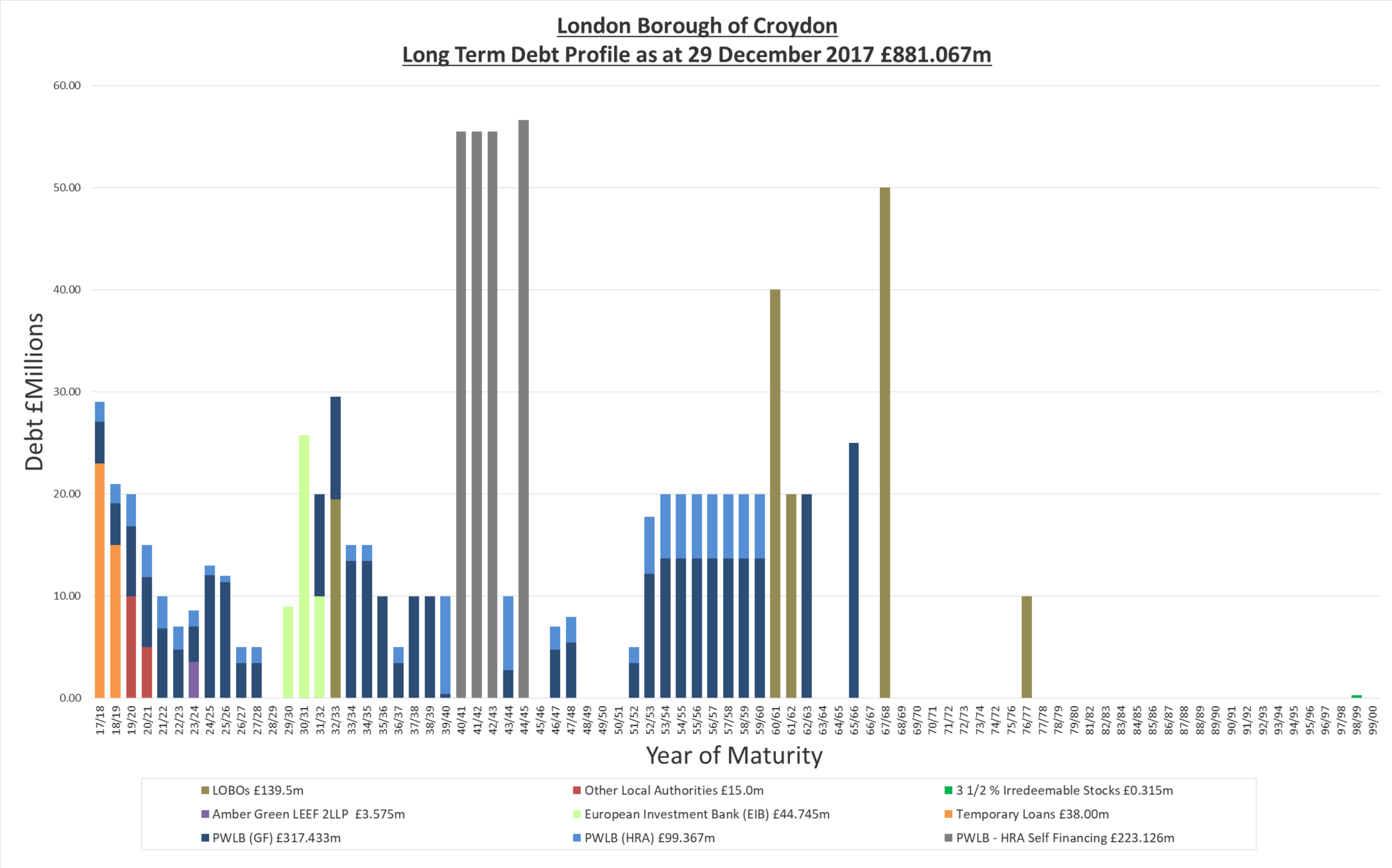
CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – 2017 Edition.

DCLG's Guidance on Local Government Investments February 2018.

Appendices

Appendix A: Long-term debt profile
Appendix B: Specified and non-specified investments
Appendix C: Prudential Indicators
Appendix D: Minimum Revenue Provision Policy
Appendix E: Authorised Lending List
Appendix F: Glossary
Appendix G: Commentary on Interest Rate Forecasts

APPENDIX A


London Borough of Croydon
Long Term Debt Profile as at 29 December 2017 £881.067m
Debt £Millions
Year of Maturity
LOBOs £139.5m
Other Local Authorities £15.0m
3 1/2 % Irredeemable Stocks £0.315m
Amber Green LEEF 2LLP £3.575m
European Investment Bank (EIB) £44.745m
Temporary Loans £38.00m
PWLB (GF) £317.433m
PWLB (HRA) £99.367m
PWLB - HRA Self Financing £223.126m

APPENDIX B

LOCAL GOVERNMENT INVESTMENTS (ENGLAND) SPECIFIED AND NON-SPECIFIED INVESTMENTS

a. **Specified Investments** - Where there is a change in the current investment policy this is specifically noted. All investments shall consist of investments under one year as follows:

- Debt Management Agency Deposits Facility (DMADF) which is currently available for investments up to six months.
- Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to one year.
- Term deposits with credit - rated deposit takers (banks and building societies) including callable deposits, with maturities up to one year.
- Certificate of Deposits issued by credit - rated deposit takers (banks and building societies) up to one year.
- AAA rated Money Market Funds (i.e. a collective investment scheme as defined in SI. 2004 No 534).
- Bonds issued by multinational development banks (as defined in SI 2004 No 534) with maturities under 12 months. The Council currently does not invest in this type of investment. It is recommended, however, that these can now be used and held until maturity, after consulting and taking advice from the treasury management consultants.
- Enhanced AAA rated Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.
- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market.
- UK Government Treasury Bills which are debt instruments issued by the Government's Debt Management Office through weekly auctions. The bills are issued with maturities of one, three and six months.

b. **Non-Specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. Previously such investments were not permissible, except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:

- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.

- Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.

- Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.

- Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts.

- If traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

- Enhanced Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds. The Council currently does not invest in this type of fund. It is recommended, however, that these can now be considered, after consulting and taking advice from the treasury management consultants subject to the same criteria as other investments.

- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market. If held to maturity there is a known yield but if traded there could be a potential for capital gain or loss through appreciation or depreciation in value. Given the potential for loss, any investment would need to be based on the principle that UK government gilts would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. If held to maturity, these bonds represent the nearest to a risk-free investment.

- Property Funds. Property funds can provide stable returns in terms of fixed period rents, whether commercial or industrial rentals. Property funds can be regulated or unregulated. An investment in share or loan capital issued by a regulated property fund is not treated as capital expenditure but an investment in an unregulated fund would count as capital expenditure. Given the nature of the property sector, a longer-term time horizon will need to be considered for this type of investment. The Council currently has invested in one property fund; the Real Lettings Property Fund Limited Partnership – see 3.5.13. It is recommended, however, that any future investments in property funds should only be considered, after consulting and taking advice from the treasury management consultants.

- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's authorised lending list, after consulting and taking advice from the treasury management consultants.

- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters. It is recommended that the use of this type of investment can now be considered, after consulting and taking advice from the treasury management consultants.

- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets. It is recommended that the use of this investment can now be considered, after consulting and taking advice from the treasury management consultants.

- Investment in equity of any company wholly owned by Croydon Council.

APPENDIX C

PRUDENTIAL INDICATORS FOR 2017/18 – 2020/2021

PRUDENTIAL INDICATORS	2017/18 Forecast Outturn £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
1. Prudential Indicators for Capital Expenditure				
1.1. Capital Expenditure				
- General Fund	165.184	313.466	115.429	145.901
- HRA	26.034	32.385	31.951	26.951
Total	**191.218**	**345.851**	**147.380**	**172.852**
1.2. In year Capital Financing Requirement (see Table 2)				
- General Fund - gross of MRP costs	125.418	295.404	87.265	134.932
- HRA	0.000	0.000	0.000	0.000
Total in year Capital Financing Requirement	**125.418**	**295.404**	**87.265**	**134.932**
1.3. Capital Financing Requirement as at 31st March – **balance sheet figures**				
- General Fund (net of MRP costs)	685.822	973.782	1,052.338	1,178.038
- HRA - limit of HRA debt imposed by CLG	338.688	338.688	338.688	338.688
Total	**1,024.51**	**1,312.47**	**1,391.026**	**1,516.726**
2. Prudential Indicators for Affordability				
2.1. Ratio of financing costs to net revenue streams				
- General Fund	8.1%	8.3%	9.1%	9.1%
- HRA	12.9%	13.1%	13.2%	13.2%
2.2. General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum)				
- In year increase	£13.15	£22.34	£5.72	£6.02
- Cumulative increase (includes MRP costs).		£35.48	£41.20	£47.22
2.3. HRA impact of additional borrowing (unsupported) on housing rents (per annum)	0	0	0	0
[The HRA's additional £223.1m debt costs are reflected in these ratios.]				
3. Prudential Indicators for Long External Debt				
3.1. Debt brought forward 1st April	881.067	979.108	1,267.067	1,345.623
Debt carried forward 31st March (Includes the £223.1m debt for the HRA self-financing settlement sum plus RIF & Growth Zone borrowings in future years).	979.108	1,267.067	1,345.623	1,471.323
Additional Borrowing	**98.041**	**287.959**	**78.556**	**125.700**

PRUDENTIAL INDICATORS		2017/18 Forecast Outturn £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
3.2.	Operational boundary for external debt (excludes revenue borrowing)				
	Borrowing	979.108	1,267.067	1,345.623	1,471.323
	Other long term liabilities	-	-	-	-
3.3.	Total operational debt (excludes revenue borrowing)	979.108	1,267.067	1,345.623	1,471.323
	Add margin for cash flow contingency	40.00	40.00	40.00	40.00
	Authorised limit for external debt (includes revenue borrowing)	1,019.11	1,307.067	1,385.623	1,511.323
	Other long term liabilities	-	-	-	-
	Authorised Borrowing Limit	**1,019.11**	**1,307.067**	**1,385.623**	**1,511.323**
4.	**<u>Prudential Indicators for Treasury Management</u>**				
4.1.	Lending limits - upper limit for total principal sums invested for over 365 days expressed as a % of total investments	30%	30%	30%	30%
4.2.	Maturity structure of new fixed rate borrowing, if taken, during 2017/18		Lower limit		Upper limit
	- Under 12 months		0		20%
	- 12 months to 24 months		0		20%
	- 24 months to 5 years		0		30%
	- 5 years to 10 years		0		30%
	- 10 years and above		0		100%

APPENDIX D

MINIMUM REVENUE PROVISION POLICY STATEMENT FOR 2019/2020

The Council has implemented the new Minimum Revenue Provision (MRP) Guidance from 2008/2009, and will continue to assess their MRP for 2019/2020 in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003.

The Council's MRP Policy Statement for 2019/2020 is to be as follows:

1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adapt **Option 1 - the Regulatory Method** by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.

2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31st March 2016, the MRP policy will be to adopt **Option 3 – Asset Life Method – Annuity method from the Guidance**. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.

3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.

5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.

6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).

7. The Council's cash investment in the Real Lettings Property Fund LP under a 7 year life arrangement is due to be returned in full at maturity with interest paid annually. The cash investment will be treated as capital expenditure with the Council's Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

8. Loans borrowed from Amber Green LEEF 2LLP or an alternative source to fund energy efficiency and carbon reduction schemes at certain educational institutions within the Borough will be recovered in full from these institutions. As such, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

Appendix E

LONDON BOROUGH OF CROYDON
Authorised Lending List as at 31/12/17 (Ratings as per FITCH)

LIST A

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada **(Canada)**	20,000,000	AA	F1+	aa	2	AAA
Svenska Handelsbanken AB **(Sweden**)	20,000,000	AA	F1+	aa	5	AAA
Morgan Stanley Money Market Fund	15,000,000	AAA				
Aberdeen Money Market Fund	15,000,000	AAA				
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Group Plc **(Part Nationalised) (UK)**	25,000,000	BBB+	F2	bbb+	5	AA
Debt Management Account **(UK Government Body)**	No Limits					AA

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
National Australia Bank **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Toronto-Dominion Bank **(Canada)**	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd **(Singapore)**	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation **(Australia)**	10,000,000	AA-	F1+	aa-	1	AAA
Nordea Bank AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA
Skandinaviska Enskilda Banken AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA
Swedbank AB **(Sweden)**	10,000,000	AA-	F1+	aa-	5	AAA

Appendix E

LENDING LIST CRITERIA

LIST A

LIMITS TO INDIVIDUAL ORGANISATIONS
Maximum Investment Limit - £20m apart from the limits on the institutions noted below.

CREDIT RATINGS

FITCH Rating in each of the following categories:	F1+ on Short Term Rating AA or above Long Term Rating aa- or above Viability Rating 5 or above for Support Rating AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS
ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above.
AAA RATED MONEY MARKET FUNDS - £15M LIMIT
DEBT MANAGEMENT OFFICE – NO LIMIT

APPROVED ORGANISATIONS NOT MEETING THE ABOVE CREDIT RATINGS
PART NATIONALISED UK BANKS – Limits as noted below:
ROYAL BANK OF SCOTLAND GROUP PLC - £25M LIMIT

LIST B

LIMITS TO INDIVIDUAL ORGANISATIONS
Maximum Investment Limit - £10m

CREDIT RATINGS

FITCH Rating in each of the following categories:	F1+ on Short Term Rating AA- or above on Long Term Rating a+ or above Viability Rating 5 or above for Support Rating AA+ or above Sovereign Rating

APPROVED ORGANISATIONS MEETING CREDIT RATINGS
ALL NON – UK BANKS that meet the FITCH ratings set out above.
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.
UK BANKS that meet the FITCH ratings set out above
ALL UK LOCAL AUTHORITIES

APPENDIX F

GLOSSARY OF TERMS USED IN THE TREASURY STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT & ANNUAL INVESTMENT STRATEGY 2018/2019

"Adjustment A"	The Prudential System came into force in 2004/05. The former system relied on the maintenance of credit ceilings for both GF and HRA to determine the MRP due for both. The new Prudential system uses figures derived from the authority's consolidated balance sheet to calculate MRP due. A safeguard was built into the new system to ensure that the transition did not lead to any artificial increase in MRP liability. This was based on calculating an amount known as "Adjustment A".
Affordable Borrowing Limit and Authorised Limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes - Supported - Unsupported	 The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants. Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

G7	The Group of Seven (G7) is an informal bloc of seven industrialised democracies – the USA, Canada, France, Germany, Italy, Japan and the UK that meets annually to discuss issues such as global economic governance, international security and energy policy.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan with no penalty.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Net Revenue Stream (NRS)	The NRS for the General Fund is the "Amount to be met from Government Grant and Council Tax contributions", as shown in the consolidated revenue account. This represents the budget requirement for the Council. The NRS for the Housing Revenue Account is the amount to be met from net rent income as shown in the HRA accounts.
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

APPENDIX G

COMMENTARY FOR INTEREST RATE FORECASTS AND THE ECONOMY PROVIDED BY OUR TREASURY ADVISOR LINK ASSET SERVICES

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.

- Weak capitalisation of some European banks.

- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.

- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.

- Rising protectionism under President Trump.

- A sharp Chinese downturn and its impact on emerging market countries.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and therefore allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/2019 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

For General Release

REPORT TO:	**CABINET – 26 February 2018**
SUBJECT:	**Update on the development of Legacy, Croydon Youth Zone**
LEAD OFFICER:	**Barbara Peacock, Executive Director, People Department** **David Butler, Director of Education and Youth Engagement**
CABINET MEMBER:	**Cllr Alisa Flemming, Cabinet Member Children, Young People and Learning**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Croydon Council is ambitious for young people. The Council's partnership with OnSide – a national charity aiming to develop a network of 21st century youth centres – demonstrates this ambition and ensures that young people in the borough are able to benefit from the first Youth Zone in South London. Following the granting of planning permission on 4 September 2017, Legacy, Croydon Youth Zone will be built on the site of the Whitehorse Youth Centre, on Whitehorse Road, with construction taking place throughout 2018. The Youth Zone's significant array of activities will be available outside of school hours and will complement the great facilties already operating across the borough.

Based on local demographics and of the success of existing Youth Zones, OnSide anticipate that at least 3,000 young people from Croydon will register as members, and that the Youth Zone will record approximately 1,500 visits to the facility each week. An annual membership of £5, plus 50p per visit, will allow young people to access at least 20 different activities, 7 days a week, throughout the year, including weekends and holiday provision.

Legacy, Croydon Youth Zone will have a significant positive impact on young people's health, wellbeing, confidence, attendance at school and youth crime; and therefore, make major contributions to the Corporate Plan pillars of growth, independence and liveability. Youth Zones also have a positive impact on the wider community. The scheme will create up to 15 full time and about 35 part-time, local employment opportunities and will also generate a minimum of 100 regular volunteering opportunities. It will make a positive contribution to the Council's longer term ambition to refurbish and re-vitalise the wider area, and to improving community cohesion. OnSide, and each Youth Zone across the network, is committed to working with local partner organisations and stakeholder groups to broaden the offer and strengthen links with the local community.

FINANCIAL IMPACT At the 18th January 2016 meeting, the Cabinet agreed to contribute £3.25m one-off capital, and £300k p.a. revenue contribution for three years, as well as granting a long-term lease for the land on which the Youth Zone will be developed. OnSide are commited to providing the remaining capital funding and £700k p.a. revenue funding for 3 years.
KEY DECISION REFERENCE NO.: Not a key decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations contained within this report:

1. RECOMMENDATIONS

The Cabinet is asked to note the progress made with the delivery of Legacy, Croydon Youth Zone.

2. EXECUTIVE SUMMARY

2.1 The Council is committed to working in partnership with OnSide to develop the first Youth Zone in South London for the benefit of Croydon's young people. On 18th January 2016 Cabinet agreed, in principle, to the development of Legacy, Croydon Youth Zone at Whitehorse Youth Centre, Whitehorse Road ('the project') subject to planning approval and final site assessments. Cabinet also approved the Council's contribution of £3.25m one-off capital, and three years revenue contribution of £300k per year, as well as the grant of a lease for the land on which the project will be developed. OnSide is committed to raise the remaining capital funding needed to build the new Youth Zone and ensure its operation are fully funded for the first three years.

2.2 Since the date of the last update to Cabinet on 17 June 2017, significant progress has been made on the project which will help to realise the Council's ambition for young people. The new Youth Zone is due to open in spring 2019 and particular developments have occured in the following areas.

- **Gaining planning permission for the new Youth Zone –** planning permission was granted on 4 September 2017.
- **Conduting a tender exercise for a construction partner –** a tendering exercise has been undertaken by OnSide to identify a suitable construction partner.

- **Appointing a permanent Chair for the Youth Zone –** Nick Sleep has been appointed as the permanent Chair and further changes have been made to the Board of Directors.
- **Capital and revenue fundraising –** OnSide continues to bring in further funding through the generosity of locally-connected businesses and individuals.
- **Communicating progress -** press coverage of events, such as the granting of planning permission, have raised awareness of the Youth Zone, particularly amongst potential funders.
- **Increasing young people's voice –** the Youth Zone's Young People Development Group (YPDG) has gained new members and continues to play an active role in the development of the Youth Zone.
- **Engaging local partners** – OnSide continues to engage local groups and organisations in Croydon with the aim of developing partnerships that will enhance the offer for young people in Croydon.

2.3 This paper is to update Cabinet on the progress to date for the project.

3. DETAIL

Gaining planning permission for the new Youth Zone

3.1 OnSide worked with John Puttick Associates (the project architects) and Council officers to develop plans for Legacy, Croydon Youth Zone that give both the necessary 'wow factor' for the new building to attract and excite young people, while meeting any possible planning issues and site-specific challenges.

3.2 The resulting plans received planning permission on 4 September 2017 (under delegated powers), having been further refined through two pre-application processes and input from the Council's Place Review Panel.

3.3 The latest visuals for the external design of the building are shown below.

Conduting a tender exercise for a construction partner

3.4 During the planning application process, OnSide continued, at risk, to produce advanced design information and went out to tender to identify a suitable construction partner, in order to open the Youth Zone as early as possible.

3.5 Tender packs were issued to four contractors who returned compliant tenders on the 9 October 2017. OnSide is continuing to conduct commercial negotiations with contractors with the intention of appointing the most suitable contractor to start work on the Youth Zone.

Establishing the new charity

3.6 All Youth Zones are governed by a private sector-led Board of Trustees responsible for strategic vision and the long-term sustainability of the charity, and including representatives from the Council.

3.7 Since the last Cabinet update, there have been a number of changes to the Board:

- Nick Sleep, a South London resident who set up and ran a successful investment partnership, has been appointed as the permanent Chair of the Youth Zone, replacing the Acting Chair Kay Andrews;
- David Butler has been appointed to the Board, replacing Mark Fowler as the Counci's representative following Mark's departure from the Council;
- Jamie Masraff, OnSide's Project Director has been appointed to the Board, replacing Mark Ward as OnSide's representative following Mark's departure from OnSide.

3.8 OnSide is working with the new Chair to appoint further Trustees. A number of suitable candidates have been identified and are waiting formal appointment.

Capital and revenue fundraising

3.9 £6m capital funding has been secured to develop Legacy, Croydon Youth Zone, including £3.25m from the Council, and £2.75m raised from other organisations, including:

- £1m funding from the Queen's Trust;
- £0.5m from the Stone Family Foundation;
- £0.25m from the Fidelity Foundation.
- £1m anonymous donation

3.10 The expected costs for developing the Youth Zone has risen slightly, as additional elements and adjustments were made to the design in order to accommodate the feedback received through the planning process. The final project cost is subect to ongoing commercial negotiations, although OnSide has approached a number of further possible funding sources to secure the additional capital required.

3.11 OnSide continues to make good progress in raising the remaining revenue (estimated at £700k pa) needed by the Youth Zone to operate for the first three years, further to the £300k pa provided by the Council for this period. Commitments have now been received for £450k pa for the first three years (£1.35m in total). OnSide's Croydon Private Sector Development Manager is cultivating a large number of leads with the capacity and inclination to invest in Croydon's young people. Crucially, over the next 12 months, more locally-connected businesses and residents will be engaged to secure their support as Founder Patrons, creating a local coalition of private-sector supporters of the new Youth Zone.

3.12 OnSide is also one of three chosen charities for the Lord Mayor's Appeal, a new three year scheme launched on 20 November 2017 to transform the lives on one million Londoners. Legacy, Croydon Youth Zone will directly benefit from OnSide's participation in the scheme – both in terms of funding and increasing awareness across London about the impact that Youth Zones have on young people's lives.

Communicating Progress

3.13 OnSide's Communications Co-Ordinator has worked with the Council's Communications Team to develop a series of press releases on key activities related to the Youth Zone's development. This has led to media coverage of the granting of planning permission and news stories on the Youth Zone's dedicated website about the appointment of Nick Sleep as the Chair and the announcement of Redrow as Founder Patrons.

3.14 Futher press releases will accompany key construction events such as ground-breaking (expected in early Spring), targeted at raising awareness amongst potential funders. In the lead up to opening, efforts will start to switch to increasing local young people's awareness of the Youth Zone to encourage them to sign up as members.

The Young People's Development Group

3.15 Legacy, Croydon Youth Zone's Young People's Development Group (YPDG) continues to meet every other week, playing an active role in the development of the Youth Zone, and providing unique experiences for members, which help develop their confidence and skills.

3.16 Since the last update to Cabinet, further young people have joined the YPDG which went on a weekend residential to Youth Zones in the North West in order to further develop the group's understanding of the Youth Zone model. Sessions have been held with the project's architects to increase the group's understanding of the Youth Zone design, and members of Croydon's YPDG played a prominent role in the parade for the Lord Mayor's Show on 11 November, 2017.

3.17 The group will soon take part in a series of meetings with a specialist design agency in order to design the hoardings for the site, and will increasingly look to engage other young people through presentations at school assemblies in the lead up to opening.

Engaging local partners

3.18 OnSide's Partnership Development & Community Engagement Manager continues to engage existing providers of services and support to young people with the aim of developing partnerships which enhance the offer to young people in preparation for the opening of the Youth Zone. This includes discussions with the following groups / organisations:

- Ballers Football Coaching;
- Croydon Borough of Culture;
- Palace for Life Foundation;
- Croydon Drop-In;
- Purley Youth Centre;
- Solid Rock Youth Club;
- Reaching Higher;
- Play Place;
- GirlGuiding Croydon;
- Croydon Police Cadets;
- Thai Boxing Community Centre;
- Gloves not Gunz;
- Aim High Dance Academy.

3.19 OnSide's Partnership Development & Community Engagement Manager also continues to attend local forums to engage with other local voluntary organisations and community groups, including:

- Three Area Locality Youth Network meetings, the 'Big' annual Localities meeting and the termly borough-wide meetings;
- Sessions with schools to publicise the Youth Zone;
- Forums organised by Croydon Voluntary Action, including the Young People & Families' Network and the Borough Forum;
- Other voluntary groups and with Council officers with the aim of developing a joint approach to Youth Worker training.

3.20 In the months prior to opening, focus of engagement will shift to more detailed planning of joint delivery with these organisations.

TAKING THE PROJECT FORWARD – OUR NEXT STEPS

The key next steps for the development of Legacy, Croydon Youth Zone are as follows[1]:

- Appoint building contractor – January 2018
- Start on site – February 2018
- Building project completion / soft-launch – February 2019
- Formal opening of the new Youth Zone – April 2019

[1] These dates are indicative at this stage as it will depend on a number of factors such as the time taken to complete the necessary legal agreements.

4. CONSULTATION

4.1 Onside will continue to consult with and engage the community and young people for the benefit of the project throughout the period leading up to and after the opening of the new Youth Zone.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

REVENUE AND CAPITAL CONSEQUENCES

5.1 There are no further financial consequences to those presented in the paper approved by the Cabinet on 18 January 2016 and June 2017. It should be noted that, as detailed in section 3.9, the majority of the £6.5m capital funding required to develop Legacy, Croydon Youth Zone has been secured.

5.2 It should also be noted, as detailed in section 3.11, that significant progress has been made towards raising the revenue funding, and that OnSide has appointed a revenue fundraiser to ensure the Youth Zone opens its doors with funding already secured to cover the first three years of operating costs.

RISKS

5.3 There are no risks further to those presented in the paper approved by the Cabinet on 18 January 2016.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk (Deputy S151 Officer)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Council Solicitor comments that there are no direct legal consequences arising from the recommendations within this report.

Approved by: Jaqueline Harris-Baker, Council Solicitor and Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 There is no impact to Council employees as noted in the paper approved by the Cabinet on 18 January 2016.

Approved by: Sue Moorman, Director of Human Resources

8 EQUALITIES IMPACT

8.1 Please see background paper for purposes of the report.

9. ENVIRONMENTAL IMPACT

9.1 There are no environmental impacts further to those presented in the paper approved by the Cabinet on 18 January 2016.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no crime and disorder reduction impacts further to those presented in the paper approved by the Cabinet on 18 January 2016.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 To advise members on the progress made in developing the new Youth Zone.

12. OPTIONS CONSIDERED AND REJECTED

12.1 There are no options considered further to those presented in the paper approved by the Cabinet on 18 January 2016.

CONTACT OFFICER: David Butler, Director of Education and Youth Engagement
(0208 726 6000 ext 65636)

BACKGROUND PAPERS: Cabinet Paper 18/01/2016 - Investing in our Young People - Onside Youth Zone -
https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=44&href=/akscroydon/images/att6626.pdf

Cabinet Paper 17/06/2017 - Update on the development of Legacy, Croydon Youth Zone -
https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=58&href=/akscroydon/images/att9195.pdf

For General Release

REPORT TO:	**CABINET - 26 February 2018**
SUBJECT:	**Children's Services Improvement Update report**
LEAD OFFICER:	**Barbara Peacock, Executive Director, People Department** **Kerry Crichlow, Programme Director, Children's Improvement**
CABINET MEMBER:	**Councillor Alisa Flemming, Cabinet Member for Children, Young People & Learning**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT

Croydon Corporate plan 2015-18

The recommendations address the following Corporate Plan priorities:

- To help families be healthy and resilient and able to maximise their life chances and independence
- To create a place where people feel safe and are safe

AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:

The Independence and Liveability Strategies 2015-18 set out how the Council will achieve the commitments made in the administration's 'Ambitious for Croydon' election manifesto in respect of independence and liveability.

FINANCIAL IMPACT

£3.5m has been invested from earmarked reserves to support targeted improvement work over 2017-18. In 2018-19 £10.9m has been allocated to base budgets to continue this work.

FORWARD PLAN KEY DECISION REFERENCE NO.

This is not a key decision.

1. RECOMMENDATIONS

The Cabinet is asked to:

1.1 Note the Children's Services Commissioner for Croydon's advice to the Minister of State for Children and Families that the Council should retain responsibility for managing children's services and be given time to drive the improvements forward.

1.2 Note the Minister's response agreeing the Commissioner's advice and requiring Croydon Council to work with Camden Council to develop a proposal for intensive peer support over a minimum 12 month period to drive front line improvements.

1.3	Note the outcomes fom the first Ofsted monitoring visit carried out in December 2017.

2. EXECUTIVE SUMMARY

2.1 Following the publication of the Ofsted report on children's services in Croydon on 4th September 2017 the Secretary of State for Education (the Secretary of State) issued a Direction to the Council to co-operate with Eleanor Brazil as the Children's Services Commissioner for Croydon (the Commissioner), who was charged with making recommendations to the Minister for Children and Families (the Minister) on the best course of action for the future of children's services in Croydon. The Commissioner's report was submitted to the DFE on 4th December 2017 and a letter was sent to the Leader of the Council on 19th December setting out the Ministerial response to the Commissioner's recommendations.

2.2 A revised Direction was published by the DFE on 25th January 2018 alongside a copy of the Commissioner's report, revoking the previous Direction and requiring Croydon to agree an intensive peer support proposal with Camden Council. The Commissioner's contract has been extended until 31st March 2018 to broker appropriate support arrangements between Croydon and Camden Councils and provide an assessment of the proposals including a view on the appropriateness of these to address the shortcomings in Croydon's performance identified by the Office for Standards in Education (Ofsted).

2.3 Areas for immediate support, advice and expertise between Camden and Croydon have been agreed as phase one, with actions underway between February and the end of March 2018. At the same time senior officers will develop and agree a one year intensive support plan to be implemented from April 2018 as phase two, supported by the Commissioner as broker.

2.4 Ofsted carry out quarterly monitoring visits to children's services departments judged inadequate to assess progress. The first monitoring visit to Croydon took place on 12th and 13th December 2017. Initial monitoring visit reports are not published but are shared with the Local Authority and the DFE. Subsequent monitoring visit letters will be published on the Ofsted website.

2.5 This report provides an update to Cabinet on the Commissioner's report, the Minister's response and the revised Direction for Croydon and the outcomes of discussions between Croydon and Camden Council senior officers on the programme of support. It also provides an overview of the findings of the first Ofsted monitoring visit, and the implications for the children's improvement programme.

3. BACKGROUND

3.1 The Secretary of State's Direction to Croydon issued on 4th September 2017 required co-operation with the appointed Children's Services Commissioner for Croydon, Eleanor Brazil, making officer and member time available as well as premises, practical support and any documents needed in order to enable her to fulfil her role.

3.2 The Commissioner was tasked with reporting to the Minister by 4th December 2017 against three areas:

- Croydon's improvement priorities for children's social care, identifying any immediate actions required to secure improvement, on-going improvement requirements, and recommending any additional support required to deliver these.

- The Council's capacity and capability to improve itself in a reasonable timeframe, and advise on whether the evidence for this was sufficiently strong to achieve sustainable improvement to children's social care should the services remain in the Council's control.

- Advise on alternative delivery and governance arrangements for children's services outside of the operational control of the council, taking into account the views of the Council and key partners.

3.3 The then Minister considered the Commissioner's recommendations and sent a written response to the Leader of the Council together with a draft revised Direction on 19th December 2017.

4. COMMISSIONER FOR CHILDREN'S REPORT

4.1 In preparing her report to the Minister the Commissioner looked at what went wrong, the steps taken by the Council to deal with the concerns, the impact this had had to date and whether this had been sufficient to give confidence in the Council's capacity and capability to make improvements rapidly going forward.

4.2 The Commissioner found the Council to be extremely welcoming and co-operative, providing full support to enable her to undertake her task. Over the three months leading up to the delivery of the report frequent meetings were held with the political and officer leadership of the Council as well as the independent chairs of the Improvement Board and Croydon Safeguarding Children Board. Existing forums and scheduled meetings were used to observe practice, gather information and seek the views of staff and partners. A large amount of background information was scrutinised including previous inspection reports and a number of service reviews commissioned by the Executive Director (People), as well as more current information as presented to the Children's Improvement Board and other key Council and multi-agency forums.

4.3 The Commissioner's assessment is that the Council has demonstrated their commitment to children's services in the response to the inspection. The Leader and Chief Executive have been clear that children's services are now the corporate priority, and through their influence children and young people will also be a priority of the Local Strategic Partnership. Immediate impact was visible in the securing of additional in-year resources to underpin the improvement programme including appointing additional social workers, the reduction in the span of control for the Executive Director (People) to increase senior leadership oversight of children's services, and additional business support for frontline staff.

4.4 The Commissioner noted that the effectiveness of actions to address known concerns identified in the past had been hindered by the scale of the change needed, and limited management capacity to drive this forward. The swift appointment of a highly experienced interim Director of Early Help and Social Care plus two new Heads of Service has therefore brought much needed capacity and professional expertise to the service, and positioned it to respond to the challenges raised by the Ofsted judgements as set out in the Improvement Plan. Her advice to the Minister is that the scale of the challenge is such that it will take a period of at least eighteen months to two years to bring about the degree of change needed in all aspects of service delivery.

4.5 The commissioner's advice to the Minister was that the Council should retain responsibility for managing children's services and be given time to drive the improvements forward. However she also concluded that support is needed to undertake these improvements effectively and at pace, as the service does not currently have the necessary capacity and expertise to lead, manage and direct improved day to day practice alongside the improvement programme.

4.6 During the period of the review the Commissioner explored options for securing such support with senior officers and members who were positive about this way forward and keen to develop an agreement with a high performing London Council to provide intensive peer support. Camden Council, who were recently judged as good with outstanding leadership, management and governance by Ofsted, have expressed a willingness to provide this support. The commissioner's recommendations therefore focus on the development of a formal agreement with Camden for peer support in the areas of highest priority over the next three months, and this is reflected in the revised Direction to Croydon from the Secretary of State as set out in the section below.

5. MINISTERIAL DECISION

5.1 The then Minister wrote to the Leader of the Council on 19th December 2017 setting out his decision on the next steps for Croydon following the submission of the Commissioner's report. The letter notes that whilst the report makes for difficult reading in some areas, where the weaknesses found by Ofsted across the service and the lack of capacity to rectify these in the past are described, nonetheless he is encouraged by the commitment the leadership of the Council has demonstrated following the inspection, and the evidence of action to better resource and build capacity in children's services.

5.2 The Minister agreed the recommendation that Croydon continue to manage children's services, subject to the requirement that Croydon agree intensive peer support arrangements with Camden Council. A fully developed proposal for this support needs to be submitted to the DFE by the end of March 2018

5.3 A revised Direction was published by the DFE on 25th January 2018 revoking the previous document. The updated Direction requires Croydon to co-operate with the Commissioner as before, and requires Croydon to work with Camden Council to develop a proposal for intensive peer support over a minimum of a twelve month period and submit that proposal to the Secretary of State by the end of March 2018.

5.4 Revised terms of reference for the Commissioner extend her contract by three months to broker the necessary arrangements with Camden, and provide an assessment to the Minister of the resulting proposals including a view on the appropriateness of the proposals to address the shortcomings in children's services' performance.

5.5 Officers and members have been swift to access the support on offer from Camden. The Lead Member for Children, Families and Education and the Executive Director People have visited Camden's Corporate Parenting meeting to observe best practice and inform the review of Croydon's Corporate Parenting panel.

5.6 Focused meetings to work up the intensive support proposals have commenced between the statutory Directors of Children's Services and their respective Directors with responsibility for children's social care in both Councils, chaired and facilitated by the Commissioner. A staged approach is being taken. In the first phase plans have been agreed in four areas for immediate support, linked to the Children's Improvement Plan and taking place between February and the end of March 2018. These are:

- Challenge and support to plans to create the single point of contact and integrated front door for services

- Quality assurance: improving case auditing and moderation
- Management development with an initial focus on Heads of Service and Service Leads
- Young people at risk, to include reviewing the effectiveness of the Multi-Agency Sexual Exploitation Panel

5.7 With this support, advice and expertise for front line practice underway, senior leaders will be supported by the Commissioner to agree the areas to be included in phase two, the intensive support plan from April 2018 – March 2019, building upon the immediate areas identified above and developing these further into actions that will lead to sustained improvement.

5.8 In addition Camden's Director for Children's Safeguarding and Social Work will join Croydon's Children's Improvement Board.

6. OFSTED MONITORING VISIT

6.1 The first Ofsted monitoring visit took place on the 12th and 13th of December and was focused on the Front Door, including the Multi-Agency Safeguarding Hub (MASH) and assessment service. During the course of this visit, inspectors reviewed the progress made in the areas of help and protection, including:

- the identification of risk and the timeliness of responses to assessing risk, in the assessment service
- the understanding and application of thresholds, management oversight and decision-making, and support of and guidance to social workers in the assessment service
- Consideration of the multi-agency safeguarding hub (MASH) response, as part of looking at the assessment work undertaken.

6.2 During the visit inspectors considered a range of evidence including electronic case records and sampled casework alongside social workers. The Children's Improvement Plan and performance information for October 2017 were reviewed. Inspectors spoke predominantly to social workers in the assessment service and to a small number of managers. Positively, inspectors noted that staff morale is generally much improved and staff say that they feel better supported and that they are being listened to.

6.3 Feedback from the visit was varied, with positive feedback on the prompt action taken by senior leaders to establish the strategic infrastructure for improvement, secure additional financial investment and ensure sufficient senior management capacity. The strong corporate focus on improvement was noted. Continued improvement in the MASH and some examples of good social work practice were also highlighted.

6.4 Nevertheless, there were also some strong messages on the identification of risk, variable quality of social work practice, high caseloads in the assessment service, weak management oversight and a lack of rigour in quality assurance (auditing) which led to inspectors downgrading cases which were internally graded as ‘requires improvement’.

6.5 Inspectors noted that Croydon is not in an unusual position at this first visit, and reinforced the challenge of moving forward in delivering parallel improvements on infrastructure and practice at pace. They also acknowledged the pressures presented by increased demand at the front door; a higher number of referrals coming in to the assessment team, and recognised that senior managers have taken steps to reconfigure resources and add capacity to address this.

6.6 The council accepts the feedback from the monitoring visit and senior managers have begun to address the issues inspectors raised, reflecting the findings and building upon the good practice observed as part of the wider children’s improvement plan activity. A new Quality Assurance Framework and approach to auditing was launched in January to increase the rigour of the audit process, for example, and this will be further strengthened to reflect the specific feedback received.

6.7 The second monitoring visit on 20th and 21st March will assess how effectively risk is identified and addressed for vulnerable children and young people, including those who go missing from home or care, those at risk of child sexual exploitation (CSE), gang involvement, serious youth violence and other crime.

6.8 A number of actions in the Children’s Improvement Plan relate to the areas of focus for this visit and these have been closely monitored to ensure they are achieved. In addition, a tight and robust action plan has been put in place to ensure that risks are clearly identified, including areas where practice needs to improve, and mitigating actions are in place that will lead to long term, sustained improvements. The phase one partnership support from Camden Council is a feature of this work.

7. CONSULTATION

7.1 A communication and engagement plan has been developed to underpin the improvement activity, with the following objectives:

1. To communicate how we are improving children’s services in Croydon over the next two years
2. To inform our staff, stakeholders and partners about our improvement plan – progress, key decisions, activities and dates

3. To encourage staff, children and partners that they are a vital part of the journey and the solution and to create confidence in them that we can run an effective and safe service – we are people focused.
4. To help create the environment for effective culture change through communication and engagement
5. To help in the recruitment and retention of key children's service staff – by showcasing Croydon as a great place to work through creating a strong 'We are Croydon' brand

7.2 A Council staff reference group has been established and feeds into the improvement board through the chair of the group, a social worker, who sits on the board bringing practitioners' perspectives.

7.3 Consultation and engagement with children and young people is central to social work practice and service improvement. Croydon has a range of mechanisms to engage and consult with children, young and their families. This includes the Youth Engagement Strategy which sets out a number of initiatives to ensure that children and young people have a voice, and the Children in Care Council.

7.4 Listening and responding to the experiences, wishes and feelings of children and young people is one of the priorities of the improvement plan and will be central to the improvement programme. The plan includes actions to strengthen how the views and experiences of children, young people and their families influence service design. This feedback will also help monitor the impact of improvement activity.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 Transformation funding has been increased to £3.5m to support and resource children's improvement work. This funding will support the areas of work identified in the Ofsted Report as needing investment and are detailed in the table below. This has increased from the £2m reported to cabinet in November, primarily because the service has experienced exceptionally high demand at the front door. A business case for a temporary six month structure with larger teams and increased management capacity. It is hoped that this surge in demand will stabilise as work continues on the improvement

8.2 The draft 2018/19 budget includes growth of £10.2m in the People (Children's base budget) and £0.7m in Resources (Business Support base budget) to ensure the staffing structure and budget support both the level of demand being experienced and also the areas of focus for improvement. The budget report presented to Cabinet in February sets out how this is allocated.

8.3 Approved by Richard Simpson, Executive Director Resources

9. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

9.1 The Solicitor to the Council comments that there are no legal implications arising from the recommendations in this report.

9.2 Approved by Jacqueline Harris-Baker, Director of Law and Monitoring Officer.

10. HUMAN RESOURCES IMPACT

10.1 It is recognised that in order to improve outcomes for children in Croydon we need to attract and retain a skilled and committed workforce with manageable workloads and good management oversight. The high level of locum staff and increased demand of referrals are a key factors for consideration in improving support for workforce planning and development in the service.

10.2 Approved by Sue Moorman, Director of Human Resources

11. EQUALITIES IMPACT

11.1 Equalities and diversity considerations are a key element of social work practice. It is imperative that help and protection services for children and young are sensitive and responsive to age, disability, ethnicity, faith or belief, gender, gender, identity, language, race and sexual orientation.

11.2 Croydon has a diverse population of children and young people. Children and young people from minority ethnic groups account for 57%, compared with 30% in the country as a whole. The proportion of children and young people with English as an additional language across primary schools is 44% (the national average is 18%).

11.3 Social workers recording and planning in relation to inequalities is inconsistent and therefore the action plan addresses the additional work which needs to be done to ensure that children’s diversity and identity needs are met.

12. ENVIRONMENTAL IMPACT

12.1 There are no direct implications contained in this report.

13. CRIME AND DISORDER REDUCTION IMPACT

13.1 There are no direct implications contained in this report.

14. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

N/A

15. OPTIONS CONSIDERED AND REJECTED

N/A

CONTACT OFFICER: Kerry Crichlow, Programme Director Children's Improvement
Tel. 0208 760 5787

BACKGROUND DOCUMENTS: None

For General Release

REPORT TO:	**CABINET** **26 February 2018**
SUBJECT:	**Implementation of the homelessness Reduction Act 2017**
LEAD OFFICER:	**Shifa Mustafa, Executive Director - Place** **Julia Pitt/Paul Aston, Director/Head of Service**
CABINET MEMBER:	**Alison Butler, Deputy Leader and Cabinet member for Homes, Regeneration and Planning** **Louisa Woodley, Cabinet member for Families, Health and Social Care**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The Homelessness Reduction Act 2017 comes into force in April 2018. It introduces a number of new statutory duties on local authorities to assist people who are homeless or threatened with homelessness. These new duties will significantly increase demand on housing and support services within the Gateway and Welfare directorate, parts of which will have to be redesigned in order to meet the new duties. It will require ICT development to report outcomes, pathways and Personal Housing Plans.

Whilst implementation of these changes are statutory requirements, it does give the Council an opportunity to strengthen the offer to residents currently assisted by the Gateway and Welfare directorate with regard to increasing independence, financial resilience/stability, reducing homelessness, access to training, employment and customers taking ownership of their housing outcomes.

FINANCIAL IMPACT:

The paper sets out the financial risks and implications for the Council and customers.

KEY DECISION REFERENCE NO: Not 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

The cabinet is recommended to:

1.1 Note the impact arising from the introduction of the Homelessness Reduction Act.

1.2 Note the proposed actions by the Council to assist customers and comply with the new statutory duties as detailed within the body of the report.

2. EXECUTIVE SUMMARY

2.1 This reports outlines the new duties, their impact and the changes being made to Gateway and Welfare services in order to be ready for the implementation of the Homelessness Reduction Act 2017 (the Act). Whilst we welcome the Act it poses a significant challenge to the local authority and a service struggling to cope with demand.

2.2 Prior to the introduction of the Act there was no statutory duty on Local Authorities to prevent homelessness. Limited resources and high demand meant single non priority homeless applicants were often denied the opportunity to see a housing adviser, given a reduced service and frequently signposted to other agencies.

2.3 The new Act is based on the model adopted in Wales which is lauded as a model of good service delivery. However, it should be noted the context of housing provision in Wales is very different to that in England, particularly London Local Authorities and they received transitional funding of 10 million over 3 years and have received a further 6 million for 2018/19. Nevertheless, for the most part the same statutory provisions have been adopted in the Act.

2.4 The Act introduces preventing and relieving homelessness as a statutory duty for anyone who is eligible (i.e. has a legal right to remain in the UK) and is homeless or threatened with homelessness.

2.5 Fortunately, the Gateway and Welfare Directorate is ahead of most Local Authorities in being prepared for the changes having already successfully designed services with prevention and early intervention at its centre. However, the new duties and expected increase in customer demand will mean teams – initially within the housing needs and assessments service - will have to be redesigned and expanded to cope with the additional pressures. The London Borough of Southwark, who undertook a Homeless Trailblazer Pilot, reported a 50% increase in customer demand and we expect the same in Croydon which will mean a potential increase of approximately 1,400 homeless applications and associated administration introduced under the legislation.

3. DETAIL

3.1 The Act will commence on 3 April 2018. Croydon have been allocated 1.2 million over 3 years by Central government. This is less than the 2.2 million we estimate is required for implementation and service delivery. We will endeavour to reduce costs where possible and keep the service under review to ensure effective allocation of resources. The finance section in this paper explains how we will use the allocated funds from Central Government, however, any additional spend will have to be met from the Flexible Homelessness Support Grant and where possible from Central Government.

3.2 The Ministry of Housing, Communities and Local Government has changed the current homeless data collection system (P1E's) which now includes more detail around how we have prevented and relieved homelessness under the new duties.

3.3 **The main changes under the Homelessness Reduction Act 2017:**

3.4 There is a duty to provide advisory services around preventing homelessness; securing alternative accommodation; legal rights; the duties owed to the customer by the local authority and signposting to where help is available and how to access it if homeless or threatened with homelessness. These advisory services must be designed with specific vulnerable groups in mind, including prisoners on release, victims of domestic abuse, and persons suffering from mental illness or impairment.

3.5 A person is now considered threatened with homelessness if it is likely they will lose their accommodation within 56 days - previously, this was 28 days which means that councils will be required to try to prevent homelessness within a longer period of time.

3.6 The above referenced 56 day duty requires authorities to prevent or relieve homelessness by taking reasonable steps to assist the customer to keep their current accommodation or find alternative accommodation where there is a prospect it will last for at least 6 months.

3.7 There is the introduction of a new section - 189A- which places a duty on the Council to carry out an assessment in all cases where an eligible applicant is homeless, or threatened with homelessness. This is regardless of whether there is any priority need or possible intentional homelessness. There is a requirement, in undertaking the duty to assess the applicant's circumstances, housing and support needs, to provide this assessment in writing to the applicant. Following this, the council must 'try' to agree with the applicant as part of their Personalised Housing Plan:

(a) any steps the applicant is to be required to take for the purposes of securing that the applicant and any other relevant persons have and are able to retain suitable accommodation, and
(b) the steps the authority are to take for those purposes.

If there is agreement, this must be recorded in writing. If there is no agreement, the council must set out in writing:

(a) why they could not agree,
(b) any steps the authority consider it would be reasonable to require the applicant to take , and
(c) the steps the authority are to take

Both the assessment and the appropriateness of the agreement and steps to be taken by the council must be kept under continuous review until the end of duty in one form or another, and any changes to the council's assessment notified to the applicant in writing. Likewise if any agreement or step is no longer considered appropriate by the council.

3.8 A new duty is introduced by the Act and placed on public bodies e.g. police, NHS Trusts, GPs, schools etc. to refer service users to the Local Authority if they believe they are homeless or threatened with homelessness - *Implementation if this duty has been postponed until October 2018.*

3.9 The introduction of pathway plans for vulnerable groups' e.g. care leavers, ex-prisoners promoting joint working with partners to prevent homelessness.

3.10 New rights of review regarding the decision of the local authority to end the prevention or relief duty; against the reasonable steps the authority will take and the decision to end the duty for deliberate and unreasonable refusal to co-operate.

3.11 **The Impact of the Change**

3.12 Customer demand: Currently the housing needs and assessment service manages customer contact/demand by use of an online assessment form which prioritises appointments according to homeless date and apparent priority need. Due to high demand and limited resources, applicants who are not in priority need are not automatically offered an appointment and are given advice and information which outlines what the council is able to do for them based on the information they have given. This often results in the customer not proceeding with a homelessness application, however, if the customer still wishes to be seen an appointment is made via our triage service.

The Act means this approach will need to change as we will be legally bound to accept a prevention or relief duty as long as we are satisfied the customer is eligible and homeless. Priority need is not a factor which means all applicants will receive an assessment of their housing need and a Personal Housing Plan which is an agreement which outlines the steps we will undertake to prevent and relieve homeless and the steps the customer has to take. The personal housing plan must be kept under review and is one of the new areas a customer can request a legal review.

These changes will place a considerable administrative burden on authorities. We are likely to see customer demand increase by 50% and interview times double. We also are required to remain in contact with customers throughout the homelessness journey and review their plan as their circumstances change or the duty ends.

There will be a further increase in demand when the duty on public bodies to refer to the local authority, customers whom they believe to be homeless or threatened with homelessness, is implemented in October 2018.

3.13 Pressure on services within Gateway: In order to comply with the duties there will be increased demand for Discretionary Housing Payments and Croydon Discretionary Scheme as it is used to assist customers to prevent homelessness, secure alternative accommodation, clear debt and incentivise landlords.

As the duties apply regardless of priority need the Council will have to assist an increased number of customers many of whom will require support with other Gateway services around reducing debt, budgeting, access to work and training as well as practical support to access affordable accommodation in the private rented sector.

It is also likely the Council will see an increase in the length of time interim accommodation will need to be provided, such as in cases where homelessness cannot be relieved within 56 days and the applicant is intentionally homeless. The government would also like to see more discretionary placements which means increased demand for supported accommodation and floating support although there is no increased funding for these services.

3.14 Staffing: The additional burdens cannot be met with our current levels of staff. The London Borough of Southwark recruited an additional 30 members of staff to meet the new duties. However, we currently feel we will not require this number as we already have in place a directorate designed to provide early intervention, prevention and support. However, due to the increase in customer numbers and statutory administration imposed by the Act we will have to increase staff numbers in order to manage and offer a proper service.

3.15 ICT: The current systems will not meet our new requirements as they are not set up for the changes and we are not able to report on the P1E data referenced earlier in this report. We will have to change the online assessment; the current appointment system; create personal housing and pathway plans; build in alerts, make changes to reflect the changes in case management and capture prevention/relief activities.

3:16 **Council response to the changes**

3.17 Current position: The Council welcomes the changes implemented by the Act as this gives a statutory framework to build on the work already pioneered within the Gateway and Welfare directorate.

The housing needs and assessment service already utilise action plans to assist customers prevent or postpone homelessness, access alternative accommodation and obtain support with budgeting and other services within Gateway. The service negotiate with landlords and work with customers to resolve underlying issues which may be causing a threat of homelessness.

The cost of the average homeless application is £6700 and the service has prevented over 250 households from becoming homeless; they have assisted over 100 customers in Bed and Breakfast accommodation to access private sector accommodation and reduced caseloads to under 250 all of which has contributed to a 26% reduction of households in bed and breakfast working together with our colleagues in housing needs.

The Council has seen also seen improved outcomes and a significant reduction in cyclical homelessness for single homeless and rough sleepers via the work of our Support Needs and Placement service who work closely with organisations such as Crisis and Croydon Reach.

Since Gateway was set up in 2015, we have helped more than 1,300 families avoid homelessness, supported over 500 people into jobs and given £2m to support residents with rent arrears. In the past year, the Gateway service has also run budgeting, employment, debt and housing workshops for 500 residents and helped more than 2,200 people on Universal Credit with their digital skills.

The new Community Connect alliance of statutory, voluntary, community and private sectors has widened the Gateway approach to:

- prevent 29 New Addington and Fieldway households from becoming homeless, including preventing eight evictions;
- reduce rent debts and improved household finances among 34 families; and
- help 27 residents into work or training, 14 of whom had been long-term unemployed.

The council's work on Community Connect has now led to it being named as a finalist at this summer's UK Housing Awards 2018 under the category of Innovation of the Year.

It is imperative in light of the new Act this work continues but it would be difficult to achieve the same outcomes with the increase in demand if the funding doesn't continue.

3.18 Opportunities:

To continue to build on the success of the council's early intervention work and widen the Gateway approach into the community.

The Act means local authorities will have to intervene much earlier when there is a threat of homelessness which will increase the Council's opportunities for prevention and reduce crisis interventions which are much more costly for the authority.

Customers now **have** to work with the council to help find their own solutions. This will mean a greater number of customers have to engage with the Council in keeping or looking for a home, finding work, budgeting etc. reducing the numbers who become homeless. The Council can also use Personal Housing Plans for example, to assist customers with support needs to take back control of their lives.

There will be stronger partnership working and co-production of services especially for 'vulnerable groups' which will see better outcomes for customers realised.

3.19 Redesigning the 'front door': The current online assessment form is being redesigned to capture more information upfront regarding the customers personal and housing circumstances. This is to assist the council to identify much earlier the events which have led to homelessness and tailor the support available - not just in housing needs and assessments but for all Gateway and Welfare Services - and increase opportunities for successful outcomes. This will also help to reduce interview times as less information will need to be obtained at interview.

The new assessment form will produce a draft personal housing plan based on the information provided by the customer. This will ensure the plan is created as early on in the housing journey as possible and will also help manage customers' expectations as to the reasonable steps both the authority and they will have to take to prevent or relieve their homelessness. This will be built within ‘My Account’ which will allow the Council to interact with the customer online, create alerts and keep the personal housing plan under review.

3.20 Purchasing Ohms Advice Module : The Council are currently undertaking a review of ICT across People’s department so this is an interim option which will allow us to record all the prevention cases and outcomes within Ohms which the Council currently use for existing homeless applications and resource monitoring. The Council will also be able to provide the data requested by Ministry of Housing, Communities and Local Government.

3.21 Team changes: The existing housing needs and assessment service comprises a **Triage team** who deals with all initial contact – this team will be expanded to deal with the increase in customers and the referrals from public bodies.

The Prevention team currently deal with all customers who are threatened with homeless in the private sector, parental and family/friend evictions if there is reasonable notice – this team will be increased as the team will have to have more interaction with the customer, intervene earlier as homelessness is triggered at 56 days and to deal with the increase in administration. The team will only work with families.

The Casework team currently deal with customers who are statutorily homeless – this team will become the Relief team and they will only deal with families. Although the team will no longer deal with single homeless they will now have to create personal housing plans and focus on relieving homelessness for those owed the relief duty increasing pressure on the service.

The Intervention team currently work with customers in bed and breakfast accommodation to find alternative accommodation in the private rented sector. This team will be expanded and work across the whole service to assist customers to find alternative accommodation.

The Support Needs and Placement team (SNAP) work with non-priority single homeless with support needs and rough sleepers to access supported accommodation. This team will become the Singles team and be expanded to deal with all single people who are homeless or threatened with homelessness owed the prevention or relief duty. The team will also continue to work with those with support needs to access the appropriate accommodation and access floating support.

The Housing Emergency Accommodation Team (HEAT) manage the emergency placement of homeless households – there will be no changes made to this team.

The Reviews team respond to all requests for Statutory reviews of homelessness decisions and the suitability of accommodation offered – this team will be expanded to reflect the additional rights of review introduced by the new Act, a significant change which will see a considerable increase in Statutory reviews undertaken by the council.

3.22 **Risks**

Risks	Mitigation
The council has underestimated the demand	Incremental changes to allow flexibility to review and change the service as demand and pressures become better understood e.g. the singles team will initially consist of current SNAP officers who will work to their existing job description and the increase will be generic housing needs officers who will deal with the statutory homelessness functions. All new officers across the service will be recruited on a permanent contract to enhance our ability to attract the best candidates in a competitive market. They will be recruited under the current generic job description allowing flexibility to move if the estimates are incorrect.
ICT development not ready in time	The Council may have to buy in additional admin support and develop the CRM in the short term to capture prevention outcomes. However, this would mean separate reporting from the council's main homelessness reporting system (OHMs)
Finance – the council has underestimated the cost of delivery.	May have to use more of the Flexible Homelessness Grant to meet the gap in funding. We will be reviewing the service every three months.
Increase in number of interviews and double current interview times when DWP taking over part of reception.	Revisit the appointment system and find opportunities to minimise on site appointments. Ask for additional resource in access Croydon. Use of technologies such as Skype
Increase in demand for Supported accommodation	May have to increase use bed and breakfast accommodation which will increase costs
Referrals from Public bodies	May create a bottle neck – will have to increase the Triage team and potentially the Singles team if numbers are too high. However, this may be possible within the current numbers if we have overestimated demand in other areas.
Working with Partners	Getting referral routes right, however this has been postponed until October which should give sufficient time to have the right mechanisms in place.
Increase in Statutory Reviews undertaken by the council.	Have already identified areas where the Council can be more flexible on the personal plans

	Not rigidly applying the non-co-operation decision
Demand/competition for housing need officers	'Growing our own', offering secondments and opportunities to existing staff within the council and taking on apprentices who we will train to undertake homeless functions. Offering fixed term contracts to existing temps

4. CONSULTATION

4.1 No consultation is required as no restructure is planned and no changes to current job descriptions.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000
Revenue budget available				
Expenditure	160	660	666	-
Homelessness Reduction Grant Act	(464)	(425)	(402)	-
	(304)	235	264 *	-
Carry forward underspend		(235)	(69)	
Flexible Homelessness Support Grant			(195)	

1.1 Croydon has been allocated a total of £1.2 million, from 2017/18, over 3 years to fund the new Homelessness Reduction Act (HRA) as set out above. We estimate that in 2017/18, the grant will be underspent. This underspend will, therefore, be carried forward into 2018/19 and 2019/20 where expenditure is expected to exceed the annual allocation.

1.2 In 2019/20, any shortfall between expenditure and income from the annual Homelessness Reduction Grant and underspends will be met from the Flexible Homelessness Support Grant where available. We currently estimate this to be £195k.

2 The effect of the decision

2.1 N/A

3 Risks

3.1 The grant allocation has only been agreed until 2019/20. If homelessness is not reduced as anticipated, this will result in extra costs which will have to be met by the Council. We will seek further support from central government wherever possible.

3.2 There is an anticipated increase in customer demand by 50% which could have implications for increased costs if there was a corresponding rise in the use of emergency and temporary accommodation. At this stage, we are not able to quantify any impact.

4 Options

4.1 This is a legislative requirement for local authorities, with the introduction of new statutory duties.

5 Future savings/efficiencies

This is a national change, no additional future savings/efficiencies anticipated outside of current Gateway projections.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk (Deputy S151 Officer)

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Solicitor to the Council comments that the Homelessness Reduction Bill was introduced in June 2016 by Bob Blackman MP, following an independent panel review of homelessness legislation in England; in October 2016, the Government announced they would be supporting the Bill. The Bill received royal assent on 27 April 2017 as the Homelessness Reduction Act 2017 (“ The Act”) and amends the Housing Act 1996, and the Homelessness Order 2012, to create new homelessness prevention and support duties for councils in England . The majority of the duties within the Act come into force as of April 2018 .

6.2 Key measures introduced by the Act include:

6.2.1 that the window for defining "threatened with homelessness" is extended - the timeframe within which someone is defined as “threatened with homelessness” has been extended from 28 to 56 days; this means councils will be required to try to prevent homelessness within a longer period.

6.2.2 The obligation to ensure free information and advice on homelessness requires local authorities to ensure provision of free information and advice on preventing and relieving homelessness, and households' rights, to all persons. These services must be designed with specific vulnerable groups in mind, including prisoners on release, victims of domestic abuse, and persons suffering from mental illness or impairment.

6.2.3 There is no longer a requirement for Priority Need or local connection- where an applicant is homeless or threatened with homelessness, and eligible for assistance, then the council must carry out an assessment into the causes of the homelessness and the applicant's housing and support needs. There is no requirement for the applicant to have Priority Need or a local connection.

6.3.4 Notification of the relevant council – section 10 places a duty on all public authorities – police, NHS trusts, Schools and GP's - where they encounter someone who they believe to be homeless or threatened with homelessness – to ask that person to allow the relevant council to be informed. If the person agrees, the public authority must notify the council and provide the person's contact details.

6.3 The Act also allows the Secretary of State to produce codes of practice for Councils' functions in relation to homelessness and homelessness prevention (Section 11 of the Act).

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

7. HUMAN RESOURCES IMPACT

7.1 If required the recruitment of additional staff and any realignment of existing staff will be managed in accordance with the Council's normal policies and processes.

(Approved by: Jennifer Sankar, Interim Head of Place on behalf of Sue Moorman, Director of Human Resources)

8. EQUALITIES IMPACT

8.1 The Homeless Reduction Act 2017 changes are all led by Central Government and the impact of the changes is national.

We have completed the first stage of the Equalities Analysis to determine if a full Equality Analysis is needed and/or further monitoring needs to be undertaken.

Appx 3 EQIA Homelessness Reduction Bill.doc

The outcome of the first stage assessment is there are no EQIA no impacts and full EQIA not necessary.

9. ENVIRONMENTAL IMPACT

9.1 No known impact

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 No known impact

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 As outlined in the paper which is for information only.

12. OPTIONS CONSIDERED AND REJECTED

12.1 We are not currently considering options to reject, the paper is for information only.

CONTACT OFFICER: Paul Aston, Head of Housing Needs and Assessment Ext. 62914

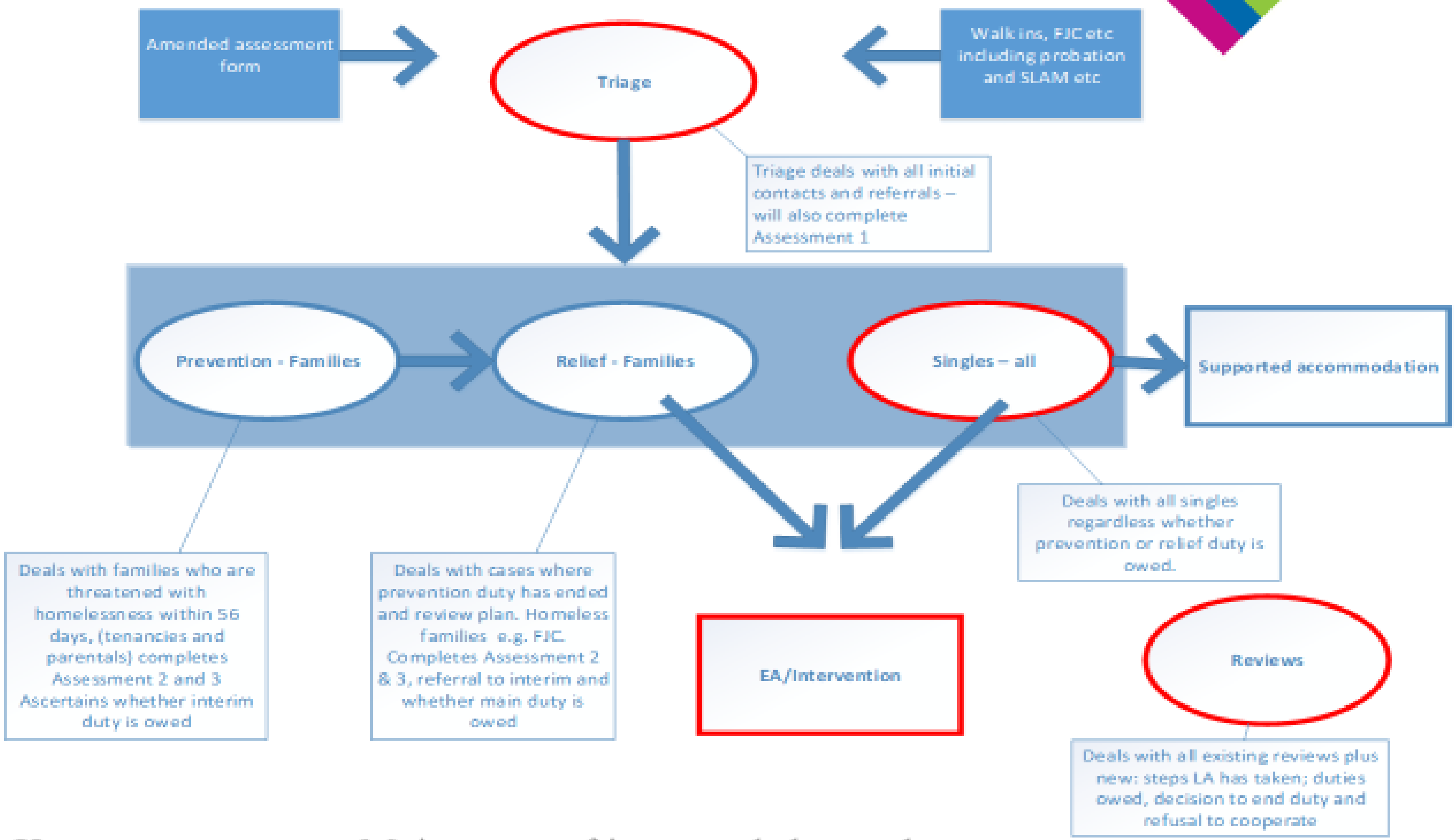
APPENDICES TO THIS REPORT:
Appendix 1 Housing Needs and Assessment Redesign
Appendix 2 Needs and Assessment Staffing
Appendix 3 Gateway and Welfare Model

BACKGROUND PAPERS:
None

Appendices

Appendix 1

Housing Needs Redesign



Key — Main areas of increased demand

Appendix 2

OUR PEOPLE

Housing Needs staffing

Head of Service
Paul Aston

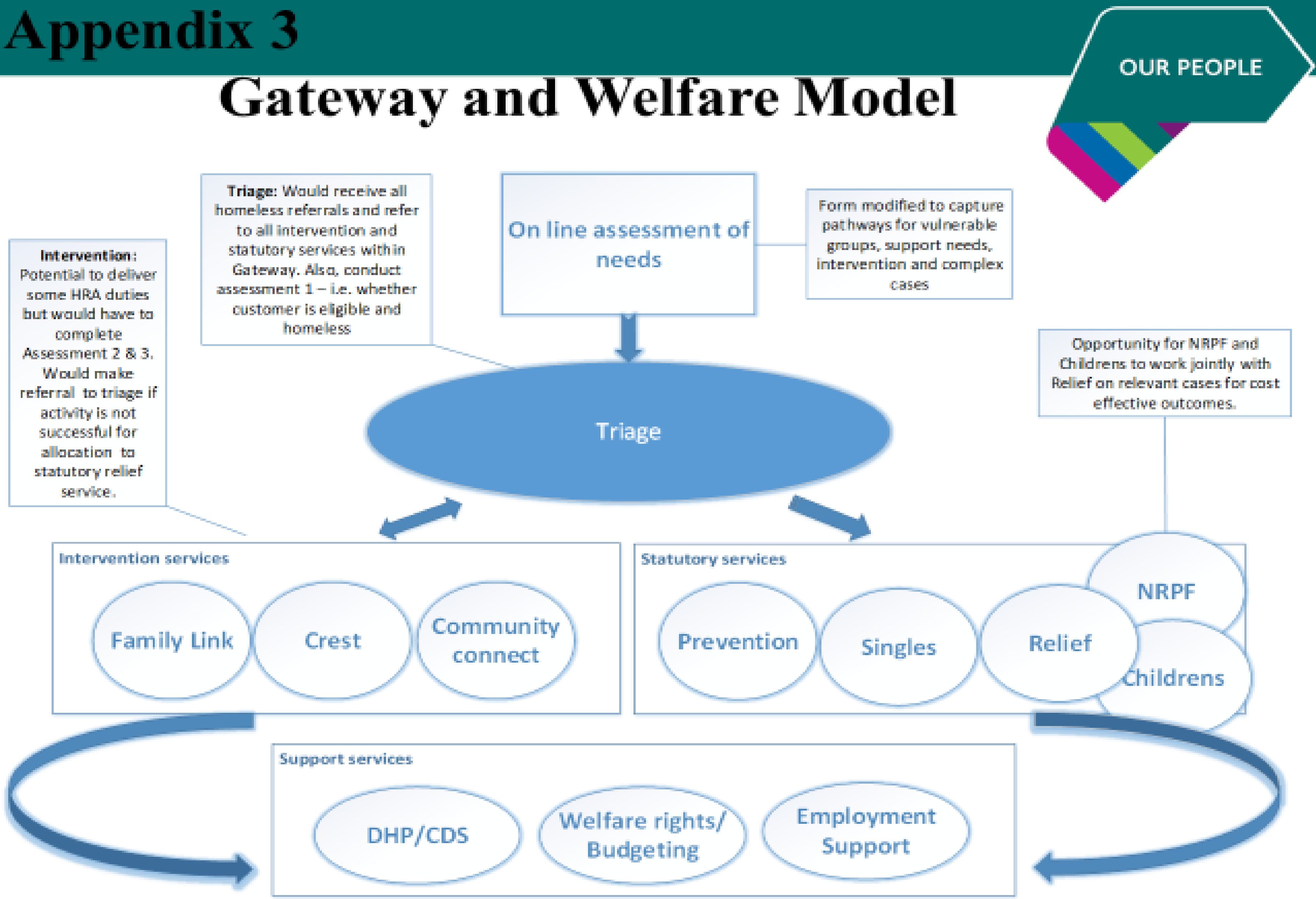
Joanna Murray
Project Manager

Triage Service Jaye Smith, Manager	**Prevention Service** Susan O'Neil, Manager	**Relief Service** Sandra Phillips, Manager	**Singles Advice and Prevention Service** Gwen Richards, Manager; Greg Davies, Manager	**Reviews Service** Jo Duncan, Manager	**HEAT and Intervention Service** Jo Widley, Manager
2 x Triage Duty Officer 2 x Triage Assistant 1 x Triage Duty Officer 1 x Triage Assistant	1 x Visiting Officer 1 x Tenancy Relations Officer 7 x Housing Needs Officer 1 x Housing Needs Officer 2 x Housing Needs Officer	8.5 x Housing Needs Officer 1.5 x Housing Needs Officer	6 x SNAP coordinator 1 x SNAP coordinator 2.5 Housing needs Officer 1 x Apprentice 3a 5.5 Housing Needs Officer	1 x Reviews Officer 1 x Suitability Reviews Officer 2 x Reviews Officer	5 x HEAT Officer 0.5 HEAT Officer 3 x Intervention Officer 4 x Intervention Officer

Key
Black – Current compliment
Green – Existing Vacancy
Red – New burdens/Growth

Appendix 3

Gateway and Welfare Model



For General Release

REPORT TO:	**CABINET** **26 February 2018**
SUBJECT:	**Brick by Brick Business Plan 2018/9**
LEAD OFFICER:	**Shifa Mustafa, Executive Director Place**
CABINET MEMBER:	**Cllr Alison Butler, Cabinet Member for Homes, Regeneration and Planning** **Simon Hall, Cabinet Member for Finance and Treasury**
WARDS:	**All**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

Maximise the use of the Council's assets to deliver new homes, including affordable housing, private for sale and private rented stock.
• Enable an innovative commercial model which will benefit the Council financially and help meet savings targets.
• Brings forward the development of key sites across the borough addressing key local, regional and national policies.
• Secures improved community facilities.

FINANCIAL IMPACT:

Brick by Brick's development activity will have a positive financial impact for the Council as 100% shareholder in the company.

This income generated from the Council will be from three key elements of activity as detailed in section 5 of this report.

KEY DECISION REFERENCE NO.: This is not 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

That Cabinet, on behalf of the Council as sole shareholder of Brick by Brick Croydon Limited ("**BXB**"), approves the proposed 2018/2019 Business Plan of BXB as set out in Appendix A of this report.

2. EXECUTIVE SUMMARY

2.1 This paper provides a draft of the annual BXB Business Plan for 2018/9 for review by Cabinet.

3. DETAIL

3.1 The borough has established a development company, Brick by Brick Croydon Limited (BXB), to bring forward housing led development in a way which realizes the development potential of a sites throughout the borough and maximises the benefit from development to local residents. Although the Council is the sole shareholder, the board of the company operates independently from the Council and on a commercial basis.

3.2 Each year, BXB develops a Business Plan relating to its activities over the forthcoming year and presents it to Cabinet for review. The BXB Business Plan for 2018/9 is included as Appendix A.

4. CONSULTATION

4.1 The structure and operation of BXB has been the subject of a number of previous Cabinet and Scrutiny reports and members have been consulted as part of these processes. In addition, ward and Cabinet members, and local MPs, are consulted by BXB as part of the development of their proposals for individual sites.

4.2 BXB also undertake a detailed public consultation and engagement process as part of their design development for individual schemes. This includes public events and drop in sessions on site to explain the proposals and seek feedback, presentations to local representative groups and dialogue with individuals who have an interest in the proposals. The results of these processes are included within the Statement of Community Involvement which are included as part of any subsequent planning application.

4.3 In addition, consultation is undertaken as part of the planning process for all BXB schemes which are submitted for planning approval.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 The Brick by Brick business plan provides an overview of the company's operations for the forthcoming financial year. It also includes a five-year outlook in respect of the company's financial projections to inform the council, as shareholder, of the forecast financial performance of the business.

1 The effect of the decision

The key implication for the Council contained within the BXB business plan is the estimated net funding requirement driven by the company's cash flow projections. This provides an estimate of the levels of finance that the company will seek to draw down from the Council through a combination of borrowing and equity investment (on a 75:25 split) to fund its planned development programme.

BXB is currently projecting to require £164.8m of funding in 2018/19, which will be made up of £123.6m in borrowing (with interest charged) and £41.2m of equity investment. The Council will need to ensure that this requirement is factored into its capital programme and that the necessary borrowing levels are set at an appropriate level to meet this commitment.

After 2018/19, BXB anticipates that it will become self-financing, with revenue from sales of housing sufficient to cover on-going development expenditure. In addition, as profit is generated this will also be used to pay down debt as per the terms of the lending agreements with the Council. All debt required for the current programme is projected to have been repaid by 2021.

2 Risks

The company's cashflow projections are updated on an ongoing basis. The projections that inform the BXB business plan are necessarily taken at a point in time and are subject to change as programme estimates shift. The key risks to the figures provided in the business plan for existing schemes are escalations to cost estimates and time delays (which result in revenue from sales being postponed). Each of these could effect both the net funding requirement and the profitability of the business (and therefore the dividends available to the Council as 100% shareholder).

To mitigate these risks, BXB's assumptions within its financial appraisals include sales estimates which are as prudent as possible. In addition cost estimates are based on detailed estimates provided by the company's cost consultancy partner, and agreed costs from completed tenders are added to the financial modelling as soon as they are available.

In addition, the BXB cashflow projections are likely to change as new schemes that are identified to be viable are developed in more detail and added to the programme. These will increase the overall profitability of the business but will require investment and may therefore change the company's funding requirement. The current cashflow model also includes an allowance for the likely cost of new schemes over the next 12 months.

3 Future savings/efficiencies

The other key implication included within the BXB business plan is an estimated profit expectation based on the current programme of work. As the sole shareholder this profit belongs to the Council, and can be taken as a series of dividends or reinvested in further development activity across the borough. The company is currently projecting to achieve a proft of c£21m on its existing development activity, in addition to the £30m investment into the refurbishment of Fairfield Halls.

BXB is also supporting the Council to achieve other important financial benefits. The interest charged on loans made to BXB is projected to generate £17.7m for the Council. In addition, the company also covers the estimated £927k annual cost of the Council's in-house Development team (which all provide services to BXB). It also currently contributes an estimated £362k per annum to cover the costs of various services that it buys from the Council (such as accommodation, ICT, HR, etc).

Approved by: Lisa Taylor, Director of Finance, Investment & Risk

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

6.1 The Solicitor to the Council comments that under the Articles of Association of Brick by Brick Croydon Limited, the Council as sole shareholder of the company is required to approve and adopt the company's business plan.

Approved by Sean Murphy, Head of Commercial and Property Law and Deputy Monitoring Officer on behalf of the Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

7.1 There are no HR implications containe within this report.

Approved by Jennifer Sankar, Senior HR lead for Place on behalf of the Director of Human Resources.

8. EQUALITIES IMPACT

8.1 BXB continuously evaluates it's approach to Equalities issues to ensure it is commensurate with the scale and nature of it's development programme. The impact of the activities contained within the attached BXB Business Plan on protected groups is expected to be positive. The provision of new affordable housing, maintaining and improving existing, social housing and tackling poor private housing conditions, meeting housing need and preventing homelessness, providing housing support and high quality housing management services are all expected to benefit groups with protected characteristics. Similarly, the creation of additional revenue streams to the Council allows reinvestment into Council services to benefit of all residents.

With regard to the development programme, BXB completes Statements of Community Involvement for all schemes submitted to planning, detailing how local residents and other stakeholders have been consulted and engaged in emerging proposals, and how their feedback has been incorporated. Similarly, the impact of proposals on certain protected groups is often discussed and considered through the planning process – eg DDA compliance, Lifetime homes provision, disabled parking provision etc.

9. ENVIRONMENTAL IMPACT

9.1 No specific adverse environmental impacts arise from this report. Any environmental issues arising from site development are regulated by the planning and building control processes.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 No specific adverse crime and disorder impacts arise from this report. Any secure by design issues arising from site development are regulated by the planning and building control processes.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 The basis for the recommendation set out in this report are set out in previous Cabinet reports, including the opportunities to deliver real benefits to local people through developing new homes, infrastructure and community facilities, and the jobs, opportunities and stronger vibrant communities that will also flow from that growth.

12. OPTIONS CONSIDERED AND REJECTED

12.1 Options originally considered for the development of land across the borough to address housing need have included the disposal of land on the open market to enable development and the procurement of developers via development agreement to take forward sites. These were rejected as neither option is as commercially efficient as the BXB model, and nor they do not maximise the direct benefit to local residents from development in their borough.

CONTACT OFFICER: Shifa Mustafa, Executive Director Place (LB Croydon)

APPENDICES TO THIS REPORT
Appendix A - BXB Business Plan 2018/9

BACKGROUND PAPERS:
The documents below are already published

- Wholly owned housing company – an option for tackling the shortage of homes in Croydon, Cabinet 29 September 2014
- Growth for the Prosperity of All: Growth Plan & District Centre Investment and Place Plans, Cabinet 29 September 2015
- Homes – our 10 priorities, Cabinet 16 March 2015
- College Green Cultural and Educational Quarter Cabinet Report, 20 Oct 2015
- Brick by Brick Croydon Limited – Property and Financial, Cabinet, 20th June 2016
- Call-in: Brick by Brick Croydon Limited – Property and Financial, Scrutiny and Overview Committee 7 July 2016
- Stage 2: Cabinet responses to Scrutiny recommendations on Brick by Brick Croydon Limited, Scrutiny and Overview 13th Dec 2016
- Brick by Brick Development Company - Business Plan, Cabinet, 20th Feb 2017

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Brick by Brick Croydon Limited

Business Plan 2018/9

Contents:-

1. **Foreword**

1.1 Croydon is becoming a model for suburban and city living. With excellent links to Central London, the South London suburbs, the south coast, Gatwick Airport and beyond, the borough is currently undergoing major economic and civic renewal including major retail investment in the metropolitan centre, new commercial occupiers and the continued expansion of the cultural sector.

1.2 Allied to this, the Council's new Growth Zone initiative is beginning to provide significant new investment in infrastructure including road, rail, tram and public realm improvements, as well as employment and cultural facilities. This creates an unrivalled context for investment and growth.

1.3 It's unsurprising therefore that the borough's population is rising and is set to rise still further in the years ahead. One of the greatest challenges for Croydon, in common with many other London boroughs, is the provision of new homes to suit a variety of incomes. Aside from the quantum of homes needed, the affordability of homes for both purchase and for rent is a key issue and increasingly challenging for many Croydon households.

1.4 Clearly, the delivery capacity of the wider development sector will continue to be instrumental if these targets are to be met, and both LB Croydon's new Local Plan and the Mayors new London Plan enable the development of new multi-tenure homes on appropriate sites throughout the borough. However, it is clear that the Council also needs to take a direct role in delivery if the housing supply challenge is to be met.

1.5 The borough is a significant land owner in its own right, and there is huge potential for new homes to be delivered on land currently owned by the council. These sites include major regeneration sites which have been considered for development for some time, but there is also significant development capacity on smaller infill sites, in both public and private sector ownership, located throughout the borough.

1.6 Traditionally, local authorities have delivered housing on their own land via land disposal or joint venture agreements with private sector property developers, a process which often did not allow them to fully benefit from any uplift in land values and/or development returns. This experience has led Croydon, and many other forward thinking local authorities, to think differently and seek a much greater commercial role in development and house building by establishing a development company: Brick by Brick Croydon Limited (BXB).

1.7 The BXB structure has a number of characteristics that help it deliver the desired transformational change in the delivery of new homes and maximise the direct benefits to local communities in Croydon. For example:

- BXB activity creates development profit, all of which is returned to the local authority (as sole shareholder) in the form of dividend, to be reinvested in the borough.
- BXB creates much needed new homes of a variety of tenures and priority will be given to local residents through the sales and/or letting process for both private and affordable homes.
- The BXB model of delivering a number of sites simultaneously allows for commercial efficiencies which have the effect of increasing the overall quantum of affordable

housing in the programme – for example, BXB are often delivering 50% affordable housing within their smaller residential sites programme, far greater than the amount usually achieved on such sites.

- Where community facilities exist on sites to be developed, these will be replaced with onsite or very nearby with new, purpose built facilities which address local need.

1.8 BXB has been actively trading for over a year now and is a key economic actor in the borough, crucial to providing the wide range of housing typologies and tenures which will be necessary to service growth in the borough. This Business Plan sets out the vital role Brick by Brick will play over the coming years in contributing to the borough's success.

2. **Aims of Company**

2.1 BXB is a private, independent development company, commercial in character, which focusses on providing housing led development for the benefit of the people of Croydon.

2.2 The key aims of BXB are reflected in the Memorandum and Articles of the company, and include:

- To deliver multi-tenure housing for sale and rent.
- To ensure a transparent and commercially efficient form of development which maximises the amount of affordable and intermediate housing delivered as planning gain.
- To deliver new commercial and/or retail development.
- To deliver new or replacement cultural, community, educational, health, public realm and other development as part of mixed use schemes.
- To maintain an exceptionally high quality of design and delivery to ensure development activity is a positive physical addition to the local environment.
- To dispose of existing property and/or acquire new property in accordance with the terms of the Business Plan.
- To maintain and/or manage property assets.
- To carry out all of the above activities on a commercial basis and in the best interests of the company with a view to maximising dividend to the shareholder.

3. Market Analysis

3.1 The dynamism of the land and property markets in London have been well documented over recent years. A wealth of information and publications continue to be produced providing detailed analysis of the housing market in the capital. However, given the significant uncertainties being driven by factors such as Brexit and changes to interest rates, commentators continue to report a mixed forecast for house prices in the medium term.

3.2 This section examines a number of key indicators and draws together evidence regarding the impact market changes have had on the ability of Croydon residents to access housing. This is an important area of analysis in terms of the overall viability of a development company like BXB, with implications for overall market demand, the current and future demand for affordable housing and the value of BXB housing product.

3.3 Evaluating the housing market requires an understanding of the real cost of buying or renting a property and the level of housing need. This analysis is undertaken at a detailed local level for every site that BXB assesses to ensure that schemes are financially viable. The company also aims to maintain a wider perspective on the Croydon market to help make a strategic assessment of need, opportunity and risk.

Macro Trends in the UK Housing Market

3.4 The headline growth in UK house prices for 2017 is reported at between 2.6% and 2.7% according to figures released by Nationwide[1] and Halifax[2] respectively in January. This represents the slowest increase since 2012, and indicates a sharper decrease in growth than that shown by official ONS data (available to October 2017).

3.5 The regional analysis provided by Nationwide showed London to be the weakest performing region for the first time since 2004, with a price decrease of 0.5% recorded for 2017. The affordability gap in London as well as sluggish performance at the top end of the market are considered to be the key drivers for this overall slowdown. In addition, regional convergence is occurring partly as a consequence of the speed of recovery since 2008, with London having seen the fastest revival to make current prices 55% higher than the 2007 peak (still the largest increase nationally by some distance).

3.6 PWC[3] reported that the impact of Brexit on house prices in the UK had been slow to materialise, although growth did begin to stall in the second half of 2016. The impact of political and economic uncertainty was more pronounced in terms of the volume of transactions. The volume of residential sales were 7.1% higher year-on-year in November 2017 (according to HMRC data[4]) which suggests that this initial dip has recovered back to previous levels. However, surveyor indicators published by Savills suggest that demand may be slowing once more going into 2018.

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[1] Nationwide, *Nationwide House Price Index* (www.nationwide.co.uk/hpi), December 2017
[2] Halifax, *Halifax House Price Index* (administered by Markit), 08 January 2018
[3] PWC, *UK Economic Outlook*, July 2017
[4] HMRC, *UK Property Transaction Statistics*, 21 December 2017

3.7 The outlook for UK house prices varies somewhat according to different reports. The Nationwide analysis expects the UK House Price Index (HPI) to slow to 1% in 2018, but expects it to recover to 3-4% over the longer-term to maintain parity with the expected increase in earnings (with shortages in supply also continuing to be a factor). Other economic analyses show the following the following projections:

Organisation	**2017**	**2018**	**2019**	**2020**	**2021**
PWC[5]	3.7%	3.9%	3.9%	4.1%	4.1%
Savills[6]	4.0%	1.0%	2.5%	5.0%	2.5%

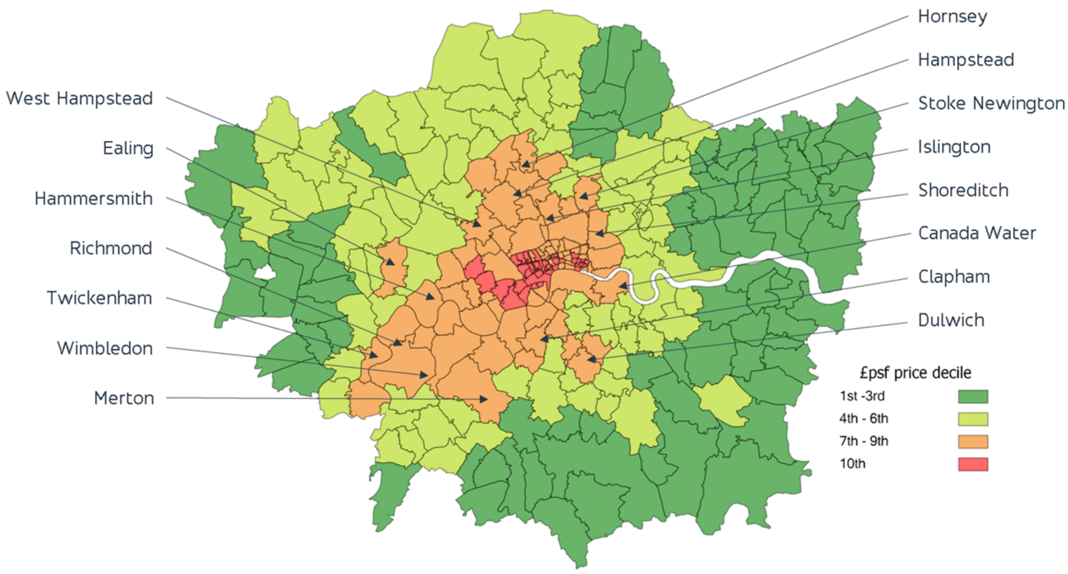
Most analysts agree that London and the south-east are likely to under-perform relative to the rest of the country over the next 2 years.

3.8 The other important macro-economic indicator for BXB to consider is the Construction Price Index given the significant impact that this has on the cost of development activity. This data is released quarterly by ONS with the most recent update available at Q3 in 2017 (see below). This data covers a wide range of construction activity, but the important measure is the one for new housing activity which shows that inflation on construction costs is currently out-pacing the HPI nationally.

	All Work	**New Work**	**New Housing**
Q3 Construction Price Index[7]	2.0%	2.2%	3.7%

The Croydon Market

3.9 Whilst the outlook for house prices in the capital as a whole looks relatively weak, the complexity of the London market means that there are large variations across the city. Hometrack[8] splits the London market into ten separate price bands (10 being the highest) which are distributed across post codes according to the diagram below.

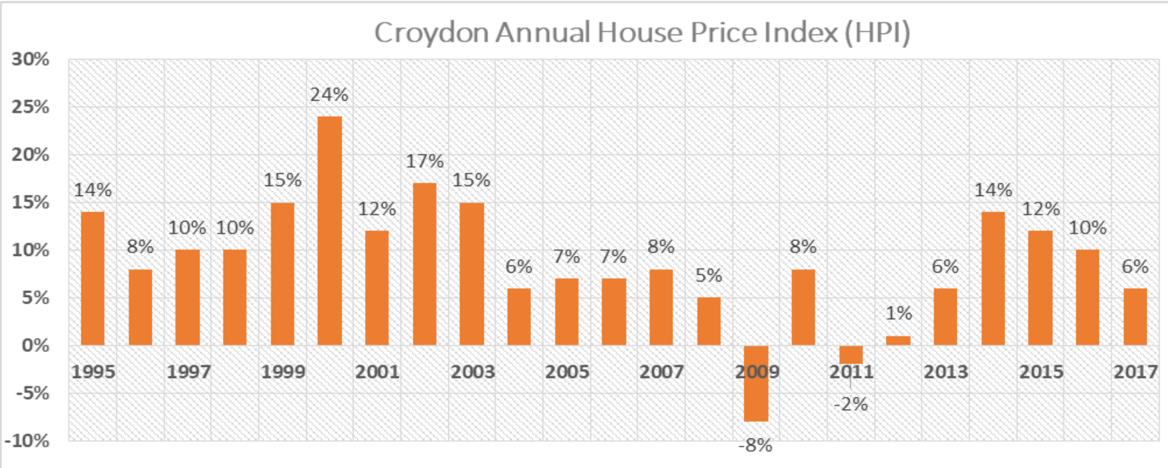


[5] PWC, *UK Economic Outlook*, July 2017
[6] Savills, *UK Housing Market Update*, December 2017
[7] Office for National Statistics (ONS), *Construction Output Price Indices (OPIs) Quarter 3 2018*, 14 November 2017
[8] Hometrack, *The London Housing Cycle - where next?* (www.hometrack.com/uk/insight/market-analysis), 21/04/17

3.10 This allows house price analysis to be conducted separately for each range. Current forecasts indicate that the top three deciles will see price decreases, with less volatility expected towards the middle of the market where prices are expected to remain flat.

3.11 Meanwhile, the outlook for outer London boroughs (in the 1-3 range) continues to look positive, and the trend since 2014 for these areas to out-perform their inner London neighbours (which was partly sparked by stamp duty changes) is expected to continue. PWC report that on average outer London house prices have increased 9% faster than inner boroughs over this period.

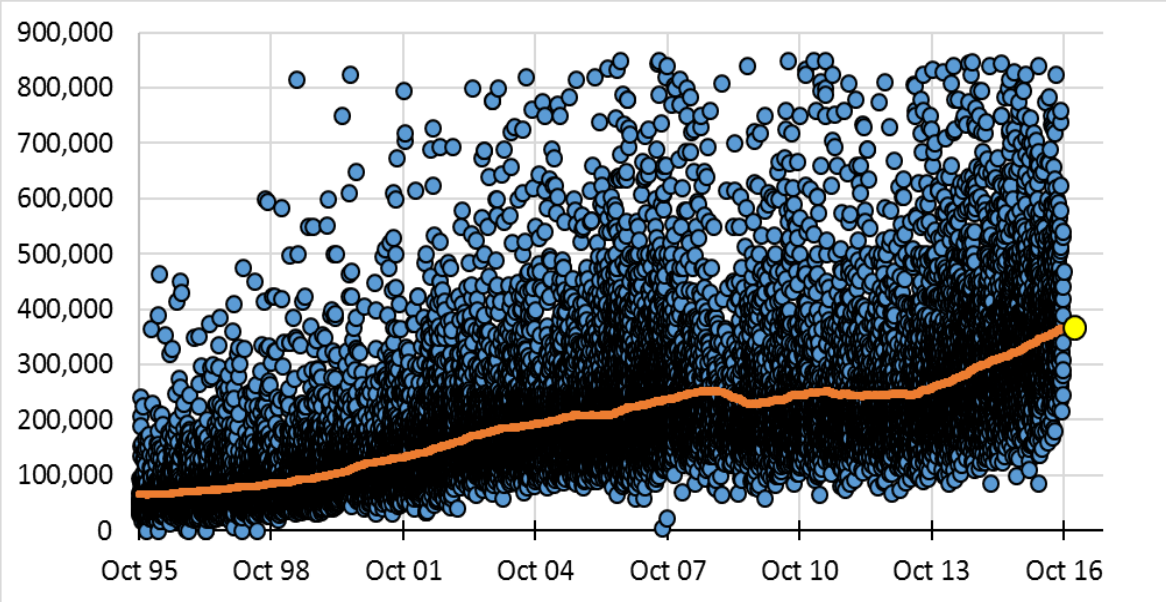
3.12 This is positive news for Croydon which has already been one of London's best performers in terms of house price growth over the last five years (estimated to be 68% according to CBRE Residential[9]). Increases in 2017 were slower than in previous years but still outperformed London (and the national average) at 6%. The table below shows BXB's own analysis of house price inflation in Croydon over the last two decades.



3.13 CBRE's *London Living 2017* analysis of the market in Croydon projects a further 19% increase to house prices in Croydon over the next 5 years. It also predicts population growth of 10% over the next decade (equating to 38,650 new residents) which would suggest a continuing uplift in demand for housing.

3.14 This is broadly consistent with the detailed analysis that was undertaken by BXB to create a House Price Index trend for the borough based on transacted values within Croydon over the last 20 years (see below).

[9] CBRE, *London Living 2017 – A borough by borough review*, 08 November 2017



The trend line (orange line in the graph above) for house price movement indicates a 4.5% HPI and this trend appears both stable and consistent. Therefore, despite much larger growth over the last five years, BXB has adopted this as its conservative assumption for HPI in Croydon over the next 5 years to 2021. This is supported by the fact that the company's estimate of 6% for 2017 was accurate.

Year	2017 (actual)	2018	2019	2020	2021
Croydon HPI Forecast	6%	4.5%	4.5%	4.5%	4.5%

3.15 With the Construction Price Index running at 3.7% for housing as at September 2017 (see 3.8 above), and a forecast HPI of 4.5% for Croydon, BXB development activity remains fully commercially viable. Given the convergence of key indicators throughout the course of 2017, the market will continue to be monitored closely by BXB for any further narrowing in order to ensure that the forward facing commercial strategy remains fully relevant.

4. Company Structure, Board and Resourcing

4.1 BXB is a private company limited by shares, with a single shareholder (the London Borough of Croydon). The Company is governed by the Companies Act 2006, with the Articles of Association being adopted by Special Resolution on 4 October 2016.

4.2 This structure is flexible and enables a variety of approaches to deliver the aims of the company, for example:

- The ability to set up joint ventures with partner to meet the Company's aims
- The ability of the Company, whether on its own or in a joint venture, to source funding for development
- The ability to hold specific asset classes and generate a return to the shareholder
- The ability to reclaim VAT on VATable services where these are provided

4.3 Strategic decision making for the company is undertaken by the Board of Directors (the Board). The Board consists of four Directors, two of whom are council nominees. One director (the Managing Director) also has an executive function and acts as Chief Executive of the company.

4.4 The Directors are responsible for the management of the Company's business, for which purpose they may, with the exception of the matters requiring Shareholder consent and expressly reserved pursuant to Article 6 (Shareholder Reserved Matters), exercise all the powers of the Company. The Directors have a legal duty to promote the success of the company and to exercise independent judgement. This applies even if this is in conflict with other interests.

4.5 The Board meets approximately every six weeks in order that the Board and executive team can work closely to ensure that the aims of the Company are being met. The role of the Board includes (but is not limited to):

- testing the commercial analysis of the various development sites as set out in the financial appraisals
- subject to satisfactory financial appraisals, acquiring the development sites in a way that maximises value (either unilaterally or in collaboration with development partners)
- securing funding to deliver development activity
- subject to funding, procuring and delivering development activity as efficiently as possible
- ensuring effective engagement with the shareholder and any other stakeholder(s) as the Board deems appropriate
- identifying further development and commercial opportunities in keeping with the aims of the company.

4.6 The current Board members are:

- Director 1 (Managing Director) – Colm Lacey (LB Croydon nominee)
- Director 2 – Lisa Taylor (LB Croydon nominee)
- Director 3 – Jayne McGivern
- Director 4 – Jeremy Titchen

4.7 Information as to the operation and performance of the company is provided on an ongoing basis by the Board to the shareholder. This takes the form of:

- Detailed monthly highlight reports on all projects
- Annual Business Plan, presented to Scrutiny and Cabinet committees
- Annual Report
- Regular updates to cross-party members as requested

4.8 Nominated shareholder representatives also attend Board meetings in an observer capacity and are responsible for updating the council on BXB related issues via the relevant governance structures.

Resourcing structure

4.9 There are five main areas within the executive structure of the company. The company currently does not have a staff complement (although this may change in future) but instead purchases services to fulfil these functions from various sources, including services purchased directly from Croydon Council at market rates.

- **Chief Executive:** ultimately responsible for the corporate strategy and operation of the company including strategic, commercial and creative direction, organisational culture, financial management, business development and the delivery of all schemes. The Chief Executive also has a role on the Board as Managing Director.

- **Development Management**: including a Head of Development and several Development Managers whose role is to provide a holistic clienting function for all development activity and to oversee the progress of all phases of development. This team commissions the architectural and technical services required to deliver development schemes.

- **Design Management:** including a Head of Design and several architects whose role it is to conduct feasibility on likely sites, specify design activity and provide design review, expertise and guidance through the development process. This team is also responsible for the day-to-day operation of Common Ground Architecture, BXB's in-house trading architectural practice.

- **Operations**: including a Head of Operations and support staff who are responsible for strategic finance, budgetary management, treasury, legal, sales and asset management.

- **Communications:** including a Head of Communications and team who are responsible for strategic communications, stakeholder engagement and consultation, marketing, public relations and media.

5. Land and Financing

5.1 The Company is designed to be wholly financially self-sufficient, with all costs relating to the operation of the business covered by the proceeds of development. Initial analysis work on potential sites takes the form of a desktop capacity study by the internal design and development teams, followed by more detailed site due diligence (title, planning, geotech, utilities, title etc) as necessary. This work informs a financial appraisal and the Board then decides, subject to viability and conformity with the business plan, whether to approve further more formal design and development work through the RIBA stages.

5.2 One of the key aims of the company is to bring forward land with the potential for development and a number of suitable sites have been identified in Croydon, the vast majority of which are in Council ownership. Sites which are suitable for development are purchased by the Company at market rates, often via an option agreement which is subject to a number of conditions including planning related clauses and overage arrangements which allows the council as landowner to fully capture any unexpected land value uplift.

5.3 The company also purchases land from the private sector, both strategically and speculatively, where there is a business case for doing so. Such purchases are reported to the Board for approval along with a financial appraisal which details the financial reasoning for the acquisition.

5.4 The full cost for each development site (including land, financing, construction and all associated fees) is appraised against revenue generating potential with the aid of specialist consultants. Each appraisal also includes an amount to cover corporate overheads and management costs (e.g. finance, company admin etc.). It is expected that over time, these central costs will be met on an ongoing basis by corporate reserves rather than debt.

5.5 Revenue for each scheme takes the form of sales values from private, affordable rented and shared ownership units, and rental value from any retained residential units and non-residential uses. Sales and rental values are calculated with reference to achieved sales values for similar units and an analysis of market trends in that location. In general, the margin hurdle for BXB developments is approximately 15% profit on cost for private schemes.

5.6 Initially, the Council provides the sole source of development finance. Repayment of any debt by BXB provides an additional revenue stream to the council as it has the ability to borrow at very competitive rates to service this lending.

5.7 All borrowing by BXB is site specific and subject to an individual loan agreement. The borrowing is secured against land and includes numerous pre-conditions on drawdown as well as ongoing performance measurements. These terms are reflected in the cost inputs to each site appraisal.

5.8 All of this information feeds into the company's financial planning process which allows it to make detailed projections as to the levels of planned expenditure and likely revenue from sales. The gap between the two, which will largely be driven by timing (given the intention to generate returns on all sites), provides an estimate of the company's financing requirement which will need to be met in order for it to commence activity. Each element of the overall financial projection is summarised in detail below.

5.9 These estimates are monitored and reviewed regularly as part of a robust financial management cycle in order to provide a periodic review of actual spending on a site-by-site basis against the granular elements of the detailed financial appraisals. A change process is initiated in the event that appraisals need to be adjusted as estimates crystallize, and all key variations and exceptions are reported upwards (including a periodic Board report). All of this information is also integrated into detailed cash flow projections to give the company sufficient Treasury control.

Projected Development Costs

5.10 BXB split its first 26 development sites from the 'Smaller Sites Programme' into three tranches for the purposes of planning submission. Planning permission has now been granted on all these sites and they will be progressing to construction in two phases: Phase 1 (10 sites) commencing on site at the end of 2017; Phase 2 (16 sites) commencing from February 2018.

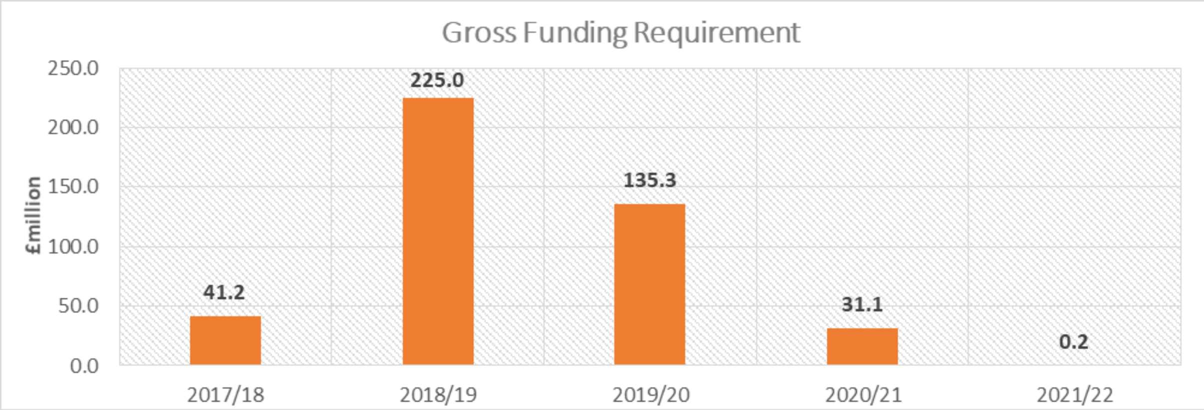
5.11 Work is also progressing on site on the 'Cultural Quarter' scheme in central Croydon, a large, complex development site which includes the c£30m refurbishment of the Fairfield Halls building, a large new art gallery and substantial public realm works alongside residential and commercial development.

5.12 Substantial pre-planning activity is also underway on 3 larger sites, as well as a further 10 smaller residential sites, all of which were submitted to planning in December 2017. The full delivery of this programme of activity is currently estimated to result in gross development expenditure of £437m (based on the current financial appraisals and assumptions across all sites). The total programme of activity is broken down as follows:

Activity	**Planned Expenditure (£m)**
Land and Construction Costs	369.83
Fees & Contingency	48.49
Planning Costs	10.38
Capitalised Interest	17.32
Sales Costs	7.82
Working Capital	4.71
Grant	(21.33)
TOTAL	**437.22**

5.13 This development activity will be delivered over the next five years. Figure 1 shows the overall expenditure profile for the company over this period based on the projections included in each site appraisal.

Figure 1 – Gross expenditure profile



Projected Revenues

5.14 Each of the sites included in the programme of development has been appraised by comparing the projected cost of development against the income generating potential of the scheme. Only projects that can demonstrate a sufficient level of return are taken forward.

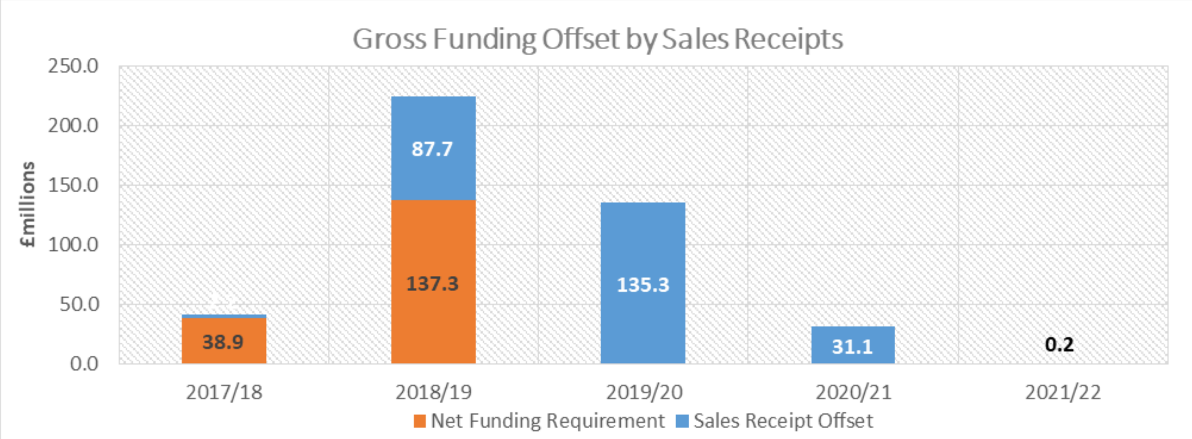
5.15 The company is projecting revenue streams to be achieved from the sale of private and shared ownership units, as well as the production of affordable rent properties to Croydon Affordable Homes. Ongoing rental income will be generated from shared ownership units and rents on non-residential units, as well as ground rent on private flats. Anticipated revenues have been calculated based on market expectations and trends in each site location.

5.16 The current portfolio of projects is projected to deliver total receipts of £463m. This would result in a profit of c£26m on the total investment detailed above. It should be noted that these projections include the c£30m investment into the Fairfield Halls refurbishment and the profit projection is in addition to any land value and interest paid back to the council as land owner/funder. A summary of projected sales income is shown below.

Type of Sale	**Est. Revenue (£m)**
Private	308.58
Shared Ownership	99.19
Affordable Rent	46.75
Commercial	4.10
Other	4.38
TOTAL	**463.00**

5.17 BXB revenues start to generate from early 2018 when income from the affordable rent units included in the ten schemes in the first phase of construction is forecast to be drawn down. Sales will ramp up significantly from December 2018 as some of the early sites near completion and pre-sales start to conclude. Revenue from sales will be used to offset development expenditure and reduce borrowing in order to minimise the levels of debt interest accrued (as demonstrated in Figure 2).

Figure 2 – Estimated offset of revenue to gross expenditure

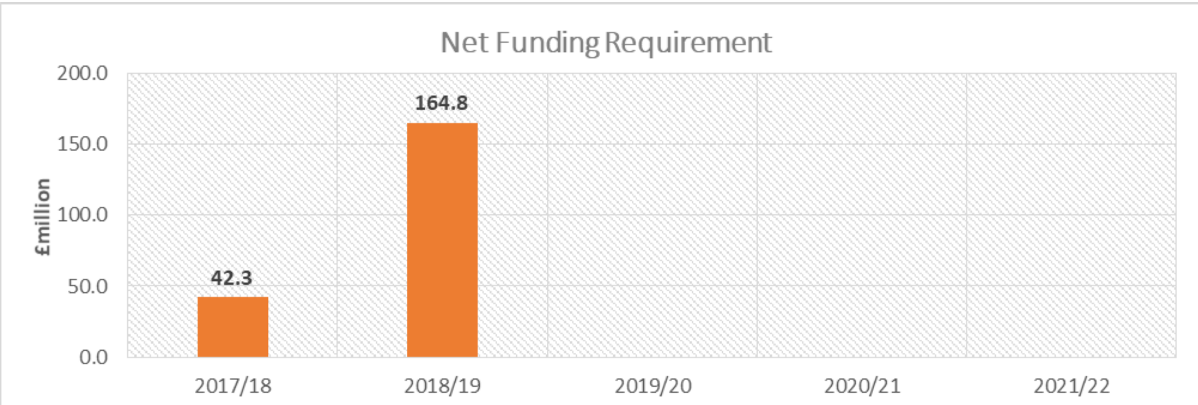


Financing Arrangements

5.18 Initially, the Council will be the sole provider of development finance. Repayment of interest on this debt (and return on equity investment) by BXB will therefore generate a revenue stream for the Council given its ability to borrow at competitive rates to service this lending.

5.19 Given the expected offset of development expenditure against revenue as BXB starts to commence sales activity (see Figure 2), a total net financing requirement of £212m is currently projected for BXB. This reflects the peak funding requirement that will be hit during January 2019 (see Figure 4 also), after which sales receipts are expected to offset all expenditure and also allow debt to be run down (if required). This will be profiled over the next five years according to Figure 3 below.

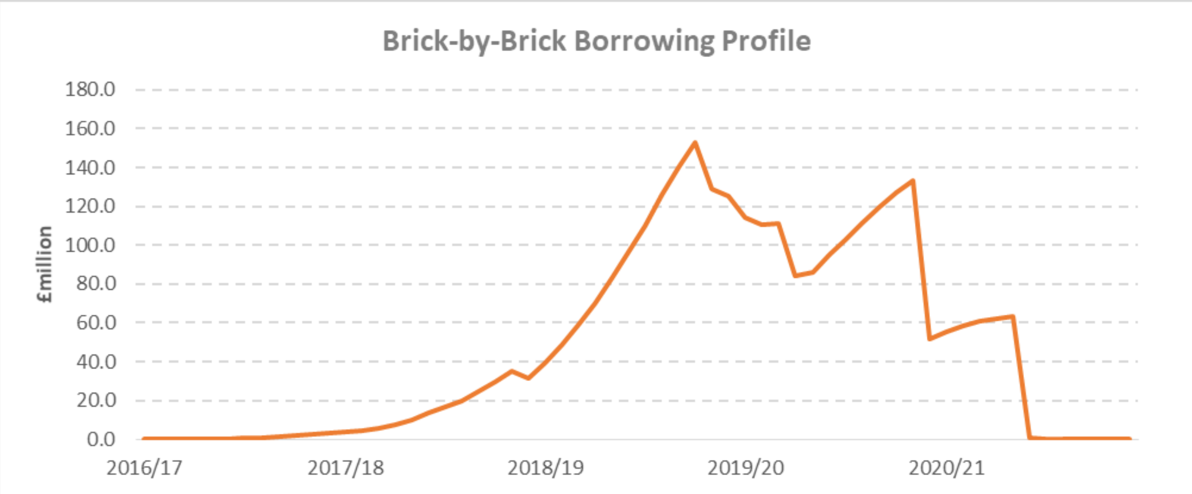
Figure 3 – Profile of net financing requirements



5.20 All borrowing is defined by comprehensive loan agreements for each site which ensure that financing is secured against land and is subject to stringent pre-conditions. A regular financing schedule is shared with the Council to give it sufficient notice to arrange and funds will be drawn down on a periodic basis according to these programme projections. From a BXB perspective, the profile of borrowing is optimised to provide maximum cash flow security while also minimising interest costs.

5.21 BXB has agreed with the Council that financing will be arranged on a 75:25 split between borrowing and equity. On this basis, BXB is projecting to borrow a total of £159m at an agreed rate. The repayment of principal will be reviewed annually, and will be largely dependent on how the company's development activity is expanding, as well as its access to other forms of financing. The current profile of accumulated debt shown in Figure 4, and demonstrates an assumption that BXB will repay all borrowing by March 2020 (accruing interest of c£18m over this period).

Figure 4 – Cumulative borrowing balance



2018/19 Projections

5.22 The projections for Brick-by-Brick in the financial year 2018/19 have been set as follows:

- Completion of 8 schemes by 31st March 2019 delivering **£9.28m** of margin (subject to completion of sales)
- Release of **£1.54m** of land value back to the Council under the purchase arrangements for these sites
- A net funding requirement of **£164.8m** under the terms of the lending agreements signed with LB Croydon for each scheme (as per figures above)
- Estimated interest of **£6.15m** to be accrued to the Council

Operating Costs

5.23 The current financial projections include an allowance in each appraisal for working capital which is intended to cover all BXB operating costs. This includes accommodation, legal support and all services purchased from the council which includes design and development management services as well as ICT, HR support and other corporate functions.

5.24 A working capital provision of £4.71m is included within the current financial modelling which covers the entire existing site portfolio. The current projection for staff and services in 2017 indicates that this working capital provision will be sufficient over the five year period of development activity that is currently planned. As further projects and sites come on line, the working capital assumption will continue to be built in to ensure that operational expenditure remains commensurate to the size of the development programme being delivered by BXB.

5.25 In addition, there are many potential BXB sites which are at an earlier stage of design (i.e. pre-RIBA Stage 2) and not currently included in the cashflow projections. As design work progresses on these sites these sites will be reported to the BXB Board using the standard appraisal processes and, subject to the suitability of the land for development, viability and the availability of funding, incorporated into the delivery programme.

5.26 It should be noted that in the future, where funding is not available from the Council, or where it better enables the delivery of schemes, BXB has the ability to seek finance from alternative sources. These could include partner finance, institutional funds, financial/bond markets and the wider banking sector. These sources of funding are particularly likely to be necessary to enable delivery some of the larger BXB schemes.

6. Development Programme

6.1 BXB has progressed a large number of sites in 2017/18, most notably the first three batches of the Smaller Sites Programme, 10 of which started on site in 2017, with more scheduled to start in February 2018. These sites are:

Phase	Scheme	Total Units	Affordable Units	% Affordable	Estimated SOS	Estimated PC
1	Auckland Rise	57	19	33%	Dec 17	Dec 18
1	Cheriton	27	27	100%	Dec 17	Mar 19
1	Homefield House	24	0	0%	Dec 17	Mar 19
1	Kingsdown	34	6	18%	Jan 18	Jun 19
1	Malton	9	5	56%	Jan 18	Mar 19
1	Marston Way	12	0	0%	Dec 17	Dec 18
1	Northbrook	11	0	0%	Dec 17	Dec 18
1	Ravensdale	31	0	0%	Dec 17	Dec 18
1	Regina	19	19	100%	Dec 17	Jul 19
1	Tollers Lane	40	18	45%	Dec 17	Apr 19
2	Academy Gardens	9	0	0%	Jun 18	Apr 19
2	Chertsey Crescent	7	7	100%	Jun 18	Jun 19
2	Coldharbour	8	8	100%	Feb 18	Dec 18
2	Drovers	9	9	100%	Jun 18	May 19
2	Drummond Rd	28	0	0%	Jun 18	May 19
2	Eagle Hill	8	0	0%	Jun 18	Jun 19
2	Heathfield Gardens	20	0	0%	Jun 18	May 19
2	Hermitage Gardens	9	0	0%	Jun 18	Mar 19
2	King Henrys Drive	7	7	100%	Jul 18	Jul 19
2	Longheath	53	53	100%	Mar 18	Jun 19
2	Oxford Road	9	0	0%	Jun 18	Jun 19
2	Station Road	14	0	0%	Feb 18	Jun 19
2	Thornloe	10	0	0%	Feb 18	Dec 18
2	Tollgate	42	15	36%	Feb 18	Jun 19
2	Uvedale Crescent	6	6	100%	Jun 18	Jun 19

2	Warbank Crescent	36	36	100%	Jun 18	Jun 19
Totals		**539**	**235**	**44%**		

6.2 Work has also progressed on site on Phase 1 of the 'Cultural Quarter' scheme in central Croydon. This has included substantial progress on the c£30m refurbishment of the Fairfield Halls building and associated public realm works. Detailed design work has also progressed on the 218 unit residential component of Phase 1 which is due to start on site in summer 2018.

6.3 Substantial progress has also been made on 12 other sites, all of which were submitted to planning in December 2017. These sites are:

Scheme	Total Units	Affordable Units	% Affordable	Estimated SOS	Estimated PC
Avenue Road	12	6	50%	Jul 18	Jul 19
Belgrave and Grosvenor	102	51	50%	Sep 18	Sep 20
Coombe Road	9	0	0%	Jul 18	Jul 19
Coulsdon Community Centre and CALAT	33	16	48%	Jul 18	Oct 19
Queens Road (Ashby Walk)	9	0	0%	Jul 18	Jul 19
Queens Road (Tirrell Rd)	9	9	100%	Jul 18	Jul 19
Queens Road (Windmill Rd)	6	6	100%	Jul 18	Jul 19
Shrublands Estate Phase 1	26	26	100%	Jul 18	Jul 19
Sanderstead Road CP	14	0	0%	Jul 18	Oct 19
Wandle Road CP	128	51	40%	Aug 18	Sep 20
Warminster Road	6	0	0%	Jul 18	Oct 19
Lion Green Road	157	79	50%	Aug 18	Aug 20
Totals	**511**	**244**	**48%**		

6.4 BXB also has a substantial pipeline of sites which are at an earlier stage of delivery (i.e. pre RIBA Stage 2). Design and viability work is underway on many of these sites and as they progress through the BXB design and viability gateway process, they will be reported to the BXB Board for approval. Subject to such approval, it is likely that these sites will progress to planning application stage from summer 2018.

6.5 In aggregate, this is a complex development programme with a significant level of inherent risk. The company operates a risk management strategy that addresses both corporate risk (through its governance processes) and project risk (through the appraisal of sites and design/development management approach).

6.6 At scheme level, a detailed risk register is in place for each site and risks are managed on a day-to-day basis within the Project Teams. A detailed project dashboard is also provided for discussion at each Board meeting which:

a) identifies each risk the possible consequences thereof;
b) assesses the risk and ranks in terms of its estimated impact and immediacy; and
c) controls the risk by detailing the appropriate mitigation, assigning owners and defining a monitoring approach.

6.7 Risks are considered and discussed in detail by the Board to ensure that the commercial strategy of the company is up to date and commensurate with emerging macro-economic changes or specific project issues. For example, local and regional construction costs and land values are constantly evaluated to ensure that viability is maintained throughout the lifetime of the project, and to provide sufficient notice for an alternative commercial strategy should one be required. Any such change would then be reflected in the Business Plan for the forthcoming period.

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For General Release

REPORT TO:	**CABINET 26 FEBRUARY 2018**
SUBJECT:	**Housing Commission on Community-Led Housing**
LEAD OFFICER:	**Julian Ellerby, Director of Strategy and Partnerships**
CABINET MEMBER:	**Councillor Tony Newman – Leader of the Council**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

This report details the outcome of the national Housing Commission on Community-Led Housing that Croydon Council led on behalf of the Co-operative Councils' Innovation Network. The aim is to spread good practice to encourage and enable local authorities to engage with community-led housing initiatives that generate affordable housing and meet housing need. It therefore supports the following corporate priorities:

- To provide a decent, safe, and affordable home for every local resident who needs one
- To create a place that communities are proud of and want to look after as their neighbourhood
- To be open and transparent and put communities at the heart of decision making.

FINANCIAL IMPACT There is no financial impact arising directly from this report

KEY DECISION REFERENCE NO.: This is not 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

The Cabinet is recommended to:

1.1 Note the outcomes of the Housing Commission on Community-Led Housing, led by Croydon Council

1.2 Note progress in developing the proposal for a community land trust in Croydon

1.3 Note the announcement of a bidding process for the second year of the Government's Community Housing Fund

2. EXECUTIVE SUMMARY

2.1 Croydon Council set up the Housing Commission on Community-Led Housing in September 2016 on behalf of the Co-operative Councils' Innovation Network (CCIN) to encourage local authorities in England, Scotland and Wales to foster co-operative and community-led solutions to the housing crisis.

2.2 CCIN is a collaboration between local authorities that seek better ways of working for, and with local people in equal partnership for the benefit of their local community. Croydon Council is a member authority.

2.3 The Housing Commission has produced a report, 'Community-Led Housing: a Key Role for Local Authorities', and detailed case studies that highlight good practice by local authorities across the country in enabling and supporting community-led housing (CLH). It has also developed a pledge on CLH for local authorities. These documents were formally launched in Westminster on 24 January 2018 and published on the Housing Commission website www.ccinhousing.co.uk. The Commission has also fed its findings into the development of a CLH technical toolkit for local government.

2.4 The Leader of Croydon Council and Chair of the Commission addressed the first National Community-Led Housing Conference in London on 27 November 2017 to highlight the work of the Commission and ways in which local authorities can support CLH. A workshop presented the findings and products of the Commission and heralded the publication of the report.

2.5 In November 2017 the Minister for Housing and Planning announced that bids for the second year of the government's Community Housing Fund would be invited in January 2018. The fund supports the development of CLH. In this context, the Commission's report has generated a lot of interest.

2.6 Locally, Croydon Council is working with London Community Land Trust CLT and Croydon Citizens to develop a proposed community land trust (CLT) scheme for affordable housing on a council-owned site on Shrublands Estate. The recently established Norbury Community Land Trust has a wide remit including housing, workspaces, retail and open space. The Council is working with the CLT to support them on initial projects including exploring bringing empty homes back into use for affordable housing and bringing an empty shop back into use for community purposes.

3. DETAIL

3.1 Croydon Council set up the Housing Commission on Community-Led Housing in September 2016 on behalf of the Co-operative Councils' Innovation Network (CCIN). The Commissioners included representatives of local authorities (Cardiff Council, Croydon Council, Oldham Metropolitan Borough Council and Rochdale Borough Council), campaigning and support organisations, policy experts and leaders of community-led organisations.

3.2 Communities can bring local knowledge, commitment and resources to housing projects. Bearing in mind the reduction in funding for affordable housing in recent years and the Government's focus on home ownership, the Commission adopted a practical focus to encourage and enable local authorities to engage with CLH initiatives that generate affordable housing and meet housing need.

3.3 The initiative was timely, as in December 2016 the government announced the first allocations from its Community Housing Fund to English local authorities particularly affected by local affordability issues or high rates of second home ownership. The Fund will provide £60m a year over four years to enable local community groups to deliver affordable housing in such areas. A prospectus will set out criteria to bid for the second year of £60m revenue and capital funding. From January 2018 community groups, registered providers and any other appropriate organisation including local authorities, will be invited to apply for funding. Bids will be assessed by Homes England (formerly the HCA).

3.4 The Commission held two evidence gathering sessions, in Rochdale and Croydon, and a call for evidence was circulated widely to authorities across England, Scotland and Wales. The report is based on 47 submissions by local authorities.

Key Findings of the Housing Commission

3.5 The Housing Commission found that:

1. Good work is being done on the ground by councils: the Commission has gathered examples and provided practical information to enable councils to support CLH.

2. Authorities in both high and low housing demand areas, and urban and rural areas are supporting/enabling CLH, as it helps them achieve their strategic priorities in four areas:
    a. improving housing supply and providing permanently affordable housing; CLH wins support for residential development as it is for local people and permanently affordable
    b. regenerating neighbourhoods and returning empty homes to use;
    c. empowering communities to become more sustainable, viable and self-reliant
    d. involving residents in addressing housing need.

3. CLH can bring resources into the area through:
    - their own loan finance, fundraising and labour
    - a social return through their use of local labour and local supply chains
    - increasing confidence in the local area and attracting further investment, and enabling employers to recruit and retain their workforce, in effect acting as an agent for economic growth.

4. Some areas have ambitions to scale up CLH: Bristol Council is aiming for 300-500 homes in 5 years; Leeds Community Homes aspires to create 1000 homes in 10 years.

5. The provision of clear guidance on social value for local authorities considering asset disposal at below market value would encourage more

authorities to support CLH and scale it up.

6. The Community Housing Fund has enabled some English authorities to support CLH for the first time. The Government is urged to extend this support to build on achievements so far. The lack of resources and government grant has prevented some other councils from continuing to support CLH at scale.

Approaches adopted by local authorities to support CLH

3.6 Despite financial pressures and rising demand for services, local authorities are supporting CLH in various ways, according to their local circumstances and resources. The approaches adopted include:

1. Leadership – a political and officer champion to ensure a corporate approach to CLH

2. Policy environment supportive of CLH – including enabling policies and the alignment of housing, planning and corporate asset management policy to create opportunities for CLH schemes

3. Land made available through planning policy, including reviewing sites suitable for CLH

4. Council sites and properties provided through sale, leasing or transfer. These could be small sites which are less appealing to mainstream developers. Even if sold at market value, a deferred payment or an exclusive option to buy a site could be helpful to a CLH group

5. Funding – using retained Right to Buy (RTB) receipts, commuted s.106 sums, New Homes Bonus, Second Homes Council Tax, and Community Housing Fund allocations to provide grants and revolving loans – has enabled CLH groups to form, unlocked sites for development and funded the purchase of empty homes.

6. Enabling support of CLH is provided by authorities in-house or through a partner organisation. Partnership is crucial - exchanging information on sites and empty properties, assisting groups with funding bids and giving guidance on the planning process. East Cambridgeshire District Council's development company provides CLH groups with a development partner with the skill and motivation to support joint community developments.

Products of the Housing Commission

3.7 The Housing Commission has produced a report, case studies and a local authority pledge on CLH. These were formally launched in Westminster on 24 January 2018 and published on the Housing Commission website www.ccinhousing.co.uk.

3.7.1 The report, 'Community-Led Housing: a Key Role for Local Authorities', gives practical examples of local authority support for CLH and sources of further guidance. It has been welcomed by the Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government) and national co-operative and CLH support organisations.

3.7.2 12 case studies each set out a local authority's approach to CLH, how and why it is supporting CLH, delivery partners, beneficiaries and examples of schemes in the local area. They may be seen at http://www.ccinhousing.co.uk/case-studies/

Leeds City Council case study summary

3.7.3 As a local authority that actively supports CLH, Leeds City Council (LCC) is the subject of a case study in the report. CLH is important to LCC because:

- It offers a dynamic and innovative route to housing growth, contributing towards the delivery of the city's housing target;
- It forms an integral part of a balanced strategy to provide a range of housing options, complementary to that provided by the volume housebuilders;
- Collaboration with the sector is seen as an exciting opportunity, providing a number of benefits for the city as well as increasing community confidence and cohesion;
- There is a growing community led housing sector in Leeds and the Council is committed to support build the sector further.

3.7.4 The City Council supports CLH through:

- **Leadership:** LCC has a political champion of CLH and there is strong support for CLH at Chief Executive and director level; an officer champion is based in the Housing Growth Team.
- **Officer time:** to enable CLH groups to access external funding, identify sites for projects especially from public land disposals, and develop projects that comply with planning policy.
- **Funding:** Using RTB receipts to fund 30% of the capital costs of new build, off the shelf and purchase and repair projects by members of Leeds Affordable Housing Framework including CLH organisations. £1.68m of grants from RTB receipts and loans of £3.03m at preferential interest rates are proposed for Leeds Action to Create Homes and homelessness charity St George's Crypt to support the acquisition and development of 45 new affordable supported housing units for vulnerable individuals and families who are homeless or in housing need.
- **Disposal of land:** LCC has leased empty properties to CLH organisations for 99 years at a peppercorn rent, enabling them to raise finance to buy long term empty homes. LCC can allow an exclusivity period on the sale of a council site to help a CLH project raise development funding.
- **S106 Affordable Housing Units:** LCC worked with Leeds Community Homes (LCH) to put arrangements in place regarding the acquisition of the s106 affordable housing units at the Climate Innovation District development. LCH raised £360,000 through a community share offer to fund the purchase of 16 permanently affordable homes. LCH is a community benefit organisation, formed by CLH partner organisations in order to work at scale, and aspires to deliver 1000 new affordable homes in 10 years.

3.7.5 The pledge on CLH for local authorities provides a template and guidance (available at http://www.ccinhousing.co.uk/make-pledge/) to encourage them to develop their own pledge, that suits their local circumstances, to:

- Write and implement a CLH policy, for example by incorporating CLH in the authority's housing strategy, Local Plan or a Supplementary Planning Document as part of affordable housing delivery
- Define the resource for CLH, for example officer time, land or funding

- Commit to work with CLH groups/partners to facilitate delivery of a CLH site.

3.7.6 Any pledge developed by Croydon Council is likely to include a commitment to:

- consider the inclusion of CLH policy in the course of the development of in any future Council strategy or planning policy document as appropriate
- consider the provision of suitable locations for CLH
- work with those interested in CLH to provide advice and support on feasible proposals for CLH schemes that would generate genuinely affordable housing that meets priority housing needs, and signpost them to other appropriate support and guidance as appropriate.
- continue working with partners Croydon Citizens and London CLT to deliver a proposed CLT scheme of around 20 dwellings on a council site, subject to consultation with local residents, the positive outcome of a feasibility study and planning. The CLT will be responsible for building permanently affordable housing to be available for local residents.

3.7.7 In addition, the Commission has collaborated with Housing Associations' Charitable Trust's (HACT) project to develop a CLH Technical Toolkit for local government by contributing its findings and case studies. This resource will cover community engagement, planning, funding and legal issues and will provide templates and process maps for local government officers. It will be available in March 2018.

Croydon Community Land Trust (CLT) Project

3.8 In Croydon many residents cannot afford to rent or buy and demand for affordable housing is rising. In addition to delivering housing directly through its own development company (Brick by Brick), the Council considers that a community land trust (CLT) has an important role to play in generating permanently affordable homes for local people.

3.8.1 Croydon Council has committed to working with Croydon Citizens and London Community Land Trust to explore opportunities for affordable housing delivery through a CLT. London CLT and Croydon Citizens are engaging with residents on the Shrublands Estate about the type of housing they would like to see and the sites where they would like housing to be located. This has involved a meeting with representatives of the residents association and informal engagement with residents by Croydon Citizens during a walk around the estate to visit potential sites. Further engagement with residents will take place in 2018. Once a site has been identified, Croydon Citizens and London Community Land Trust will undertake a feasibility study for a CLT scheme that is likely to be for around 20 homes.

3.8.2 If a scheme is viable, it will then be progressed through the design, development and planning stages. This will include a formal land agreement between the Council and the CLT which is likely to involve the long term lease of land. As part of any scheme that comes forward the CLT would be responsible for building permanently affordable housing to meet local needs both now and in the future.

4. CONSULTATION

4.1 London CLT and Croydon Citizens are engaging with residents on the Shrublands Estate on the proposed CLT scheme. This includes the type of housing they would like to see and the sites on the estate where they would like housing to be located. No consultation is required on other aspects of this report.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no direct financial considerations that arise directly from this report .

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk and deputy s151 officer)

6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER

6.1 The Solicitor to the Council comments that there are no direct legal implications arising from the recommendations within this report.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Jacqueline Harris-Baker, Council Solicitor and Monitoring Officer)

7. HUMAN RESOURCES IMPACT

7.1 There are no immediate HR considerations that arise from the outcome of this report.

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

8. EQUALITIES IMPACT

8.1 Community-led development is a way of ensuring the involvement of the local community in generating homes that are affordable and meet local need. The report of the Housing Commission will encourage and enable local authorities to support this type of housing development. Affordable housing is intended to benefit people on lower incomes that face economic and social exclusion and more likely than the wider population to have disabilities, be from black and minority ethnic communities, or be older, and to be lone parent families (usually headed by women). The Croydon CLT project is intended to provide permanently affordable housing for local people now and in the future.

9. ENVIRONMENTAL IMPACT

9.1 There is no environmental impact arising directly from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There is no specific crime and disorder impact arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 This report sets out the findings of the Housing Commission on Community-Led Housing, ways in which local authorities can support community-led housing provides an update on the proposed community land trust in Croydon.

12. OPTIONS CONSIDERED AND REJECTED

12.1 This report is for noting with no options for consideration.

CONTACT OFFICER: Julian Ellerby, Director of Strategy and Partnerships.

BACKGROUND PAPERS:
Report of the CCIN Housing Commission: Community-Led Housing: a Key Role for Local Authorities (available at http://www.ccinhousing.co.uk/wp-content/uploads/2018/01/Community_Led_housing_Report_2017.pdf)

REPORT TO:	**CABINET 26 FEBRUARY 2018**
SUBJECT:	**STAGE 1: RECOMMENDATIONS ARISING FROM SCRUTINY**
LEAD OFFICERS:	**RICHARD SIMPSON, EXECUTIVE DIRECTOR RESOURCES AND S151 OFFICER** **STEPHEN ROWAN – HEAD OF DEMOCRATIC SERVICES AND SCRUTINY**
LEAD MEMBER:	**COUNCILLOR SEAN FITZSIMONS** **CHAIR, SCRUTINY AND OVERVIEW COMMITTEE**
WARDS:	**ALL**
CORPORATE PRIORITY/POLICY CONTEXT:	**The constitutional requirement that Cabinet receives recommendations from scrutiny committees and to respond to the recommendations within two months of the receipt of the recommendations**

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations contained within this report:

1. RECOMMENDATIONS

Cabinet is asked to:

1.1 Receive the recommendations arising from Health and Social Care Scrutiny Sub-Committee (16 January 2018) and the Streets, Environment and Homes Scrutiny Sub-Committee (23 January 2018) to provide a substantive response within two months (ie. at the next available Cabinet meeting on **11 June 2018**).

2. EXECUTIVE SUMMARY

2.1 Recommendations that have been received from the Scrutiny and Overview Committee and its Sub-Committees since the last Cabinet meeting are provided in the body of this report. The constitution requires that an interim or full response is provided within 2 months of this Cabinet meeting.

3. 16 JANUARY 2018 – HEALTH AND SOCIAL CARE SCRUTINY SUB-COMMITTEE RECOMMENDATIONS

3.1 The Committee considered an item on Adult Safeguarding; present was the Cabinet Member for Families, Health and Social Care. Subsequent to questions to those present, the Committee made the following recommendations:

1) That the timeline for Scrutiny to receive the Adult Safeguarding Annual Report be reconsidered to enable the report to be presented at Scrutiny prior to it being presented at Cabinet each year.

4. 23 JANUARY 2018 – STREETS, ENVIRONMENT AND HOMES SCRUTINY SUB-COMMITTEE RECOMMENDATIONS

4.1 The Committee considered an item on the Evolution of the Suburbs; present was the Cabinet Member for Homes, Regeneration and Planning (HRP). Subsequent to questions to those present, the Committee came to the following conclusions:

1) That the challenge was to make the guidance clear and accessible to all users.

2) That the presentation achieved its aim of prompting questions and discussion on matters to be considered in the plans.

3) That the Council needed to communicate effectively to users the background of this document, and the importance of the use of this guidance in future developments.

4) That the transport policy would have an impact on the Local Plan and should be developed in line with the SPD.

The Committee made the following recommendations:

1) The proposal be clear on what is meant by the term ‘optimising use of plots’.

2) Consultation be held with housing associations in the borough to promote working with local developers.

3) The Small Builders’ Forum be consulted and invited to tender.

4) The proposed consultation period be reconsidered to enable further resident participation.

5) The Council should explore a wide range of methods to engage with residents on proposals.

6) Any conditions placed on the development of landscape be tightly enforced.

7) The document be clear to highlight areas of subjectivity in design policies.

4.2 The Committee considered an item on Brick by Brick; present was the Cabinet Member for Homes, Regeneration & Planning (HRP). Subsequent to questions to those present, the Committee made the following recommendations:

1) Residents living in close proximity to a site should have priority access to affordable units either to rent or shared ownership.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

There are no financial implications arising directly from the contents of this report.

6. COMMENTS OF THE BOROUGH SOLICITOR AND MONITORING OFFICER

The recommendations are presented to Cabinet in accordance with the Constitution.

This requires that the Scrutiny report is received and registered at this Cabinet Meeting and that a substantive response is provided within 2 months (ie. **Cabinet, 11 June 2018** is the next available meeting).

CONTACT OFFICER:

Stephen Rowan, Head of Democratic Services and Scrutiny
T: 020 8726 6000 X 62529
Email: stephen.rowan@croydon.gov.uk

BACKGROUND DOCUMENTS:

Background document 1: Reports to the Health and Social Care Scrutiny Sub-Committee on 16 January 2018.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=168&MId=420

Background document 2: Reports to the Streets, Environment and Homes Scrutiny Sub-Committee on 23 January 2018.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=170&MId=1134

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REPORT TO:	**Cabinet 26 February 2018**
SUBJECT:	**STAGE 2: RESPONSE TO RECOMMENDATIONS ARISING FROM: STREETS, ENVIRONMENT AND HOMES SUB-COMMITTEE 12 SEPTEMBER 2017 AND THE CHILDREN AND YOUNG PEOPLE SCRUTINY SUB-COMMITTEE 19 SEPTEMBER 2017**
LEAD OFFICERS:	**Jo Negrini, Chief Executive**
CABINET MEMBERS:	**All**
WARDS:	**All**
CORPORATE PRIORITY/POLICY CONTEXT:	**The constitutional requirement that Cabinet receives recommendations from scrutiny committees and to respond to the recommendations within two months of the receipt of the recommendations**.

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: The Constitution requires that in accepting a recommendation, with or without amendment, from a Scrutiny and Overview Committee or Sub-Committee, the Cabinet shall agree an action plan for the implementation of the agreed recommendations and shall delegate responsibility to an identified officer to report back to the Scrutiny and Overview Committee or Sub-Committee, within a specified period, on progress in implementing the action plan.
Corporate Plan sections:
Croydon a Place to Live and Work;
Fairness – Equalities, Open & Accountable;
Croydon Safe & Secure; Sustainable Transport.

FINANCIAL IMPACT:
The recommendations in this report may have a financial implication and as each recommendation is developed the financial implication will be explored and approved.

FORWARD PLAN KEY DECISION REFERENCE NO.: not 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

Cabinet is recommended 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.

2. EXECUTIVE SUMMARY/DETAIL

2.1 This report asks the Cabinet to approve the full response reports arising from the Stage 1 reports presented to the Cabinet meeting held on 6 November 2017 including:

- Action plans for the implementation of agreed recommendations, or
- Reasons for rejecting the recommendations

and that these be reported to the Scrutiny and Overview Committee or relevant Sub-Committees.

3. SCRUTINY RECOMMENDATIONS

3.1 The Scrutiny recommendations are contained in the schedule in the appendix to this report.

3.2 The detailed responses including reasons for rejected recommendations and action plans for the implementation of agreed recommendations are contained in the appendices.

4. CONSULTATION

Not relevant for the purposes of this report.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

Not relevant for the purposes of this report.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

The recommendations are in accordance with the constitution.

7. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

7.1 These are contained in the appendix to this report.

8. OPTIONS CONSIDERED AND REJECTED

8.1 These are contained in the appendix to this report.

CONTACT OFFICER: Stephen Rowan, Head of Democratic Services and Scrutiny
T: 020 8726 6000 X 62529
Email: stephen.rowan@croydon.gov.uk

BACKGROUND DOCUMENTS:

Background document 1: Reports to the Streets, Environment and Homes Sub-Committee on 12 September 2017.

https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=170&MId=249

Background document 2: Reports to the Children and Young People Sub-Committee 19 September 2017.

https://democracy.croydon.gov.uk/CeListDocuments.aspx?CommitteeId=167&MeetingId=1022&DF=19%2f09%2f2017&Ver=2

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APPENDIX A

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
STREETS, ENVIRONMENT AND HOMES SUB-COMMITTEE - At its meeting on 12 September 2017, the Committee **RESOLVED** to recommend the following:						
1. To amend the proposals to ensure needs of local residents, pedestrians and cyclists are taken into account.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC
2. The cycle lanes on Epsom Road be reviewed to have both cycle lanes on the station side to improve cycle safety.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC

APPENDIX A

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
3. Scheme be reviewed to reduce conflict between cyclists and pedestrians.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC
4. Consideration be given to how cyclists would travel around Waddon safely, especially young people cycling to school, parks, the station and McDonalds.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC

APPENDIX A

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
5. A dedicated cycle lane north/south be provided south of Epsom Road.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC
6. The possibility of acquiring land from the Morrisons site be reviewed to provide for these segregated cycle lanes.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
7. Disability groups be approached to participate in the consultation to ensure the final plans are accessible to all.	Place	**A letter outlining the recommendations was sent to TfL on 6 October 2017, and a Consultation Report following the formal consultation is expected to be available from June 2018.**	N/A	N/A	N/A	TBC
8. The engagement programme be honest with the aims of the project and limitations to ensure people are aware of what can be achieved.	Place	Accept	Lee Parker	No	The principles have already been implemented and the engagement programme will include robust consultation on a scheme by scheme basis.	TBC
9. Future reports and engagement activities clearly communicate how the town centre would change from the Masterplan (2007/8) and into the future (2025).	Place	Accept	Lee Parker	No	Engagement activities will show how the town centre is likely to change and seek public opinion before schemes commence. This will include any changes from town centre masterplans where appropriate.	TBC

APPENDIX A

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
10. Those with disabilities are taken into consideration when designing schemes and consulting.	Place	Accept	Lee Parker	No	Croydon Mobility Forum and the Council's internal Disability Network will be fully involved and consulted as schemes are designed and progressed.	TBC
<u>CHILDREN AND YOUNG PEOPLE SCRUTINY SUB-COMMITTEE-</u> At its meeting on 19 September 2017, the Committee **RESOLVED** to recommend the following:						
1. That the plan should include a "Red Amber Green" column so that progress can be followed more easily.	People	Accept	Philip Segurola	None	This was implemented in November 2017.	TBC
2. That learning and development visits should be organised in order to enable members to gain a better understanding of children's services and the needs of service users and enable them to monitor the quality of services more effectively.	People	Accept	Philip Segurola	Within existing budget	Monthly 'open sessions' for members programmed from December 17 to March 18 with presentations from Children's Services staff about their work and a Q&A opportunity.	TBC

APPENDIX A

SCRUTINY RECOMMENDATION	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
3. That consideration should be given to running a dedicated staff satisfaction survey with staff in the Council's children services to identify issues hampering recruitment and retention of staff and ensure that results are processed quickly and lead to swift improvements.	People	Accept	Philip Segurola	Within existing budget	A ' temperature check' survey of Children's Services staff was completed in November and initial findings discussed at CYP scrutiny in December 17.	TBC

Croydon Council

REPORT TO:	**CABINET 26 FEBRUARY 2018**
SUBJECT:	**INVESTING IN OUR BOROUGH**
LEAD OFFICER:	**SARAH IRELAND, DIRECTOR OF COMMISSIONING AND IMPROVEMENT** **RICHARD SIMPSON, EXECUTIVE DIRECTOR RESOURCES & S151 OFFICER**
CABINET MEMBER:	**COUNCILLOR SIMON HALL** **CABINET MEMBER FOR FINANCE AND TREASURY**
WARDS:	**ALL**

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: Effective outcome based commissioning and prudent financial transactions contribute to all corporate priorities.

The Council's commissioning strategy 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, contributing to the growth agenda for Croydon. The contracts (awarded or recommended for award) and partnership arrangements included in this report will support the Council to achieve the Ambitious for Croydon outcome "to be innovative and enterprising in using available resources to change lives for the better."

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 note:-

1.1.1 The list of delegated award decisions made by the Director of Commissioning and Improvement, between 14/12/2017 – 17/01/2018.

1.1.2 The list of decisions taken since the last meeting of Cabinet by the nominated Cabinet member in consultation with the Cabinet Member for Finance and Treasury, under the Leaders specific delegated authority for those contract awards.

2. EXECUTIVE SUMMARY

2.1.1 This is a standard report which is presented to the Cabinet, for information, at every scheduled Cabinet meeting to update Members on:

- Contracts anticipated to be awarded under delegated authority from the Leader by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Treasury and with the Leader in certain circumstances, before the next meeting of Cabinet.
  [As at the date of this report there are none]
- Delegated contract award decisions made by the Director of Commissioning and Improvement 14/12/2017 – 17/01/2018.
- Property acquisitions and disposals to be agreed by the Cabinet or the Cabinet Member for Finance and Treasury (as appropriate) either as part of this agenda or before the next meeting of Cabinet.
  [As at the date of this report there are none]
- Contract awards 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]
- 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]
- The list of decisions taken since the last meeting of Cabinet by the nominated Cabinet member in consultation with the Cabinet Member for Finance and Treasury, under the Leaders specific delegated authority for those contract awards.

3. DETAIL

3.1 Section 4.1 of this report lists the delegated award decisions made by the Director of Commissioning and Improvement, between 14/12/2017 – 17/01/2018.

3.2 Section 4.2 of this report lists the decisions taken since the last meeting of Cabinet by the nominated Cabinet member in consultation with the Cabinet Member for Finance and Treasury, under the Leaders specific delegated authority for those contract awards

3.3 Procurement strategies where the value of the proposed contract is above £5,000,000 and approved under the Leaders delegation by, as appropriate, Executive Directors for Place, People and Resources departments in consultation with the Cabinet Member for Finance and Treasury.

3.4 The Council's Procurement Strategy and Tenders & 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. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

4.1 Delegated award decisions made by the Director of Commissioning and Improvement

4.1.2 Revenue and Capital consequences of delegated decisions made by the Director of Commissioning and Improvement for contract awards between £100,000 & £500,000 and contract extension awards (no limit to value) that were previously approved as part of the original contract award recommendation.

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept
Pan London Family Drug and Alcohol Court Service (FDAC) Service for a contract term of 2 years with the option to extend for a further 2 years	Total contract value £294,540 Approx. annual value £73,635	NIL	People
Insurance London Consortium: Engineering Insurance & Inspection for a contract term of 5 years	Total contract value £394,745 Approx. annual value £78,949	NIL	Resources
Insurance London Consortium: Crime for a contract term of 5 years	Total contract value £116,250 Approx. annual value £23,250	NIL	Resources
Insurance London Consortium: Motor for a contract term of 5 years	Total contract value £84,850 Approx. annual value £16,970	NIL	Resources
Insurance London Consortium: Commercial Property for a contract term of 5 years	Total contract value £97,450 Approx. annual value £19,490	NIL	Resources
Insurance London Consortium: Personal Accident & Travel for a contract term of 5 years	Total contract value £3,000 Approx. annual value £600.00	NIL	Resources

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept
Insurance London Consortium: School Journey for a contract term of 5 years	Total contract value £21,390 Approx. annual value £4,278	NIL	Resources
Contract for Respite and Short Breaks Provision for a contract term of 12 months	Total contract value £125,000	NIL	People
Corporate Banking Services Contract for a contract term of 5 years	Total contract value £244,671 Approx. annual value £48, 934.20	NIL	Resources
Contract for SEN Transport services to Casper Training and Transport for a contract term of 7 months	Total contract value £105,000	NIL	Resources

CONTRACT EXTENSIONS & VARIATIONS					
Contract Title	**Value of Contract to Date**	**Revenue value of Extension Term**	**Total Revenue value including extension term**	**Contract Capital Budget**	**Dept/Cabinet Member**
Contract for the provision of Advocacy Services For Children Looked After and Children in need of help and protection for a contract term of 9 months	£86,253	£80,625	£166,878	NIL	People/ Cllr Alisa Flemming

4.2 The list of decisions taken since the last meeting of Cabinet by the nominated Cabinet member in consultation with the Cabinet Member for Finance and Treasury, under the Leaders specific delegated authority for those contract awards.

Contract Title	Contract Revenue Budget	Contract Capital Budget	Dept/Cabinet Member
Single Advocacy Service for Adults for a term of 3 years with the option to extend for a further 2 years	Total contract value £1,741,255 Approx. annual value £348,251	NIL	People/ Cllr Louisa Woodly

Approved by: Ian Geary, Accountancy Manager, on behalf of the Director of Finance, Investment and Risk and Deputy Section 151 Officer

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

5.1 The Solicitor to the Council comments 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 and Deputy Monitoring Officer, on behalf of the Director of Law and Monitoring Officer

6. HUMAN RESOURCES IMPACT

6.1 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 Moormon, Director of Human Resources

7. EQUALITY IMPACT

7.1 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.

7.2 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.

7.3 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.

8. ENVIRONMENTAL IMPACT

8.1 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.

9. CRIME AND DISORDER REDUCTION 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.

CONTACT OFFICER:

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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

- *Single Advocacy Service for Adults*

CONFIDENTIAL BACKGROUND DOCUMENTS- EXEMPT FROM PUBLIC DISCLOSURE

The following Part B background documents are exempt from public disclosure because they contain exempt information as defined in paragraph no. 3 of Schedule 12a to the Local Government Act 1972 (as amended).

- *Single Advocacy Service for Adults*