

<b>REPORT TO:</b>	<b>COUNCIL 2 MARCH 2020</b>
<b>SUBJECT:</b>	<b>COUNCIL TAX AND BUDGET REPORT</b>
<b>LEAD OFFICER:</b>	<b>LISA TAYLOR DIRECTOR OF FINANCE, INVESTMENT AND RISK AND SECTION 151 OFFICER</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b>	
The Council Tax and Budget Report is prepared in keeping with the Council Procedure Rules at Part 4A of the Constitution.	

## 1. RECOMMENDATIONS

Subject to decision at the Cabinet meeting to be held on 24 February 2020, the Council is expected to be asked to approve the following recommendations:

- 1.1. A 1.99% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).
- 1.2. A 2.00% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).
- 1.3. The GLA increase of 3.6%.  
With reference to the principles for 2020/21 determined by the Secretary of State under Section 52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 3.5 of the covering report (at Appendix 6.1).
- 1.4. The calculation of budget requirement and council tax as set out in Appendix 6D and 6E. Including the GLA increase this will result in a total increase of 3.92% in the overall council tax bill for Croydon.
- 1.5. The revenue budget assumptions as detailed in this report and the associated appendices :-
- 1.6. The programme of revenue savings and growth by department for 2020/21 (Appendix 6A).
- 1.7. The Council's detailed budget book for 2020/21 (Appendix 6B).
- 1.8. The draft Capital Programme as set out in section 11, table 18 and 19 of this report, except where noted for specific programmes are subject to separate Cabinet reports.

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| <ul style="list-style-type: none"><li>1.9. To increase the Asset Investment Fund by £100 million to £300 million.</li><li>1.10. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2020/21.</li><li>1.11. The adoption of the Pay Policy statement at Appendix 6H.</li></ul> |
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## **2. EXECUTIVE SUMMARY**

This Council Tax and Budget Report comprises a summary of the process and matters of business relating to the Council Tax and Budget Setting as required by Part 4A of the Constitution. The report also includes recommendations that are anticipated to be made to Council by Cabinet at its meeting on 24 February 2020

## **3. GENERAL FUND AND HRA BUDGET PROPOSALS**

- 3.1. The General Fund and HRA Budgets are appended as part of the covering report at Appendix 6.1.
- 3.2. At its meeting on 24 February 2020, Cabinet is anticipated to recommend to Council the recommendations detailed in 1.1 to 1.11 above. Those recommendations will be put to the vote at the conclusion of this item of business.
- 3.3. In accordance with paragraph 4.12 of part 4A of the Constitution, recommendations 1.1, 1.2 and 1.3 will be taken as recorded votes. It has also been agreed by the Monitoring Officer that the remainder of the recommendations (1.4 to 1.11) will be taken en block as a recorded vote.

#### **4. QUESTIONS TO THE LEADER AND CABINET MEMBER FOR FINANCE & RESOURCES**

- 4.1. At the outset of consideration of this item, Members will have the opportunity to ask questions of the Leader of the Council on any matter related to the Council Tax or draft budget.
- 4.2. Following the above session, Members will have an opportunity to ask questions of the Cabinet Member for Finance & Resources on any matter related to the Council Tax or draft budget.
- 4.3. Both of these question and answer sessions will last for fifteen minutes and the first three minutes of each session may be used by the Leader or Cabinet Member to make any announcements. Both sessions will be conducted in accordance with paragraphs 4.3 to 4.6 of Part 4A of the Council's Constitution.4.4
- 4.4. In case of doubt, the Mayor shall decide whether it is appropriate for any matter to be considered at a Council Tax Meeting and shall disallow any questions considered inappropriate. Each Member asking a question will also be allowed to ask a supplementary question

#### **5. BUSINESS REPORT OF THE SCRUTINY AND OVERVIEW COMMITTEE**

- 5.1. Part 4C of the Constitution outlines the process for developing the Council's annual budget and makes provision for the Scrutiny & Overview Committee to comment on proposals. It also requires Cabinet to take into account any formal response from the Scrutiny & Overview Committee.
- 5.2. Paragraph 4.8 of part 4A of the Constitution allows a period of ten minutes for Councillors to question the Chair of the Overview and Scrutiny Committee, the first two minutes of which are available to the Chair to make any announcements.
- 5.3. In accordance with the above requirements, the Scrutiny & Overview Committee considered all non-education elements of the proposed 2020/21 budget at its meeting on 10 February 2020. Education elements of the proposed budget were considered by the Children and Young People Scrutiny Sub-Committee at its meeting on 21 January 2020.

##### Council Tax and Budget Scrutiny

- 5.4. At its meeting on 10 February 2020, the Scrutiny and Overview Committee considered an item on the draft budget from the Cabinet Member for Finance and Resources.
- 5.5. An introduction from the Cabinet Member for Finance and Resources outlined the current status of the financial position, the growth pressures and priorities for 2020-21.

- 5.6. The Committee learnt that although there had been periods in the past when the support provided by the Council for unaccompanied asylum seeking children (UASC) had been fully funded by the Home Office, due to the way funding was currently administered that was not presently the case and had not been for a number of years. However, the fact that there was cross party support and from local MPs on this issue would help to make the case for fair funding for Croydon. Recent conversations with the government about UASC funding had been encouraging, leading to optimism that the current funding shortfall of approximately £9,000,000 per year would be addressed.
- 5.7. The Committee gave consideration to the fees and charges for Council services, noting that there would be an increase to pay and display parking charges for the first time in a number of years, with care being taken to ensure these increases were fair and equitable. The full year effect of implementing the emissions based charging for residents' parking permits and increased Building Control charges had also been factored into the budget.
- 5.8. The Committee questioned whether there would be any contract variations with the Council's waste collection providers, Veolia, and learnt that there had been an increase in the cost of the contract of £2,500,000 which had been factored into the budget. The cost had increased due to the growth in the number of properties in the borough and also other contractual issues that had been resolved following negotiations through the South London Waste Partnership.
- 5.9. The Committee questioned the priorities used when setting the capital programme for 2020-21, with it being advised that it was focussed on areas outlined in both the Labour Party Manifesto and the Corporate Plan. These included asset investment particularly the provision of new housing, ensuring that the requisite school places were available including the provision of a new Special Educational Needs (SEN) school in New Addington and renewing facilities such as roads and investing in sustainability.
- 5.10. The Committee learned that there continued to be uncertainty over the Government's plans for fair funding for local authorities, which meant it was challenging to plan for the longer term. Once there was additional clarity, an updated Medium Term Financial Strategy would be produced. It was hoped that the outcome from the Fair Funding Review would be positive for Croydon given that the current level of funding provided was based on out of date census data which was no longer reflective of the borough.
- 5.11. In response to a request for clarity about the focus on high risk and high spend services, it was advised that these were predominately people focussed services such as Adults and Children Social Care and SEN Transport, which were demand driven and as such required additional focus to manage potential risks. Monitoring of these service would focus on both what was being delivered and how it was delivered.
- 5.12. As there had been different programmes aimed at delivering savings over a number of years it was questioned whether these had achieved their targets. It

was advised that recent efficiency programmes had achieved significant savings for the Council and had also freed up floor space in Bernard Weatherill House which had been used to deliver a rental income of £4,000,000 per year. The savings delivered had been in the region of £10,000,000, which had enabled the level of reserves to be maintained, unlike many other local authorities.

- 5.13. As there had been an increasing amount of partnership working between the Council and Croydon Health Service NHS Trust over the past few years, the Committee questioned whether it was likely that there would be increasing amounts of partnership working going forward. In response it was highlighted that the One Croydon Alliance had been successful in delivering better outcomes for over 65s in the borough and saving money, as such it was likely to lead more opportunities in this area. These included plans being developed to expand the One Croydon Alliance to all age care and the recent creation of the Health and Care Board which would see even closer integration between health and social care. In doing this it was essential to ensure that savings were shared across health and social care and as such negotiations were underway with health to address the current imbalance.
- 5.14. The Committee welcomed the inclusion in the budget for 2020-21 of £5,000,000 being added to the Council's reserves to address concern about the current level which was perceived to be low. However it was acknowledged that the budget would need to be carefully managed throughout the year to ensure that it could be achieved.
- 5.15. As the budget included savings within Children Services, the Committee questioned how this would be managed without service delivery being negatively affected. Reassurance was given that none of the savings identified within the Children Service would involve any of the permanent staff and a range of performance indicators would be used to ensure any savings did not undermine service delivery.
- 5.16. The Committee asked the Council's Section 151 Officer whether the proposed budget met the requirements for a sound budget. It was confirmed that this was the case, although it was highlighted that there would be a need for continual monitoring of the budget throughout the year along with the agility to respond quickly to any challenges as they arose and to address them accordingly.
- 5.17. The Committee also sought reassurance that the budget monitoring process would be improved to ensure that issues were quickly responded to and managed appropriately during the year, lessening the need to find in-year savings. It was confirmed that extra resource would be put into finance, including business analytics, to ensure that effective monthly monitoring could take place and forecasting was more accurate. A greater level of monitoring would also be put in place in the previously mentioned high risk areas, looking at underlying actions as well as headline budgets.

- 5.18. At the conclusion of the item the Chair thanked both the Cabinet Member and the Section 151 Officer for their attendance at the meeting and their engagement with the questions of the Committee.

### **Conclusions**

- 5.19. Following the discussion of this item, the Committee reached the following conclusions:
- i. That the Council was continuing to face significant pressure on its budget position.
  - ii. Supported the proposed increase in balance which will help manage financial uncertainty.
  - iii. That the Council's ability to accurately forecast and monitor the delivery of required savings would be crucial to achieving the budget in the 2020/21 financial year.

### **Recommendation**

- 5.20. The Scrutiny and Overview Committee agreed to recommend to the Cabinet Member for Finance and Resources that an update on the bedding in of the Council's new financial monitoring systems be provided in September 2020.

### Education Budget 2020/21

- 5.21. At its meeting on 21 January 2020 the Children and Young People Scrutiny Sub-Committee considered an item on the draft education budget from the Cabinet Member for Children, Young People & Learning and the Head of Finance.
- 5.22. The Sub-Committee learnt that following the 2020/21 Spending review the Chancellor delivered a statement which was followed in more detail by the Minister for School Standards which confirmed the Governments' commitment to a £7.1 billion increase in funding for schools by 2022/23. This included £700 million more in 2020/21 to support children and young people with Special Educational Needs, increased Early Years spending by £66 million and £400 million for Further Education.
- 5.23. In 2020/21 Croydon would see an increase of £21.3 million in the level of Dedicated Schools' Grant (DSG) funding compared to the previous year.
- 5.24. The Department for Education (DfE) made a commitment that the introduction of the national funding formula, which has been delayed since 2017, would come into place in 2021/22.
- 5.25. The Sub-Committee learnt that as required, Croydon had submitted its five year DSG Recovery Plan. The DfE's letter of response informed the Council of an increase to the High Needs Block allocation for 2020/21, and that allocations for

2021/22 and 2022/23 were under review. As a result the Council conducted a detailed revision of its previously submitted recovery plan which would be submitted to the High Needs Working Group as well as the Schools Forum later in January 2020.

- 5.26. The Sub Committee questioned what the new funding formula would mean for Croydon. Officers said it meant that nationally every pupil would receive the same basic funding. The effects of this formula would be different in every Local Authority (LA), and the Council was doing all it could to mitigate any adverse impact of the new formula.
- 5.27. The Sub-Committee commented that whilst the Government's commitments for £7 billion increase in funding for schools was welcomed, there was still a concern over the large deficit that has been accumulated by many schools in previous years. In particular, concerns were raised for Primary Schools which it was felt would not receive real term increases.
- 5.28. The Sub-Committee questioned what level of spare capacity was planned for in schools and what criteria was taken into account when calculating this figure. It was advised that there was an aim to have a spare capacity of 5%, which had been based on a number of sources of information included birth-rates and data on people moving into the borough. It was noted that where schools had spare capacity of greater than 5%, the Council would work with them to amend their plans and reduce expenditure.
- 5.29. The Sub-Committee questioned if the Council would request reinstatement of Unaccompanied Asylum Seeking Child (USAC) costs from government. Officers responded that the education provision of UASC was covered by the DSG but the budget did not cover social care costs
- 5.30. The Sub-Committee questioned if the government should be lobbied for reinstatement of the Private Finance Initiative (PFI) costs of a particular Croydon school and how much of a burden this was on the Council's Budget. Officers said a benchmarking exercise took place every five years which was due to be revisited in 2021 and costs associated with this particular PFI would be reviewed. Part of the funding from the DSG covered this cost and the Council covered some of the affordability gap.
- 5.31. In response to a Member question on how confident the Council was that place planning for pupils was accurate, officers said that places at schools were allocated on criteria for schools and parental choice. There were often instances of surplus places in schools, pictorial maps of this data were only valid on a day by day basis and data constantly changed. Planning for school places was completed based on figures supplied by the Greater London Assembly and intelligence gathered on areas of the borough. In the event of identification of lack of places, a contingency plan would be deployed to manage the issue.
- 5.32. The Sub-Committee questioned whether a school could decide not to admit Croydon children. Officers said that a school could not legally make such

decision without changing their admissions criteria and for such changes to be made, a legal process including consultation would need to take place.

5.33. Officers were thanked for their responses to Members' questions.

### **Conclusions**

5.34. Following the discussion of this item, the Sub-Committee reached the following conclusions:

- i) The announcement of the commitment of additional school funding by government was welcomed, there were however concerns as to how this would assist to decrease the deficit of some schools.
- ii) Although there had been an increase in Croydon's funding allocation, there remained a significant gap of per pupil funding in comparison to inner city boroughs some of whose problems were similar to those seen in Croydon.
- iii) It was important that the Council maintain clear line of sight of any adverse impact of the national funding formula once it was implemented on the Education Budget.
- iv) It was vital that the Council conducted a comprehensive review as required in 2021 of the PFI costs associated with the Croydon School.

## **6. COUNCIL TAX DEBATE**

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

6.2. The order of speakers shall be as follows:

- i) Leader or other Cabinet Member (10 mins)
- ii) Leader of the Opposition (10 mins)
- iii) Administration Speaker (3 mins)
- iv) Opposition Speaker (3 mins)
- v) Administration Speaker (3 mins)
- vi) Opposition Speaker (3 mins)
- vii) Administration Speaker (3 mins)
- viii) Opposition Speaker (3 mins)
- ix) Administration Speaker (3 mins)
- x) Opposition Speaker (3 mins)
- xi) Administration Speaker (3 mins)
- xii) Opposition Speaker (3 mins)
- xiii) Leader or other Cabinet Member exercising a right of reply (5 mins).

6.3. The Leader of the Council and Cabinet Members may submit bulletins to be included in the Council agenda papers for this item. Bulletins may summarise the business undertaken by a Cabinet Member since the last ordinary meeting of the Council. The bulletins can be found at Appendix 6.2.

6.4. At the conclusion of the debate, the recommendations shall immediately be put

to the vote as detailed in 1.1 to 1.11 above.

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CONTACT OFFICER: Stephen Rowan  
Head of Democratic Services and Scrutiny

BACKGROUND DOCUMENTS: None

APPENDICES:

Appendix 6.1	Council Tax Report to Cabinet
Appendix 6.1A:	Revenue savings, income and growth options
Appendix 6.1B:	Detailed Budget Book
Appendix 6.1C:	Summary of Revenue Estimates
Appendix 6.1D:	Budget Requirement and Council Tax
Appendix 6.1E:	Council Tax Recommendations
Appendix 6.1F:	Response to Provisional Local Government Settlement
Appendix 6.1G:	Dedicated Schools Grant
Appendix 6.1H:	Pay Policy Statement
Appendix 6.2:	Leader and Cabinet Member Bulletins