

REPORT TO:	Cabinet 1st March 2021 Council 8th March 2021
SUBJECT:	Croydon's General Fund & HRA Budget 2021/22 to 2023/24
LEAD OFFICER:	Katherine Kerswell, Interim Chief Executive Officer Chris Buss, Interim Director of Finance , Investment and Risk
CABINET MEMBER:	Leader Hamida Ali – Leader of Croydon Council Councillor Stuart King – Cabinet Member for Croydon Renewal Councillor Callton Young – Cabinet Member for Resources and Financial Governance Councillor Jane Avis – Cabinet Member for Homes and Gateway services
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2021/22 to 2023/24.	
FINANCIAL SUMMARY:	
The report details the revenue and capital budgets for the General Fund for financial Years 2021/22 to 2023/24, the Council Tax position for 2021/22, the revenue and capital budgets for the Housing Revenue Account (HRA) Budget and position on the Housing Rents increases for 2021/22. This report only seeks approval of the Budget for 21/22 but Cabinet and Council are asked to note the Medium Term Financial Plan	
FORWARD PLAN KEY DECISION REFERENCE	
The recommendations in section 1.0 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 1st March 2021. The recommendations in section 1.0 are key executive decisions (reference no.0921CAB). The decisions may be implemented from 1300 hours on the 5 th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.	

1.0 RECOMMENDATIONS

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

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

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

- 1.1. Council's request for a Capitalisation Direction of £150m covering financial years 2020/21 to 2023/24.
- 1.2. A 1.99% increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).
- 1.3. A 3.00% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).
- 1.4. To note the draft GLA increase of 9.5% on the Council Tax precept for 2021/22.
- 1.5. With reference to the principles for 2021/22 determined by the Secretary of State under Section 52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are not excessive in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 3.8 of this report.
- 1.6. The calculation of budget requirement and council tax as set out in Appendix C and D including the GLA increase this will result in a total increase of 5.83% in the overall council tax bill for Croydon.
- 1.7. The revenue budget assumptions as detailed in this report and the associated appendices
- 1.8. The programme of revenue savings, income and growth by department for Financial Years 2021/22 to 2023/24 (Appendix A).
- 1.9. The Capital Programme as set out in Section 18, table 17 and 18 of this report, except where noted for specific programmes are subject to separate Cabinet reports.
- 1.10. To agree that in light of the impact on the Council's revenue budget no Capital contractual commitment should be entered into until a review of revenue affordability has been concluded.
- 1.11. To approve that any receipts that come from the Council's Housing company Brick by Brick will first be applied to the accrued interest and any subsequent receipts will be used to pay down the principle loan balance.
- 1.12. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2021/22.
- 1.13. The adoption of the Pay Policy statement at Appendix G

That Cabinet agree:

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

That Cabinet note:

- 1.17. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.
- 1.18. The progress being made towards balancing the Council's financial position for 2020/21 as at Quarter 3 and the current projected outturn forecast of £64.7m as set out in the Budget Monitoring report as part of this Cabinet in Agenda Item 5b and also attached in Appendix H.
- 1.19. The response to the provisional local government settlement which is attached at Appendix E.
- 1.20. That pre-decision scrutiny of the proposed budget 2020/21 took place at the Scrutiny and Overview Committee on the 10th February 2020. The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.
- 1.21. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2.0 Executive Summary

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

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

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

3.0 Covid-19 Pandemic

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

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

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

Table 1: Covid Grants

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

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

4.0 Financial Performance Quarter 3 2020/21

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

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

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

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

5.0 S114 Notice

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

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

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

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

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

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

6.0 RIPI

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

7.0 Renewal Plan

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

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

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

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

These were to:

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

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

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

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

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

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

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

8.0 Local Government Finance Settlement 2021/22 - Nationally

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

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

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

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

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

Core Spending Power - Overall

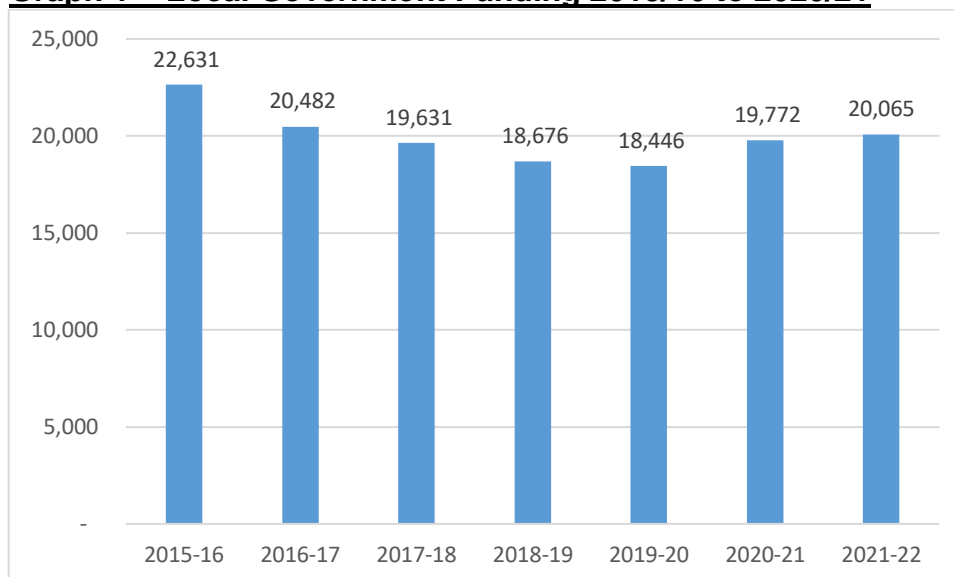
- 8.3 The National Core Spending Power figures for the period 2016/17 to 2021/22 are shown in Table 2 below. As previously announced at Spending Review 2020, it shows an increase
- 8.4 The National Core Spending Power figures for the period 2016/17 to 2021/22 are shown in Table 2 below. It shows an in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

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

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

Core Spending Power: Excluding Council Tax

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

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

9.0 Local Government Finance Settlement 2021/22 Croydon

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

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

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

- 9.2 Table 3 shows an increase in funding for Croydon over 2016/17 to 2021/22 of £51.8m in cash terms or 15.2%. However, it is important to note that this includes forecast increased council tax revenues over the period of £64.9m. Excluding Council Tax revenues sees a cash reduction in funding over the period of £12.5m. Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the MHCLG's figures are relevant to Croydon is discussed below.

New Homes Bonus

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

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

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

*projected

Social Care Grants

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

Homelessness Funding/Homelessness Prevention Grant

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

Public Health Grant

- 9.6 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015.

- 9.7 The ring-fenced grant is used to commission a range of mandated service from external and internal provider's e.g. Health visiting, Substance misuse services, sexual health services etc. as well as providing resources for services within Croydon council that improve the health and wellbeing of the people in Croydon.
- 9.8 A review of the services that are commissioned as well as a detailed review of the resources that are provided for services within the Council was carried out during 2019/20 to ensure that the funding is utilised in the most effective manner and delivers on public health outcomes.
- 9.9 Funding for 2021/22 remains unconfirmed at the time of writing this report. Flat funding should be expected until allocations confirmed by Public Health England in Feb 21/22. In 2020/21 Public Health Grant was £21.8m.
- 9.10 Croydon's response to the Provisional Local Finance Settlement for 2021/22 is included as Appendix E to this report.

Local Taxation & GLA Taxation

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

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

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

10 Wider Local Government Funding Issues

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

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

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

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

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

11 Medium Term Financial Strategy (MTFS)

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

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

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

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

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

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

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

12.0 Corporate Assumptions - 2021/21 budget

Grants

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

Inflation

- 12.2 The budget for 2021/22 needs to take account of changes in the cost of living/inflation. A pay award of at least 2% for all staff has been assumed, although the unions have put in a substantially higher claim. Additionally a number of council contracts are subject to indexation each year. The MTFS has provided for £10.4m for contractual and pay inflation and this needs to be managed within the Council's overall budget. The overall increase in the budget for inflation for both the pay award and inflation will be held corporately and will then be allocated out to departments in year.
- 12.3 The council's capital programme assumes the taking out of new borrowing to fund projects that require debt. The assumption overall is that there will be borrowing of circa £60.4m in 2021/22 and an additional amount of £0.87m has been added to the revenue budget to fund the associated interest payments.

London Business Rates Pilot / Pool

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

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

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

Settlement Funding Assessment per head across London

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

Table 6 – Settlement Funding Assessment per head

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

13 Department Assumptions 2021/22 budget

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

Table 7 – Cash Limit Movement

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

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

14 Croydon Services

Children, Families and Education including UASC

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

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

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

Health, Wellbeing and Adults

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

Housing Assessment and Needs

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

Place and Resources

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

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

Corporate Budget

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

Savings and Growth

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

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

Table 8 – Growth and Savings per Directorate

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

15 Local Taxation Charge for 2021/22

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

Table 9 – Local Taxation for 2021/22

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

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

Table 10 – Croydon Council percentage increase since 2018/19

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

- 15.4 Alongside grant income, local taxation is the other major income stream

that impacts on the budget setting of the council. The Collection Fund accounts for taxation from Council Tax and Business rates. Further detail can be found in Appendix B.

Council tax

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

Table 11: Change in Council Tax charge

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

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

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

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

Projected Collection Fund Surplus / Deficit

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

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

16.0 Greater London Authority Precept 2021/22

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

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

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

Table 12– Local Taxation increase and the GLA Tax increase

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

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

17.0 DSG CROYDON

- 17.1 In 2019, the government announced additional in education funding over a three year period from 2020/21 and national schools funding will increase by £4.8 billion in 2021/22 and £7.1 billion in 2022/23 compared to funding levels in 2019/20. In addition, funding continues to be provided to fund the recent increase in pension costs for teachers, worth £1.5bn a year.
- 17.2 Croydon's DSG allocation has increased accordingly and in 2021/22, Croydon will receive £390.567m in funding through the Dedicated Schools Grant (DSG), an increase of £25.3m in funding, of which £12.9m relates

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

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

Table 13- Funding per pupil

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

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

Schools Block

- 17.7 The Schools Block 2021/22 allocation is £281.313m (before recoupmnt), which is an increase of £18.35m since 2020/21 mainly due to the inclusion of the teacher's pay and pension grant element of £12.154m and to accommodate the overall increase in Education funding for 2021/22.
- 17.8 The minimum funding guarantee (MFG) will continue to be applied, hence every school or academy will see an increase in funding of at least 0.5% per pupil compared to its 2020/21 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.
- 17.9 The NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. In 2021/22, the respective funding rates are £4,821 and £6,433. The 2020/21 rates per pupil were £4,505 for primary pupils and £5,987 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 23rd out of 32 London boroughs. This ranking has risen by one place since 2020/21. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of the gap between how much extra a pupil in our nearest inner London neighbours is funded compared to Croydon.

Early Years

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

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

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

High Needs

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

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

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

Table 14 Impact of EHCP regulations

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

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

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

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

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

Table 15– Analysis of SEN

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

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

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

Central Services Schools

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

17.21 Ongoing Functions

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

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

17.22 Historic Commitments

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

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

17.24 The 2021/22 budget for the Schools, Early Years, High Needs and Central School Services Blocks has been agreed by Schools Forum. The Schools Block funding formula was approved by Cabinet on 18th January 2021 and submitted to the DfE on the 20th January 2021 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2021.

DSG Management Plan

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

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

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

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

Table 16 – Capital Programme

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

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

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

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

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

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

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

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

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

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

Growth Zone

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

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

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

Section 106 and Community Infrastructure Levy (CIL)

- 18.13 The Council, as Local Planning Authority, when required secures Section 106 Agreements as a requirement of the grant of planning permission to secure the mitigation measures necessary to make a development acceptable in planning terms. This includes securing financial contributions towards infrastructure types and projects.
- 18.14 The Council's Section 106 balance as at September 2020 was £4.7m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement.
- 18.15 Set out below in table 19 is the Council's detailed Section 106 balance sheet.

Table 19– S106 breakdown of funds

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

- 18.16 In terms of future Section 106 assignment, the Council is actively working (with partners as appropriate) on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon and mitigate the development the contribution arose from. Section 106 assignment will continue to be governed by the Council's Infrastructure Finance Group and Capital Board.
- 18.17 A total of £3,582,344 of Section 106 income was assigned to specific projects during 2019/20 in accordance with the Section 106 parent agreement and Infrastructure Finance Group Terms of Reference. During 2019/20 a total of £775,674 of money secured under s106 agreements was spent on specific projects across the borough.
- 18.18 The Council introduced the borough's CIL in April 2013. The Council has been collecting the borough's CIL since this date. As a consequence of requiring the grant of planning permission and commencement of development post April 2013 for the CIL to be liable for payment, the income received since the introduction has gradually increased.
- 18.19 Borough CIL balance at 01/04/20 was £12,544,170.93. This income is available to be spent on infrastructure types and projects included on the Council's CIL Infrastructure List

- 18.20 Regulation 121A of the Community Infrastructure Levy Regulations 2010 (as amended) requires the Council to produce a statement of the infrastructure (CIL Infrastructure List) projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL. This broadly covers all infrastructure projects and types, except for sustainable transport and highway that are secured through Section 106 and / or Section 278 highway agreements.
- 18.21 In addition to allocations in 2019/20, and based on current CIL balances and forecast CIL receipts, it has been assumed that £6.8m of Borough CIL money will be available to fund the capital programme. Also, £2m of Borough CIL money has been assigned to the Council's Education Estates Strategy as agreed by Cabinet on Monday 18th January 2021 and £2.1m has been assigned to Leisure, libraries and open space maintenance. The specific projects to enjoy borough CIL funding will be defined through the governance of the Infrastructure Finance Group and Capital Board to ensure CIL legislative compliance. The specific project assignment will occur post the approval of this report and be published in the Council's CIL Infrastructure Statement.
- 18.22 The Community Infrastructure Levy (Amendment) Regulations 2013 allow for up to 15% to be spent on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on Croydon. This is commonly referred to as the Locally Meaningful Proportion.
- 18.23 The CIL Local Meaningful Proportion balance at 01/04/20 was £3.91m. The Local Meaningful Proportion will fund the Community Ward Budgets for 2020/21. Also, as set out in the September 2020 Cabinet Emergency Budget Report, CIL Local Meaningful Proportion will significantly contribute to the costs of the 2020/21 Community Fund Projects that meet the CIL legislative requirements.

Housing Programme

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

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

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

Repair and Improvement of council stock

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

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

19.0 Housing Revenue Account (HRA)

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

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

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

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

Table 20 – 2021/22 HRA Revenue Budget

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

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

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

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

Housing demand

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

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

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

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

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

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

Right to Buy

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

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

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

Table 21 – RTB sales since 2012

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

Rent Setting and Changes

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

19.20 Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap. The introduction of Universal Credit in Croydon has begun to have an impact on rent collection rates. Rates are likely to continue to drop as tenants move from receiving housing benefit to universal credit when they experience a change in circumstances, impacting on the levels of bad debt that the Council must provide for.

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

Table 22 – Comparison of rents in Croydon

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

Service Charges

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

19.23 The charges for 2021/22 will therefore be:

Table 23 –2021/22 Tenant Service Charges

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

Heating charges

19.24 Only a small number of tenants use communal heating systems and are charged a fixed weekly amount for the gas they use. Apart from the Handcroft Road Estate, all other schemes are retirement housing schemes for older people. Heating charges will be adjusted to ensure that they align to actual costs incurred. This will result in some increases and some decreases for tenants of no more than 5%.

Garages and parking spaces

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

Table 24– 2021/22 Parking and Garage Charges

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

Voids and Bad Debts

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

20.0 Treasury Management

- 20.1 The S151 Officer is responsible for setting up and monitoring the Prudential Indicators in accordance with the Council's Capital Strategy. The details are set out in the Treasury Management Strategy which is recommended to Cabinet for approval as a separate item on this agenda.
- 20.2 The prime function of the treasury management operation is to ensure that cash flow is adequately managed. This requires careful management of all cash balances within the Council's bank accounts. The contribution the treasury management function makes to the achievement of the Council's objectives is critical, as the balance of debt and investment operations ensures liquidity or the ability to meet spending commitments as they fall due, either as day-to-day revenue spend or for larger capital projects. The treasury operation carefully assesses the balance of the interest costs of debt and the investment income arising from cash deposits as this impacts directly on the Council's finances.
- 20.3 The Treasury service are also responsible in managing the Council's debt balances. The Council has a debt balance of £1.47bn as at the end of December 2020 which incurs significant interest and Minimum Revenue Provision (MRP) charge. It is important that the Council considers strategies that proactively reduces this debt balance and to help improve the direct charges to the Revenue account, which will bring the Council into a better financial position.

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

- 21.1 Section 25 of the Local Government Act 2003 requires the Chief Financial

Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to their advice throughout the year in the preparation of the budget for 2021/22. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Interim Director of Finance, Investment and Risk. This is his statement under the Section 25 requirement of the Act.

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

- 21.5 All Members must also be aware that the calculation of the budget is, in its simplest form, dependent on three key factors, which are set in the context of the level of support from central government, these are:
- a) The structural growth and savings in service expenditure or income;
 - b) The level of increase in local taxation (council tax); and
 - c) The level of reserves and balances.
- 21.6 With regard to the Housing Revenue Account, in 2020/21 where Local Authorities were allowed to raise Housing Rents by CPI+1%. This proposal continues into 2021/22 and this will ensure that the years of lost income from the 1% reduction in rents better supports the upkeep of our housing stock and support tenants in a better way. The updated 30 year HRA Business Plan shows a stable position however the Council need to keep a close eye on pressures in regards to repairs and maintenance and more importantly the investment that will be needed to for Fire Safety works. The development of new housing units within the HRA including the purchase of any units will need to be cost neutral in terms of revenue income covering the costs of managing and maintaining the new units and servicing debt.

Growth, Savings and income options in service expenditure

- 21.7 Proposals for growth, savings and income generation in service expenditure are ultimately a matter of political judgment balancing the needs and priorities of the borough within the available revenue resources. In balancing such decisions Members must have regard to the professional advice of officers in such matters as service need, statutory responsibility, changes to Government legislation, demographic factors (particularly in respect of demand-led services), unavoidable cost pressures whilst always having regard to the need to remain with the statutory requirement to balance the budget and to keep within that budget and available reserves once the budget is set. This report forms part of that advice.

The Level of Reserves and Balances

- 21.8 The level of reserves and balances are principally the responsibility of the s151 officer and are key to ensure the financial sustainability of the Council.
- 21.9 The Current level of Reserves are very low for the size of Croydon and historic mismanagement of this reserve balance has resulted in placing the Council in very weak position. The exact level of current bought forward reserves is currently under discussion with the External Auditor and cannot be firmed up until the 2019/20 audit of the accounts has been completed. In the light of this it is not possible to state with certainty as required under section 25 (1)(b) of the Local Government Act 2003; that the reserves are adequate until the audit is completed, however it should be noted that the 2021/22 Budget and the MTFs includes a clear plan to build up the reserve balance and £20m is being earmarked as part of the 20/21 planned capitalisation directive for contribution to the General Balance. With further a further increase of £10m 21/22. In light of the

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

21.10 Earmarked reserves are also relevant in supporting the budget and objectives of the council. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes needs to reflect the financial strategy objectives of the council. Earmarked reserves have reduced over the last 3 years and are expected to be in the region of £10m at the end of 2020/21. This is a position that needs to be kept under review. The Council has previously relied upon the increased flexibility on the use of capital receipts which allowed the authority to use these to support transformation projects. This funding pays for capacity that would previously have to be funded from earmarked reserves. This option will need to be kept under review as capital receipts become available.

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

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

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

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

22.0 PRE-DECISION SCRUTINY

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

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

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

23.0 SUMMARY AND CONCLUSIONS

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

24.0 FINANCIAL CONSIDERATIONS

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

25.0 LEGAL CONSIDERATIONS

Budget and Council Tax Setting

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

- 25.3 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report.
- 25.4 Section 30(6) of the Local Government Finance Act 1992 provides that the Council is required to set its budget (including Council Tax rates) before 11th March 2021 for the financial year 2021/22, although failure to set a budget within the deadline does not invalidate the budget. A delay to agreeing the budget may, however, have significant financial administrative and legal implications including potentially an individual liability for those members who contributed to the failure to set the budget. Failing to set the budget would also make the Council vulnerable to a judicial review challenge initiated potentially by the Secretary of State or any other person with a sufficient interest in the Council setting a budget (which could include a council tax payer). When considering the budget proposals the Cabinet and Council will be mindful of their fiduciary duty to ensure that the Council's resources are used in a prudent and proportionate manner. Members are required to have regard to their statutory duties whilst bearing in mind the requirement to act reasonably when taking in to account the interests of the Council Tax payers and Croydon's
- 25.5 The Local Government Finance Act 1992 (as amended), requires the Council as billing authority to determine whether its relevant basic amount of council tax for a financial year is excessive. If it is excessive then there is a duty under s.52ZF - s.52ZI to hold a referendum. Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Thresholds for 2021-22 provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if council tax is to be increased by 5% or more. Council tax for general spending requires a referendum if it rises by 2% or more, alongside a maximum 3% 'social care precept'. The 'adult social care precept' is technically not a 'precept' but additional headroom within the referendum regime for selected local authorities.
- 25.6 The procedure to be followed in developing the budget proposals as detailed in the report are set out in the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council's Constitution. To deliver some of the budget proposals action may be required which should be undertaken in accordance with statutory requirements including any legal requirements for consultation and equality impact assessments. Members will be aware of the requirement to consider the Council's obligations under the Equality Act 2010 as detailed more fully in the Equalities Considerations, section 23 below.

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

26.0 HUMAN RESOURCES IMPACT

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

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

Pay Policy Statement

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

26.4 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2021/22 on:

26.4.1 The remuneration of its senior staff including chief officers

26.4.2 The remuneration of its lowest paid employees

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

26.5 The pay policy statement is at Appendix G. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 2nd March 2020.

Approved by: Sue Moorman – Director of Human Resources

27 EQUALITIES CONSIDERATIONS

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

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

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

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

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

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

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

27.6 In developing its detailed budget proposals for 2020/21 the Council has sought to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while ensuring that it is able to respond positively to increases in demand for essential services, and meet its legal equality obligations at the same time. In doing so it endeavours to best meet the specific needs of residents, including those groups that share a "protected characteristic".

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

27.8 An equality analysis has been completed in respect of the overall Council

Tax increase which will apply to all households in the borough. While this increase is relatively modest, it will nonetheless impact those on low and fixed incomes and in particular those affected by changes to the benefit system and no longer qualify for Council Tax Support. This segment of the population is more likely to live in the most deprived areas in the borough where there is a greater proportion of Black Asian and Minority ethnicity residents. This has to be balanced against the additional amount raised through the Adult Social Care charge which will contribute to meeting the expected increase in demand for these services. The additional income will benefit Croydon's most vulnerable adults and families, likely to also be in this protected group. In addition the Council will continue, through the Council Tax Support scheme to provide financial relief for vulnerable households including:

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

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

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

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

28.0 ENVIRONMENTAL IMPACT

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

29.0 CRIME AND DISORDER REDUCTION IMPACT

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

30.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

31.0 OPTIONS CONSIDERED AND REJECTED

Appendix H

- 31.1 Various other options were considered in terms of council tax levels, investments and savings. These are ultimately decisions of policy and political choice.
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REPORT CONTACT: Nish Popat, Interim Head of Corporate Finance

APPENDICES:

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

BACKGROUND DOCUMENTS: None