

<b>REPORT TO:</b>	<b>CABINET 26 February 2018</b>
<b>SUBJECT:</b>	<b>QUARTER 3 FINANCIAL PERFORMANCE 2017/18</b>
<b>LEAD OFFICER:</b>	<b>RICHARD SIMPSON EXECUTIVE DIRECTOR RESOURCES (SECTION 151 OFFICER)</b>
<b>CABINET MEMBER:</b>	<b>CLLR TONY NEWMAN LEADER OF THE COUNCIL CLLR SIMON HALL, CABINET MEMBER FOR FINANCE AND TREASURY</b>
<b>WARDS:</b>	<b>ALL</b>
<p><b>CORPORATE PRIORITY/POLICY CONTEXT:</b></p> <p>The recommendations in the report will help to ensure effective management, governance and delivery of the Council's medium term financial strategy and ensure a sound financial delivery of the 2017/18 in-year budget. This will enable the ambitions for the borough for the remainder of this financial year to be developed, programmed and achieved for the residents of our borough.</p>	
<p><b>AMBITIONS FOR CROYDON &amp; WHY WE ARE DOING THIS:</b></p> <p>Strong financial governance and stewardship ensures that the Council's resources are aligned to enable the priorities, as set out in the Corporate Plan 2015 - 2018, to be achieved for the residents of our borough and further enables medium to long term strategic planning considerations based on this strong financial foundation and stewardship.</p>	
<p><b>FINANCIAL IMPACT</b></p> <p>The reduced financial settlement and ongoing demand pressures on a range of statutory services is resulting in pressures to the Council's budget, and resulting in a forecast overspend at Quarter 3.</p>	
<p><b>FORWARD PLAN KEY DECISION REFERENCE NO.</b></p> <p>Not a key decision</p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below</p>	
<p><b>1 RECOMMENDATIONS</b></p> <p>Cabinet is recommended to :</p> <p>i) Note the current revenue outturn forecast at the end of the third quarter of 2017/18 of <b>£0.369m underspend</b>, this is before exceptional items of <b>£6.23m</b>, resulting in a total overspend of <b>£5.861m</b>;</p>	

- ii) Note the **£4.7m** collection fund surplus released on the 1<sup>st</sup> April 2018 which can offset the overspend. This would leave a net drawdown on general fund balances of **£1.161m**.
- iii) Note the ongoing engagement with and lobbying of Government by the Council for additional funding for Croydon, both in general terms and specifically Unaccompanied Asylum Seeking Children given Croydon's gateway status, fire safety measures and mitigation of the impact of the Universal Credit implementation, notably Croydon's pilot status.
- iv) Note the HRA position of a **£0.274m** forecast underspend against budget;
- v) Note the capital outturn projection of **£61.9m** forecast underspend against budget;
- vi) Approve the changes to the capital programme to include new schemes of **£2.1m**, set out in Table 5, Section 7.2
- vii) Endorse the approval of the 2018/19 Discretionary Business Rates Relief Scheme, as discussed in paragraphs 8.5 to 8.10 and set out in full in Appendix 3

## 2. EXECUTIVE SUMMARY

- 2.1 This report updates the Council's financial outlook at the end of the third quarter of 2017/18, which remains against a context of a series of adverse national funding changes affecting Local Government finance.
- 2.2 The budget set in February 2017 for 2017/18 assumed grant reductions of 11.2% (**£12.9m**) in the financial year. To manage this reduction there were a number of savings totalling **£19.5m** built in to the budget. Alongside these savings there was growth of **£13.8m** and assumptions around increased levels of income.
- 2.3 Croydon Council remains under huge financial pressures, deriving notably from:
- Historic underfunding of Croydon over the last 15-20 years,
  - Cumulative cuts of more than 75% of government funding between 2010/11 and 2019/20,
  - Failure to recognise the inflationary pressures the Council is subject to,
  - Chronic underfunding of adult social care and children's social care – the Local Government Association has reported that three quarters of local authorities with responsibility for social care are showing overspends and estimates that, by 2019/20, there will be a £2billion funding gap for each of adult social care and children's social care in England,
  - Substantial population increase,
  - Significant growth in demand for services, both from demographic pressures, such as an aging population and changes to the make-up of the Croydon population
  - Impact of welfare reform, notably the benefits cap, freezing of in-work benefits, local housing allowance, universal credit,
  - Underfunding of new duties, such as Health Visiting, Deprivation of Liberty assessments and the Homelessness Reduction Act,
  - Failure to properly fund the direct and indirect costs of Croydon's status as the gateway authority for Unaccompanied Asylum Seeking Children (UASC),
  - Impact of the underfunding of the health economy,

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

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

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

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

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

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

- 2.7 The government have announced an additional £19m of controlling migration funding to help manage the pressures of UASC. Draft allocations were announced in January. Croydon has been allocated £380,000 just 2% of the total allocation despite us having just under 10% of the children in our care and our 'gateway authority' duties. The Leader has written to Ministers to express concern about the fairness of this allocation in advance of the final allocations being confirmed.
- 2.8 We also continue to engage with the Department for Communities and Local Government seeking funding of **£10m** for fire safety works following the tragic incident at Grenfell Tower. The Cabinet Member for Homes, Regeneration and Planning has written to the Secretary of State twice seeking commitment to fund essential safety works in Croydon. To date, responses from the DCLG have been disappointing and have failed to provide any funding, stating that our works do not meet the department's criteria of essential safety works and that the government expects Croydon to fund measures to make buildings safe.
- 2.9 As a result of work undertaken by Croydon, changes to the national policy for Universal Credit have been announced. However, these changes only take effect from 1 April 2018. As a pilot authority we have incurred costs in excess of **£3m** and will be seeing reimbursement from Government for these costs we have incurred. We are awaiting a response from government of this issue.
- 2.10 Details of major variances are provided in Table 2, Section 3 of this report, with further information about all projected outturn variances available in Appendix 1 to this report.

### **3. GENERAL FUND 2017/18 REVENUE SUMMARY**

- 3.1 The projected outturn position at the third quarter of 2017/18 is showing the effect of anticipated saving and recovery plans that are being implemented.
- 3.2 The 2017/18 budget was set with the inclusion of growth to help manage previously identified pressures and ambitious savings targets. Despite this growth there continues to be increasing demand for the services in the People department in relation to adult and children's social care. There are also a number of areas of budget pressures in the Resources department relating to utility costs and SEN transport.

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

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

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

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

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

<b>Total Departmental Overspend</b>	<b>4,597</b>	<b>5,840</b>	<b>10,413</b>
<b>Council Wide recruitment freeze (except Children's improvement posts/ HRA funded/ capital funded &amp; transformation funded posts)</b>	<b>0</b>	<b>(2,000)</b>	<b>0</b>
<b>Revised Departmental Overspend</b>	<b>4,597</b>	<b>3,840</b>	<b>10,413</b>

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

- 3.3 The People Department overspend in 2017/18 is £5.664m and continues to be made up of pressures in children's social care and adult social care. The major change is driven by the increase in looked after children and the complexity of those placements. The People Department also has exceptional items relating of £3.93m, a reduction of £0.4m from quarter 2.
- 3.4 The total exceptional items reported at quarter 3 continue to relate to UASC and clients with No Resource to Public Funds (NRPF), and Universal Credit, all of which we are continuing to lobby the government to fund. The UASC pressure has reduced to £2.93m since Quarter 2 and the unachievable £1m savings target for No Recourse to Public Funds remains the same as quarter 2. We are also now reporting the impact of universal credit as an exceptional item rather than within the department items, this is estimated to be £2.3m. These items are again considered to be exceptional. The UASC increase is as a result of the Home Office continuing to only fund a fixed rate per child. While our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate. Options to reduce this funding gap through the reduction of costs and maximising Home Office income continue to be explored. The Home office are committed to reviewing rates of funding before April but we are not aware of the impact on Croydon at this stage. The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act. In addition to these exceptional items Croydon also funds in excess of £4m of other costs relating to NRPF across Adults, Children's and Gateway services from our own resources. The Universal Credit pressure is as a result of the scheme in year, the government is making changes to Universal Credit from 1<sup>st</sup> April 2018 and we are continuing to lobby the government
- 3.5 The Improved Better Care Funding is for a three year period and was allocated in two tranches. Tranche 1 was allocated in spending review 2015 and formed part of adult social

care core funding to mitigate the reduction in core grant funding. This allocation was built in to base budgets and enabled protection from cuts. Tranche 2 was allocated in the spring 2017 budget. This money will be spent across the health and social care sector to ensure the criteria of the funding of Meeting Adult Social Care Needs, Supporting Hospital Discharge and Stabilising the Social Care provider Market are met.

- 3.6 The national pressures faced in adult social care, estimated by the LGA to reach some £2bn by 19/20, are well documented and short term funding through the council tax precept and IBCF show government has also acknowledged these pressures in part. The pressure on children's social care is now becoming apparent. Research conducted by the Local Government Association (LGA) has revealed children's services are at breaking point with 75% of councils overspending to keep vital protections in place. The review found that in 2015/16 councils surpassed their children's social care budgets by £605m in order to protect children at immediate risk of harm. There has been an increase of 140% in child protection enquiries over the last 10 years with enquiries up to more than 170,000 in 2015/16.
- 3.7 The chair of the LGA's Children and Young People Board, has recently said: "The fact that the majority of councils are recording high levels of children's services overspend in their local areas shows the sheer scale of the funding crisis we face in children's social care, both now and in the near future."
- 3.8 There are calls on the government to introduce a fairer funding system based on demand for services. Referrals to children's services have increased and the number of children subject to child protection plans has doubled in the last decade. "Government needs to take note on this issue sooner rather than later, otherwise we are sleepwalking into another funding crisis for services that less fortunate young people rely on. LGA noted that a nationwide children's services funding gap of £2bn will exist by 2020. As detailed in this report we are continuing to experience rising demand and costs.
- 3.9 This year to date, Children's Social Care assessments have increased by 16%, and the number of children with a Child Protection Plan has also increased by 10%, contributing to towards the reported overspend.
- 3.10 The findings from the last year's Children's Social Care Ofsted inspection have put increased pressure on our financial resources. Some £4m has been allocated from transformation funding to support the targeted improvement work over the remainder of this year. Growth of £10.7m has been allocated in the 2018/19 budget to reflect the growth pressures in this area.
- 3.11 The excellent work on reducing the level of homelessness in the borough would be showing a significant favourable variance in the forecast outturn, were it not for the concerns about the level of bad debt being experienced in this area as a direct result of benefit reform, most notably the rules around universal credit.
- 3.12 With Croydon having been a Universal Credit Pilot Authority we have been unfairly subject to increased financial pressures with bad debt increasing by £1.5m in year. We will be continuing to lobby the government to correctly fund this.
- 3.13 Alongside this we have also increased our Discretionary Housing Payments from the £1.7m awarded by Government to £3.2m, with the difference of £1.5m funded directly from Council resources.

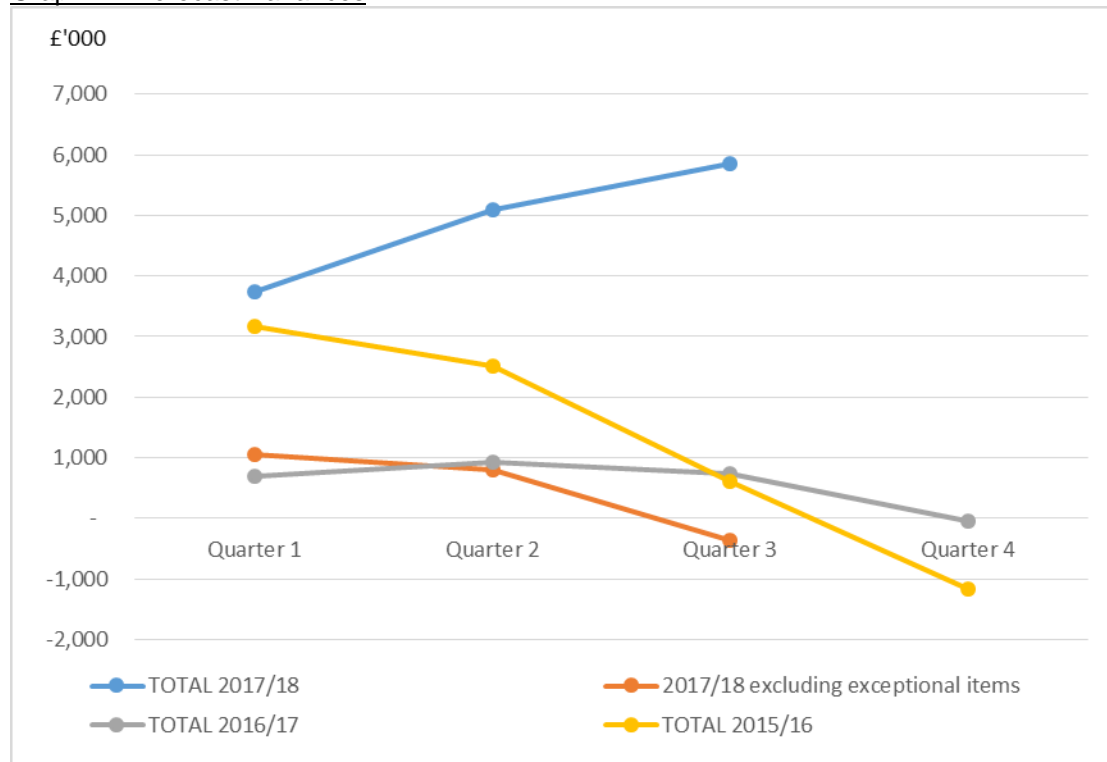


- 3.14 To help manage the budget and mitigate rising costs a Council wide recruitment freeze was put in place in November for all but essential posts. Whilst £2.0m was estimated in the Quarter 2 report, the effects of this are now shown within the departmental position.

#### 4 GENERAL FUND REVENUE SUMMARY POSITION 2017/18

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

Graph 1 – Forecast Variances



#### 5 VIREMENTS OVER £500K REQUIRING CABINET APPROVAL

- 5.1 There are no virements requiring approval.

#### 6. HOUSING REVENUE ACCOUNT (HRA)

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

Table 3 – 2017/18 Main variances within the HRA

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

- 6.2 Longer term budget planning for the HRA is continuing to take place and includes reviewing the impact of the Housing and Planning Act 2016 to understand and model the impact of future rent reductions. The Council will also continue to model the likely impact of the high value asset levy, and we still await confirmation if the government will continue with this policy.
- 6.3 As previously reported to this Cabinet, Croydon Affordable Homes LLP will be responsible for managing a number of affordable rented properties working alongside Brick by Brick and The Hub to deliver these additional properties by 2019. This is in addition to the 93 street properties that were purchased under the ETA (Emergency Temporary Accommodation) programme that have been transferred to the LLP and the additional street properties that are currently being purchased.
- 6.4 Ongoing fire safety works are continuing and will continue to be funded from the HRA as a result of the government failing to provide funding for these essential works. As previously reported this investment will be in the region of £10m, with works commencing this financial year and completing in 2018/19.

## 7. FORECAST CAPITAL OUTTURN POSITION

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

**Table 4 – 2017/18 Capital Programme**

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

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

**Table 5 – Additional schemes included within the capital programme**

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

- 7.3 In addition to these new items the HRA capital programme has been reprofiled to fund fire safety works, and to enable this important work to take place other works have been postponed.
- 7.4 The main reported variances on projects within the Council's capital programme are as follows:
- 7.4.1 **New Addington Leisure Centre** (£13.373m) – this project has been re-profiled but with no overall change to the final completion date, and the majority of the work is now expected to be delivered in 2018.
- 7.4.2 **Onside Youth Zone** (£3.436m) – This scheme has been re-profiled and £135k is forecast to be spent in 2017/18. With the scheme due for completion by January 2019.
- 7.4.3 **Blackhorse Road Bridge** (£2.053m) - work expected to be delivered in 2018/19.
- 7.4.4 **Education Programme** (£15.2m) – Schemes re- profiled to 2018/19.
- There are a number of other capital schemes where the cash flow is not as forecast and the spend will now take place in 2018/19, full details are in appendix 2.
- 7.5 The capital programme continues to be funded from a number of different funding streams and makes use of capital receipts to support the delivery of the financial strategy. Table 6 below details the funding for the original 2017/18 budget, the revised programme and the forecast outturn.
- 7.6 The majority of the general fund borrowing detailed excluding that specifically identified for the Revolving Investment Fund is to fund the education programme due to the inadequate level of funding received from Government and the essential need to provide school places in the borough.

**Table 6 – Sources of capital funding**

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

## 8. FINANCIAL MANAGEMENT

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

**Table 7 - Council Tax and Business Rates collection**

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

### Council Tax

- 8.2 At the end of quarter 3 Council Tax collection was down by 0.74% on the end of month target. As with the previous quarter, this is again due to the amount of council tax owing to the council increasing towards the end of the quarter. This increase in the amount to collect arises from new properties becoming liable, and the removal of discounts from existing accounts.
- 8.3 Because there was no opportunity to collect an instalment before the end of the quarter, the collection rate has been impacted at the end of Quarter 3. However, it is expected that the Council will achieve the full year target of 97% as collection catches up in the final quarter.

### Business Rates

- 8.4 Business Rates collection is down by 1.34% against target. This position has been affected by refunds made in December. As refunds are made from the current year's income, it counts against the collection rate. However, there is some £750k of income profiled to be

collected in February and March of this year, and it is expected that business rates collection will achieve the full year target of 98.75%.

### **Discretionary Business Rates Relief – 2018/19**

- 8.5 In March 2017, the Government announced that funding would be made available across 2017-18 to 2021-22 to protect businesses from increases in business rates caused by the revaluation of business property. Accordingly, the Council introduced a discretionary scheme in June 2017 cabinet, (later amended in December 2017) to allocate this funding to businesses that had seen their business rates charges increase as a result of the national revaluation.
- 8.6 The discretionary scheme for 2017/18 was only applicable for that financial year and it is therefore necessary to consider the 2018/19 scheme for approval for the upcoming financial year. The 2018/19 proposed scheme can be found in Appendix 3, and it is proposed that it will keep the same principles as the 2017/18 scheme, namely:
- Relief will only be allocated where a qualifying ratepayer’s bill has increased due to the 2017 revaluation;
  - The maximum amount of relief available will be £5,000 per property;
  - Relief awarded will be after all other reliefs and exemptions have been applied;
  - Properties not in the list at 1 April 2017, or properties where chargeable occupation ceases will not be eligible to receive support;
  - The following types of uses will not be eligible for local discretionary business rates relief:
    - Betting shops and premises
    - Public Houses (in receipt of a separate funding scheme)
- 8.7 The funding allocations to Croydon are set out in table 8 below. However, because the level of funding made available by Government is reducing each year, the following changes are proposed to the scheme:
- Only ratepayers in receipt of discretionary support in 2017/18 are in scope of the 2018/19 scheme, as this is a pre-condition to have been affected by the revaluation
  - Discretionary support will not be offered to large businesses (rateable value over £100k) in 2018/19: only small and medium business will received discretionary support. Note: large businesses will continue to receive an award of national transitional funding, where applicable.
  - Discretionary relief will be added at a single relief rate to either small or medium businesses

**Table 8 – Discretionary funding for business rates revaluation**

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

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

**Table 9 – Anticipated relief of discretionary funding**

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

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

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

## **9. CONSULTATION**

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

## **10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

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

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

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

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

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

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

11.4 Statutory Guidance on the Flexible Use of Capital Receipts has been issued under the Local Government Act 2003. By Section 15(1) the Council is required to have regard to this guidance. The guidance applies with effect from 1 April 2016 to 31 March 2019. The

guidance should be read alongside the Flexible use of capital receipts Direction made by the DCLG in exercise of its powers under the Local Government Act 2003 Sections 16(2) (b) and 20.

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

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

## **12. HUMAN RESOURCES IMPACT**

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

Approved by:- Sue Moorman, Director of Human Resources

## **13 EQUALITIES IMPACT**

- 13.1 The key service areas that currently have over spend in budgets are Children’s Social Care and Adults Social Care. These are areas that provide services to customers from equality groups that share protected characteristics; such as younger people (Looked after Children), people with a disability (Children with special educational needs), older people and BME groups. There are a number of known equality and inclusion issues in the above mentioned service areas such as an over-representation of BME young people in looked after children, over-representation of BME groups and other vulnerable groups, young children with a disability who have a special educational needs and their carers, vulnerable older people with complex needs etc. The mitigating actions, on these specific services are unlikely to affect these groups more than the population as a whole. In fact, a number of those will affect these groups less.
- 13.2 In addition, there are policy changes made by Government that will impact on the in-year budget, in particular the delay in the implementation of the Immigration Act. The Council will work to ensure key services to Croydon residents are protected wherever possible. However, it is likely that some of the areas affected will be a reduction in Home Office funding for Unaccompanied Asylum Seeking Children, a cut to the Public Health Grant and the Youth Justice Board grant and changes to the Welfare and Housing Bill. There is a likelihood that these cuts will have a more significant adverse impact on some groups that share a protected characteristic such as age, race and disability. Changes to the Welfare and Housing Bill are also likely to have an adverse negative impact on the more vulnerable customers.
- 13.3 In order to ensure that our vulnerable customers that share a “protected characteristic” are not disproportionately affected by the actions proposed to reduce in year budget over spend we will ensure that the delivery of the cost reduction initiatives are informed by a robust

equality analysis of the likely detrimental impact it could have on all services users and in particular those that share a “protected characteristic”.

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

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

## **14 ENVIRONMENTAL IMPACT**

14.1 There are no direct implications contained in this report.

## **15 CRIME AND DISORDER REDUCTION IMPACT**

15.1 There are no direct implications contained in this report.

## **16 REASONS FOR RECOMMENDATION /PROPOSED DECISION**

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

## **17 OPTIONS CONSIDERED AND REJECTED**

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

### **CONTACT OFFICER:**

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

**BACKGROUND PAPERS – none**



**REVENUE VARIATIONS OVER £100K WITH EXPLANATION**

Appendix 1

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

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

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

## RESOURCES DEPT

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

## CHIEF EXECTUIVES DEPT

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

**CORPORATE ITEMS**

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

## 2017/18 Q3 Capital Outturn Forecast

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

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

\*includes fire safety works of £10m.

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

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### **Introduction**

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

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

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

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

### **Our criteria**

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

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

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

- Public Houses and premises
- Betting shops and establishments

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

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

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

## **Amount of relief**

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

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

## **Calculation of the proposed Local Discretionary Business Rate Relief**

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

- Exemptions and other reliefs
- Transitional reliefs or premiums

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

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

Relief will be awarded upon the following basis:

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

## **Submitting an application for discretionary relief**

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

## **How payments will be made**

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

## **Relief will cease where the:**

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



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## **Notification**

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

## **Overpayments**

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

## **Right of review**

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

## **Consultation**

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

## **Review**

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