

REPORT TO:	SCRUTINY & OVERVIEW COMMITTEE 10 February 2020
SUBJECT:	Pre-Decision Scrutiny: Proposed General Fund Revenue Budget 2020/21
LEAD OFFICER:	Lisa Taylor, Director Of Finance, Investment And Risk (Section 151 Officer)
CABINET MEMBER:	Councillor Simon Hall, Cabinet Member For Finance And Resources
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Councillor Simon Hall, Cabinet Member For Finance And Resources And Lisa Taylor, Director Of Finance, Investment And Risk (Section 151 Officer)
ORIGIN OF ITEM:	This item is contained in the Committee's work programme
BRIEF FOR THE COMMITTEE:	To scrutinise the proposed 2020/21 Council General Fund Budget.

1. Introduction and Background

- 1.1 This report sets out the context and challenges faced by the council in setting a balanced budget for the financial year 2020/21, and gives an update on the key issues from the Spending Review of the 4th September 2019 and the Provisional Local Government Finance Settlement 2020/21, that was made on the 20th December 2019, with a final settlement to follow in early 2020.
- 1.2 This report looks at the challenges faced by local government and particularly Croydon in terms of its continued financial pressures and resources available to deliver the key services for the authority.
- 1.3 The report updates on the challenges, assumptions and proposed changes that will underpin the 2020/21 budget. The report also gives details of the forecast financial performance of the Council for 2019/20, as presented to Cabinet on the 16th December 2019.
- 1.4 This report is in advance of the final budget report and budget setting decision being made by Council in March 2020. Due to the late announcement of the draft funding settlement, at the time of writing this report not all funding streams have been confirmed and it must be noted that the assumptions made are subject to change.

2 Background to the financial challenges faced in Croydon

- 2.1 The financial struggles of local authorities have been well documented for more than a decade. With no sign of austerity easing, councils like Croydon are increasingly having to balance rising demand for services with year-on-year real terms cuts to their grant funding from government. This is compounded by historic underfunding which affects the base on which these cuts are made.
- 2.2 In the current climate demand for children's and adult social care has reached unprecedented levels, but without the necessary funding to pay for this demand. As a result local authorities are facing an untenable situation, with many now reaching tipping point. With growing numbers of both young and older residents, and other demographic changes, Croydon is affected by these national issues more than most.
- 2.3 As a council facing huge financial challenges Croydon is certainly not alone, but many of the issues impacting its finances are unique to the borough.
- 2.4 Croydon is one of the capital's largest boroughs by population and, although situated in outer London, it is inheriting a raft of traditionally Inner London issues that impact its budget. The effects of welfare reform, Universal Credit and the rising cost of poor quality rental property have seen large numbers of people move from central London to Croydon in search of cheaper accommodation, care and living costs. Subsequently poverty and homelessness are rising, need is becoming more complex and there is an increasing demand for, and strain on, public services and housing.
- 2.5 A consequence of the Home Office being based in the borough is that Croydon is the main 'gateway' authority for unaccompanied asylum seeking children (UASC) coming to the UK. Due to the shortcomings of the National Transfer Scheme, dispersal to other councils has not happened as expected so Croydon continues to care for hundreds of these vulnerable young people every year. It has to do initial assessments and support for almost all UASC and is home to some 10% of all UASC in the country. However, it receives no more than other local authorities. To cover the exceptional costs involved the borough has to make up a shortfall in funding of around £9m every year.
- 2.6 Even with this challenging financial backdrop, Croydon has managed to present a balanced budget, which includes an increase in council reserves by £5m after holding them at substantially the same level for the past six years and continues to protect the vital services that local people have said matter to them.
- 2.7 Recognising that the national system is broken, Croydon is leading the way by looking to new and innovative ways of delivering public services. Central to this is the borough's localities work with its focus on partnership, early help and prevention;

providing targeted support to residents who need help the most, at the earliest opportunity.

- 2.8 The One Croydon Alliance, a community-based partnership with the NHS, is helping the over 65s, who might otherwise rely on hospital stays and costly care services, keep healthy and independent for as long as possible. And it is through this same model that Croydon is rapidly transforming services for children and families. By providing the right help at the earliest possible stage, when and where it's needed, is helping to keep more children safe.
- 2.9 Partnership work is also boosting housing supply and tackling homelessness. Our housing development company, Brick by Brick, has been set up to provide at least a thousand new affordable new homes for local people.
- 2.10 As well as providing the physical assets that our residents need (such as schools and decent council homes), we are using capital expenditure to generate income streams or make savings. This includes our programme of asset investment, purchasing homes and improving buildings, such as New Addington Leisure and Community Centre, where we will see considerable savings in our leisure services contract.
- 2.11 By setting up a growth zone and working with the private and voluntary sectors, Croydon can continue to provide sustainable growth, invest in infrastructure and fund projects such as the Fairfield Halls restoration and the Legacy Youth Zone ensuring that investing in our culture isn't compromised.
- 2.12 It is only through whole system change and prudent financial management that Croydon can continue to provide value for money services to local people and commit to increasing its general fund. A revised three-year financial strategy, which sets out the borough's medium-term plans, will be presented to cabinet later this year.
- 2.13 Croydon is having to react to both shared and unique challenges, as a local authority and an outer London borough, but this has brought with it an opportunity to introduce innovative service delivery and strengthen our work with partners out in our communities.

3. Spending Review and Provisional Local Government Finance Settlement 2020/21.

- 3.1 The 2020/21 Spending Review was announced by Sajid Javid, the Chancellor of the Exchequer, on the 4th September 2019. Due to the political and financial uncertainty the government has been unable to produce the spending review as originally planned. Hence the spending round covers only one financial year, 2020/21.

- 3.2 The provisional 2020/21 Local Government Settlement was announced on the 20th December 2019, by the Secretary of State for the Ministry for Housing, Communities and Local Government, Robert Jenrick. Due to the General Election that took place on the 12th December 2019 this announcement was later than previous years.
- 3.3 In terms of funding for Croydon, the settlement shows an increase in Settlement Funding Assessment (SFA) of £1.4m or 1.6%. This is good news for Croydon as previously in 2019/20 the SFA was a reduction of £7.8m or 8.2%. However, the Chancellor announced an end to the London Business Rates Pool pilot, which results in the loss of some £4.8m.
- 3.4 In headline terms there were no material changes announced that change the assumptions made for Croydon in the Medium Term Financial Strategy (MTFS) and our budget planning. The settlement also confirmed the announcements that were made in the spending review.
- 3.5 The key headlines are:
- 3.5.1 The 2020/21 Local Government finance settlement is for one year only.
- 3.5.2 Core Spending Power will increased by £2.9bn (6.3%) nationally, and £446m (6.5%) across London. In Croydon the increase is 7.2%.
- 3.5.3 The Settlement Funding Assessment will increase by £237m across England and £44m across London, which is an increase of 1.6%. As detailed in paragraph 3.3 this is an additional £1.4m for Croydon.
- 3.5.4 The main Council Tax referendum threshold will reduce from 2.99% to 1.99% and the flexibility to raise the Social Care Precept will be 2%. If these rates are applied in Croydon this would generate an additional £7m in 2020/21.
- 3.5.5 Local Government's business rate baseline funding levels will also increase in line with inflation.
- 3.5.6 The Government intends to delay the 75% Business Rates Retention and Fair Funding Review reforms by a year to 2021.
- 3.5.7 The London 75% Business Rates Retention pilot will not continue in 2020/21. For Croydon, this represent a loss of £4.8m.

- 3.5.8 The Social Care Support Grant has been renamed the Social Care Grant and will be increased by £1bn in 2020/21 to £1.4bn. For Croydon this is an increase in funding of £5m, from £2.4m in 2019/20 to £7.4m in 2020/21.
- 3.5.9 Winter Pressures Grant has been rolled into the Improved Better Care fund, with no change to funding levels overall. In 2020/21 we will continue to receive a total of £9.7m, the same as awarded in 2019/20.
- 3.5.10 New Homes Bonus funding will decrease nationally by £10.5m (1.1%), with London seeing a decrease of £5.4m (2.9%). In Croydon we will actually receive a £0.6m increase in New Homes Bonus Funding, from £6.7m in 2019/20 to £7.3m in 2020/21.
- 3.5.11 Schools funding via the Dedicated School Grant will increase by £2.6bn (5.8%) nationally, with London receiving £352m (4.3%). In Croydon we will receive a 6.2% increase in funding. The DSG will increase by £21.3m from £343m in 2019/20 to £364.3m in 2020/21.
- 3.5.12 A real terms increase to the Public Health Grant supporting prevention and public health interventions. The actual allocation remains unconfirmed at the time of writing this report but is expected to be at least 1.84%. In 2019/20 our Public Health Grant is £20.8m.
- 3.5.13 Continued funding for the Troubled Families programme to support families with complex needs, with £165m available nationally for 2020/21.
- 3.5.14 Flexible Homelessness Support grant will remain at 2019/20 levels, and additional monies have been allocated under the New Burdens Act for Homelessness Reduction. In total we will receive £6.6m in 2020/21, compared to £5.86m in 2019/20, an increase of £0.74m.
- 3.5.15 We have also been successful in a recent bidding process for additional grant monies to tackle Rough Sleeping and have been awarded £1.2m for 2020/21.
- 3.5.16 Disappointingly, there has been no recognition of the additional costs in Croydon in relation to UASC and there has been no additional allocation of funding. We will continue to work with the Home Office to ensure Croydon is funded fairly.

4. Financial Performance 2019/20

4.1 The financial monitoring process in the current year 2019/20 has identified a number of pressures across the council with the most significant being within the Health, Wellbeing and Adults department. The Council's overall forecast revenue over spend at the end of quarter 2 of £10.407m is made up of Departmental over spends of £10.460m, non-departmental under-spends of £8.603m and exceptional items of £8.550m. These exceptional costs relate to additional costs associated with UASC. Without these exceptional items the forecast overspend would be £1.857m, as shown in Table 1 below.

Table 1 – Summary of forecast revenue outturn position at Quarter 2

Department	Quarter 2 Forecast Variance £'000s
Children, Families and Education	1,114
Health, Wellbeing and Adults	9,122
Place	0
Gateway, Strategy and Engagement	224
Resources	0
Departmental Overspend	10,460
Corporate Items	(8,603)
Sub Total - Before Exceptional Items	1,857
Exceptional Items - Unaccompanied Asylum Seekers (UASC)	8,550
Total Projected Over-spend	10,407

4.2 If the £10.407m forecast overspend is not reduced by the end of the year then the £5.4m contribution to reserves will be reduced to zero, and amounts would have to be drawn out of either earmarked reserves or general balances.

4.3 The draft 2020/21 budget has taken account of these current spending pressures, however we must not become complacent. While the budget for 2020/21 has been balanced on paper we must recognise that we all need to continue to work hard to manage the budget for the remainder of 2019/20 and throughout 2020/21. We will be enhancing our budget management process to ensure we are focusing on the high risk and high spend services and taking early proactive action to identify overspends and put in place measures to manage and reduce them back to within the budget available. Regular budget reports will continue to be presented to Cabinet.

5. Medium Term Financial Strategy (MTFS)

- 5.1 The current approved Financial Strategy covers the period 2018/22 and will be refreshed in July 2020 for the period 2020/23. The current MTFS was approved by Council in October 2018 and is detailed in table 2 below.
- 5.2 The MTFS pulls together in one place all the financial implications of the Council's strategic priorities to produce a costed plan to enable long term financial planning and enable financial sustainability.

Table 2 – Budget gap – MTFS published October 2018

	2020/21 £m's	2021/22 £m's	Total £m's
Budget Gap	12.5	7.7	20.2

- 5.3 The MTFS is designed to aid strategic planning and is particularly important during this time of funding uncertainty. The ongoing Fairer Funding Consultation means that the level of government funding beyond 2020/21 is unknown and therefore makes planning of the strategy more difficult. We would hope to be able to do a full MTFS refresh once there is greater clarity on local government funding and the overall Spending Review, which will hopefully be detailed in the national budget in March.
- 5.4 While the MTFS will outline all the key Council financial priorities for the future years. It will make assumptions in some areas due to uncertainty and therefore regular reviews and updates of the Strategy are fundamental to maintain a strong financial grip.
- 5.5 The focus of our work to date has been to get to a balanced budget position for 2020/21 that can be presented to Cabinet in February and Council in March 2020, therefore reducing the previously forecast budget gap of £12.5m to zero.
- 5.6 The Cabinet were presented with a number of options to enable a balanced budget to be set in 2020/21, which includes increasing income, changing service delivery, increased contributions from partners where appropriate and managing demand. A draft list is contained at appendix 1 of this report, a final list of options will form part of the budget report presented to Cabinet later in February 2020.
- 5.7 It is assumed that capital receipts will continue to be allocated where appropriate to fund transformation programmes and projects that support the assumptions made in the MTFS, this includes the transformational activities in the Children's Services Improvement Plan and Adult Social Care transformation projects, and the transformation of our digital services.

6.0 Corporate Assumptions - 2020/21 budget

6.1 The Council's budget comprises of a number of budgets that relate to the whole Council and are not directly attributable to departments or that have not yet been allocated. These are referred to as corporate budgets. It is essential that we recover all income owed to the council and allocate growth to deliver corporate initiatives. A summary of the corporate savings and growth items is shown in table 3 below, with a detailed breakdown in appendix 2.

Table 3 – Draft Corporate Growth and Savings 2020/21

	Savings / Income £m	Growth £m	Net £m
Corporate Items	-25.8	20.8	-5.0
	-25.8	20.8	-5.0

6.2 It can be seen that overall there are net corporate savings of £5m.

Council tax

6.3 Council Tax income made up £180m of the 2019/20 budget, over 65% of the net income and is therefore a very significant element of the council's budget. The draft budget for 2020/21 recommends that council tax is increased by 3.99%. This increase comprises of 1.99% Croydon Council Tax (the maximum increase permitted without undertaking a referendum) and the additional 2% related to the Adult Social Care precept. If these increases are applied, this along with increases to the Council Tax base due to new properties in the borough and even greater collection rates, it is estimates we will generates an additional £11m of income.

Inflation

6.4 The budget for 2020/21 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 overall cost of this is inflation is £7.2m and needs to be managed within the Council's overall budget. We have assumed that all departments will find efficiencies, over and above departmental savings, to manage these budgetary pressures.

Capital Programme and borrowing

6.5 The council's capital programme is essential to allow us to maintain our assets and deliver new infrastructure schemes within the Borough. The key areas of capital spend include:-

- Assets for investment
- Infrastructure for the Growth Zone
- Housing
- Highways
- Education
- Libraries and leisure programme and
- Environmental schemes

6.6 The budget for 2020/21 assumes new borrowing to fund projects that require debt. The assumption overall is that in 2020/21 there will be borrowing of circa £350m, this includes investment in housing of over £100m and £200m for investment in commercial assets. An additional amount of £2.1m has been added to the revenue budget to fund the associated interest payments, where capital investment does not generate its own financial return to fund the debt incurred.

6.7 Our Capital Programme remains a key part of the overall budget setting process. The draft programme for 2020/23 is being finalised and will be presented as part of the Budget report to Cabinet and full Council in February and March 2020. Borrowing is undertaken for specific schemes and is prioritised where it can have a net positive impact on the revenue budget and there is a clear repayment plan for the capital. Borrowing can be clearly split into four elements:

- Borrowing – Revolving Investment Fund – normally for housing and on lent at a commercial rate where debt is repaid on completion of the project.
- Borrowing – Growth zone – debt is repaid from future business rates growth.
- Borrowing – Asset Investment strategy – Borrowing decisions made in line with the agreed strategy and where the asset generates a positive net return. Debt would be repaid in future from asset value.
- Borrowing – General – Any other priority capital schemes that cannot be funded from external sources. Allowance needs to be made in the revenue budget for repayment of capital and payment of interest.

Public Health

- 6.8 As demand for public health services, notably sexual health services, is rising considerably faster than the level of grant, £1m is having to be spent from General Fund to deliver the proposed programme.

Brick by Brick Dividend

- 6.9 Given the anticipated performance of Brick by Brick, as reflected in its draft business plan, we have assumed a further £3m dividend will be payable to the Council in 2020/21.

General Fund Reserves

- 6.10 It is widely recognised that our general fund reserves of £10.4m are low for a council the size of Croydon and need to be increased. Earmarked reserves at the end of 2018/19 were £14.2m (excluding schools), these have reduced in recent years as they have been used for the purposes they were allocated to.
- 6.11 Our external auditors and CIPFA have both recognised that our reserve levels need to be increased in various reports and documents and this budget makes provision to contribute to reserves.
- 6.12 Unlike many other London Boroughs we have retained general fund reserves at the same level over the past few years while others have reduced theirs. We still need to be increasing general fund to ensure that the Council remains in a strong, robust financial position for the future. The draft budget assumptions for 2020/21 assume that we will make a contribution of £5m towards our general fund reserves.

7 Department Assumptions 2020/21 budget

- 7.1 Alongside the corporate assumptions that underpin the 2020/21 budget, work has been ongoing to ensure that departmental budgets are accurate. The Cabinet and the Executive Leadership Team have held a number of away days over the summer, autumn and winter period to identify areas where budget growth is required to ensure service delivery is appropriately funded, as well as being presented with a number of options to either reduce costs or increase income.
- 7.2 Table 3 below details the draft growth and savings options by department and full details are contained in appendix 1 of this report.

Table 3 shows a clear continued shift of resources into Children, Families and Education and Health, Wellbeing and Adults, Gateway and Housing. Along with a continued approach to income generation.

Table 3 – Draft Growth and Savings 2020/21 by department, excluding corporate items, excluding in year assumptions

	Savings £m	Growth £m	Net £m
Children's, Families and Education	-6.7	8.2	1.5
Health, Wellbeing and Adults and Gateway and Housing	-14.3	18.7	4.5
Place	-9.8	5.9	-3.9
Resources	-3.9	3.4	-0.5
	-34.7	36.2	1.5

7.3 The key growth areas included in the draft 2020/21 budget are:-

- 7.3.1 UASC - £9m to fund the cost of UASC due to insufficient funding from the Home Office, this amount has been included within the budget whilst negotiations continue with the Home Office in relation to fair funding for Croydon. This is split between three departments, because of where the costs are incurred.
- 7.3.2 Children's Social Care Demand - £3.2m to fund the increasing costs associated with looked after children including those with disabilities. The cohort of children being looked after in Croydon is decreasing but the complexity of need continues to rise resulting in the need for additional funding.
- 7.3.3 SEN transport - £2m to fund transport costs for special educational needs children, this increase in cost is arising due to an increased cohort of young people.
- 7.3.4 Adult Social Care – over £18m has been allocated to fund the growing demand in adult social care, both current and anticipated. Adult Social Care funding has not increased in line with demand, with the spending power remaining steady over the past three years and investment in Children Services continuing to be a priority for the council. To manage these pressures, growth has been allocated, savings programmes will be implemented and the department will focus on Localities based working, partnership with health, investment from health, investment in prevention and early intervention, community led support models building on people and community assets, redesigning the workforce and increasing investment in digital solutions.
- 7.3.5 Environment Services – As the borough grows, there is increased demand on services such as waste collection and disposal. While the council will continue to work towards

increased recycling rates, there is a need to respond to the increase in overall volume from resident growth. As a result growth of £3.5m has been included in the draft 2020/21 budget.

- 7.3.6 The Gateway division, includes the Gateway Link Service and Enablement and Welfare Service – These teams focus on managing demand for homelessness services and support residents as part of the Council's prevention measures. There are a number of indicators which demonstrate that residents continue to need support. These indicators include the number of households within emergency and temporary accommodation and the continued freeze in local housing allowance making it difficult for residents to meet the cost of rising rents. In order to better respond to areas of demand, the Gateway, Strategy and Engagement department is being re-organised, with the Gateway Services and Housing being integrated with Health Wellbeing and Adults.
- 7.3.7 Digital Services - £2m investment in our digital platform to ensure services to our residents and staff are fit for purpose making it easier and more efficient for our residents to do business with us.
- 7.4 The key department savings options included in the draft 2020/21 budget are:-
- 7.4.1 Income generation – due to the reduction in government funding for local government over the last decade Councils have had to operate in a more commercial manner, with income generation being a key element. We have also looked at the equity of some of the charging. The draft 2020/21 budget includes over £4m of additional income assumptions, from fees, charges and fines. It also assumes that partners will fully contribute to their related costs and this includes a £6.5m contribution from health.
- 7.4.2 The budget continues to implement our asset investment strategy that was approved at Council in October 2018. Provision has been made in the capital programme for investment in properties that will generate an annual revenue return which will be used to deliver services. This budget assumes that an extra £4m will be generated as a result of investment in commercial assets.
- 7.4.3 While demand for social care services for both children and adults continues to increase the budget also assumes that efficiencies can be generated and work is ongoing to how services are provided and which support packages we procure.
- 7.4.4 The budget also assumes that the Home Office will contribute towards the cost of UASC in Croydon over the national transfer scheme allocation and this assumption based on current figures is £2.8m.

8. Next Steps and Risks

8.1 The key next steps in the budget setting process are set out in the table below

Table 4 – Timetable for budget decisions

Item	Date
Scrutiny and Overview Committee	10/02/2020
Cabinet budget meeting	24/02/2020
Council budget meeting	02/03/2020

8.2 As always there is a level of risk associated with the assumptions made within the budget and the period 2020/21 is no different. National uncertainties are in addition to local risks, with the key ones listed below :

8.3 Adults and Children’s Social Care and Health. While the additional funding in the 2020/21 Draft Finance Settlement is welcomed there remains a shortfall of funding in the total system for these services. This lack of funding continues to be a pressure nationally and in Croydon we are experiencing rising demand and complexity of need. While a number of measures have been put in place to manage these demands there still continues to be a growing level of overspend in these services. These services will need to be under continuous review and scrutiny.

8.4 The Children’s Social Care Ofsted inspection resulted in a rise in demand for services and an increase in costs. We have a three year destination plan for children’s services which details the service improvements being made alongside the financial investment required and the service and financial benefits that will be achieved following the full implementation. Investment in this essential service area has being made but there remains a risk that the investment detailed earlier in this report may still not be sufficient. The Ofsted re inspection is taking place from the 3rd February 2020, with the outcome known early in the new financial year. Assumptions have been made in this draft budget regarding growth and savings for children’s services. These may need to be reviewed as a result of the Ofsted inspection and we must remain agile and prepared to make these changes if necessary.

8.5 UASC and Immigration. Funding for UASC and Immigration remains significantly less than the cost we incur and therefore delivering these much needed services to vulnerable people is putting an enormous risk on our revenue budget. We are continuing to make a concerted drive for fairer funding for Croydon. Council officers, the Leader of the Council and relevant Cabinet Members have continued to have discussions with the Home Office requesting the restoration of the Gateway funding that ceased with the implementation of the National Transfer Scheme, with further meetings due to take place in February 2020. To date these meetings have been a good opportunity for Croydon to highlight its unique position but additional funding has not yet been forth coming. 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. Until the agreement is reached to fund these services these remain a financial risk for Croydon and in this budget we have made an allocation from our own general fund to fund these costs, this is £9m.

- 8.6 Dedicated Schools Grant (DSG) High Needs Funding. Funding for schools has increased for 2020/21. While this is welcomed news there is a continued risk that schools cannot manage to remain within their allocated budgets and it will remain essential to work closely with all local authority schools to ensure budgets are managed and where schools are operating with financial deficits plans are put in place and monitored closely to ensure the schools able to manage their allocated budgets efficiently.
- 8.6 Increasing demand for High Needs school places remains a pressure and we have developed a DSG deficit recovery plan which has been submitted to the DfE, this document details our plans to recover the increasing accumulating deficit in the High Needs Block. It is anticipated that the additional funding announced in settlement will accelerate this recovery period.
- 8.7 Housing. The housing crisis, with a lack of affordable homes combined with a squeeze on household incomes, has resulted in an increase in demand and therefore the costs of emergency and temporary accommodation. While the services work to reduce demand and the associated financial risk, it can be difficult to predict the level of budget growth needed. The council is heavily reliant on central government grant funding for homelessness and the long term funding levels are uncertain in this area.
- 8.8 Legislative Changes. There continues to be a risk that the Government could make other policy changes that could impact on Croydon over the period of this budget. These changes if they occur will need to be managed as they arise.
- 8.9 BREXIT. Leaving the European Union brings with it financial uncertainty for the Council, as well as the Country as a whole. Whilst the exact financial impact cannot be estimated at this point, sound financial management requires consideration and preparation for a range of consequences.

9. Summary

- 9.1 There will be a number of significant savings options factored in to the budget model and as with all future years there remains a level of risk around the delivery of these options which will need to be carefully managed and reported. Ongoing financial monitoring and management will be essential to

10. CONSULTATION

All departments have been engaged in developing the budget options.

11. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

11.1 The report is submitted by the Director of Finance, Investment and Risk (Section 151 Officer)

12. COMMENTS OF THE COUNCIL SOLICITOR & MONITORING OFFICER

12.1 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.

Approved by Jacqueline Harris Baker Executive Director of Resources and Monitoring Officer.

13. HUMAN RESOURCES IMPACT

13.1 There will be savings packages and action plans that will need to be developed in response to the report that are likely to have workforce implications and significant HR impact. These can vary from posts not being filled or deleted, through to possible redundancies, although in the latter case the Council will seek to mitigate this as far as possible. Where that is the case HR advice must be sought. The Council's existing policies and procedures will apply and must be observed.

Approved by Sue Moorman Director of Human Resources

14. EQUALITIES IMPACT

14.1 Croydon Council recognises the important role it has in creating a fair, inclusive and cohesive society through its functions as:

- A community leader
- A provider and commissioner of services
- An employer

Serving one of the most diverse boroughs in outer-London the Council's aim is to

make the borough a place where everybody has the opportunity to benefit and people want to invest, live and work here.

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

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

14.3 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity.

14.4 Whilst the council must have due regard to the Equality Duty when taking decisions, there is also recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. The report has highlighted some of the service challenges that may impact some of our more vulnerable residents, and how the Council is managing these through the budget decisions.

14.5 The Council has an equalities assessment process to ensure that any significant service changes, including those resulting from budget changes, are assessed to identify any potential impact on groups that share protected characteristics. Where any negative impact is identified, an action plan will be developed to mitigate the harm. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings, and understand the potential risk to challenge.

14.6 In developing its detailed budget proposals for 2020/21 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions to reduce expenditure to meet Government cuts in grant funding and to deliver a balanced budget that meets the specific needs of all residents, including those groups that share a "protected characteristic". 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 protected groups. It will be guided by the broad principles of equality and inclusion that recognise the need to:

- Engage communities

- Narrow the gap between equality groups that share a “protected characteristic” and the majority of the population in relation to services and employment.
- Support active citizenship to enable residents to participate more fully in civic life
- Build community capacity and strengthen cohesion and trust
- Display robust community leadership using diversity as a driver for social and economic growth and prosperity.
- Address inequality and social exclusion
- Provide differentiated services designed and delivered in such a way that they meet the individual need of residents and are accessible.

Approved By Yvonne Okiyo – Equalities Manager.

REPORT AUTHOR AND CONTACT: Lisa Taylor Director of Finance, Investment and Risk (Section 151 Officer)

Appendix 1 – Departmental Savings and Growth Options

Children, Families and Education

	Savings/ Growth	£ m
De-centralisation of Business Support function.	Saving	(0.360)
International Recruitment (20 SWs) - Reduce Early Help and Children's Social Care vacancy rate whilst developing an outstanding service for children and families	Saving	(0.586)
Secure agreed health contribution to support EHCPs and CSC placements	Saving	(0.500)
UASC Contribution (assuming only improvement is enhanced rate for UASC above National Transfer Scheme threshold)	Saving	(2.770)
SPOC and Assessment Team - reduction following improvement	Saving	(0.592)
Social Work with Families Team - reduction following improvement	Saving	(0.415)
Reduction in management posts to reflect more effective services following reduction in demand	Saving	(0.378)
Release of Improvement Consultants following completion of OFSTED monitoring	Saving	(0.333)
Review of Emergency Duty Team and future delivery options	Saving	(0.150)
Effective Corporate Centre	Saving	(0.295)
Supplies and Services	Saving	(0.338)
Total Savings		(6.717)
Children With Disabilities Demand Growth	Growth	1.000
Children's Social Care Demand and population growth	Growth	2.200
UASC	Growth	5.000
Total Growth		8.200
Department Total		1.483

Health, Wellbeing, Adults, Housing and Gateway

	Savings / Growth	£m
Reorganisation of Occupational Therapy provision	Saving	(0.370)
Managing demand in Adult Social Care	Saving	(5.660)
Age UK Croydon info/advice contract renegotiation	Saving	(0.100)
Supported Housing reorganisation	Saving	(0.180)
Decommission Community Opportunities Service	Saving	(0.180)
Historical CHS funding	Saving	(0.300)
Interventions restructure	Saving	(0.043)
Employment Service deletion	Saving	(0.219)
Gateway Link restructure	Saving	(0.191)
Effective Corporate Centre	Saving	(0.162)
Further Adult Social Care Staff Savings	Saving	(0.197)
Housing and homelessness	Saving	(0.551)
Health Contribution	Saving	(6.000)
Supplies and Services	Saving	(0.100)
Total Savings		(14.253)
Adult Social Care growth 25-65	Growth	2.000
Adult Social Care Population Growth	Growth	1.920
Cost of providing support to UASC population	Growth	3.000
Investment in Special Sheltered and Care homes	Growth	1.500
Additional Growth based on current run rate	Growth	10.000
Flexible Homelessness Support Grant contribution	Growth	0.325
Total Growth		18.745
Departmental Total		4.492

Place Department

	Savings/ Growth	£m
Street Lighting Energy Efficiencies	Saving	(0.170)
Close neighbourhood Recycling Centres	Saving	(0.171)
Staff Savings as a result of a review of the Property & Facility function (non-permanent saving)	Saving	(0.100)
A range of reductions to cleaning, reactive repairs, and staff training across Facilities & Support Services	Saving	(0.095)
Combine current Dementia Service and Older Peoples Transport services	Saving	(0.118)
Increase in Pay and Display Charges by 10p per linear tariff	Saving	(0.800)
Additional CEO's to increase parking enforcement	Saving	(1.360)
ANPR camera upgrades and additional enforcement using cameras	Saving	(1.200)
Parking Signs and Lines replacement programme to increase enforcement	Saving	(0.315)
Blue badge enforcement measures	Saving	(0.100)
Introduction of emissions based parking income charges	Saving	(0.115)
Increase fee income by 20% on selected building control fees	Saving	(0.100)
Regeneration -increase recharges and external income and hold vacant posts	Saving	(0.074)
Effective Corporate Centre	Saving	(0.751)
Staff Savings	Saving	(0.138)
Additional Investment Property Income	Saving	(4.000)
Supplies and Services	Saving	(0.157)
Economic Growth service	Saving	(0.067)
Total Savings		(9.831)
Waste population growth	Growth	1.000
Veolia contract commitments	Growth	1.500
SEN transport Growth	Growth	2.000
other 2019/20 cost pressures	Growth	1.000
Sustainability	Growth	0.250
Croydon Works	Growth	0.150
Total Growth		5.900
Departmental Total		(3.931)

Resources

	Savings/ Growth	£m
Reduce provision of work mobile phones	Saving	(0.170)
Staffing restructure in Croydon Digital Services	Saving	(0.463)
4G deployment on lampposts	Saving	(0.030)
Reduce availability and volume of hardware purchases	Saving	(0.150)
Retire CRM system and replace with new digital platform	Saving	(0.035)
Reshape business improvement function in C&P	Saving	(0.185)
Reduction in contribution to self-insurance fund	Saving	(0.110)
Cease software and licence costs around organisation	Saving	(0.315)
Effective Corporate Centre	Saving	(0.354)
Maintain vacancy in communities team	Saving	(0.040)
Supplies and Services	Saving	(0.405)
Capitalisation of costs in the division	Saving	(1.500)
Restructure of management in Legal and Governance division	Saving	(0.100)
Total Savings		(3.857)
Create a permanent head of Finance for the Children's, Families & Education	Growth	0.100
Cost of providing support to UASC population	Growth	1.000
Croydon Digital Services Investment into the division to deliver the Digital Strategy	Growth	2.000
Governance Review Implementation	Growth	0.250
Total Growth		3.350
Departmental Total		(0.507)

Appendix 2 – Corporate Savings and Growth Options

Corporate Items

	Savings/ Growth	£ m
Council Tax Base increase	Saving	(4.000)
Council Tax Increase 1.99%	Saving	(3.467)
Adult Social Care Precept 2%	Saving	(3.572)
Core grant and Settlement changes	Saving	(5.791)
Corporate Adjustments	Saving	(0.265)
Staff Layers and Spans programme	Saving	(1.665)
Brick by Brick dividend increase	Saving	(3.000)
Review of charges to HRA	Saving	(2.000)
Review of recharges to the capital programme	Saving	(2.000)
Total Savings		(25.760)
Contribution to Reserves	Growth	5.000
Increase in cost of borrowing	Growth	2.100
Increase contingency provision	Growth	1.747
Collection Fund	Growth	4.700
London Business Rates Pool ceasing	Growth	4.775
Increase in levies	Growth	0.050
C/f Q2 pressures	Growth	1.400
Contribution to Public Health	Growth	1.000
Total Growth		20.772
Corporate Total		(4.988)