

REPORT TO:	Cabinet 24th February 2020
SUBJECT:	General Fund & HRA Budget 2020/21
LEAD OFFICER:	<p>Lisa Taylor, Director of Finance, Investment and Risk (Section 151 Officer)</p> <p>Jacqueline Harris-Baker, Executive Director Resources & Monitoring Officer</p>
CABINET MEMBER:	<p>Councillor Tony Newman, Leader Of The Council</p> <p>Councillor Simon Hall, Cabinet Member For Finance And Resources</p> <p>Councillor Alison Butler, Deputy Leader (Statutory) And Cabinet Member For Homes And Regeneration</p>
WARDS:	All
<p>CORPORATE PRIORITY/POLICY CONTEXT:</p> <p>The Council's budget underpins the resource allocation for all corporate priorities and policies and in particular, the corporate priority for the delivery of value for money for the residents of the borough of Croydon. This report sets out the detailed proposals for the financial year 2020/21.</p>	
<p>FINANCIAL SUMMARY:</p> <p>The report details the revenue and capital budgets for the General Fund for 2020/21, including the Council Tax increase of 1.99% and the 2.00% increase for the Adult Social Care precept, the budget for the Housing Revenue Account and the increase in Housing Rents of CPI + 1% at 2.7% for 2020/21.</p>	
<p>FORWARD PLAN KEY DECISION REFERENCE 0720CAB</p> <p>The recommendations in section 1.1 are not executive decisions and therefore not key decisions – the final decisions are to be recommended to the Full Council for consideration at the meeting scheduled for 2nd March 2020.</p> <p>The recommendations in section 1.2 I, II and III are key executive decisions (reference no.03/17/CAB). The decisions may be implemented from 1300 hours on the 5th working day after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.</p>	

1.0 RECOMMENDATIONS

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

1.1 That Cabinet recommend to full Council:

- I. A **1.99%** increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).
- II. A **2.00%** increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).
- III. The GLA increase of 3.6%.

With reference to the principles for 2020/21 determined by the Secretary of State under Section 52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are **not excessive** in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 3.8 of this report.

- IV. The calculation of budget requirement and council tax as set out in Appendix D and E. Including the GLA increase this will result in a total increase of 3.92% in the overall council tax bill for Croydon.
- V. The revenue budget assumptions as detailed in this report and the associated appendices :-
- VI. The programme of revenue savings, income and growth by department for 2020/21 (Appendix A).
- VII. The Council's detailed budget book for 2020/21 (Appendix B).
- VIII. The draft Capital Programme as set out in section 11, table 18 and 19 of this report, except where noted for specific programmes are subject to separate Cabinet reports.
- IX. To increase the Asset Investment Fund by £100 million to £300 million.
- X. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2020/21.
- XI. The adoption of the Pay Policy statement at Appendix H;

1.2 That Cabinet agree:

- I. A rent increase for all Council tenants for 2020/21, in line with the Government's social rent policy which has legislated to increase social rents by CPI + 1%, which is equal to 2.7%

- II. No increase to Garage and Parking space rents.
- III. 2% increase to the service charges for caretaking, grounds maintenance and bulk refuse collection as detailed in section 12.

1.3 That Cabinet note:-

- I. That in respect of the Council's public sector equalities duties where the setting of the capital, revenue and HRA budget result in new policies or policy change the relevant service department will carry out an equality impact assessment to secure delivery of that duty including such consultation as may be required.
- II. The progress being made towards balancing the Council's financial position for 2019/20 as at Quarter 3 and the current projected outturn forecast of £2.371m as set out in the report at item 3b on this agenda.
- III. The response to the provisional local government settlement which is attached at Appendix F.
- IV. That pre-decision scrutiny of the proposed budget 2020/21 took place at the Scrutiny and Overview Committee on the 10th February 2020. The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.
- V. The statement on reserves and balances and robustness of estimates from the statutory Section 151 Officer.

2.0 EXECUTIVE SUMMARY

- 2.1 This report sets out the 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, which was then finalised on 6th February 2020 with no changes.
- 2.2 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.
- 2.3 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, which forms part of this agenda.
- 2.4 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.

- 2.5 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.
- 2.6 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.
- 2.7 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.
- 2.8 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.
- 2.9 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. In addition, Croydon is increasing the contingency in the budget. For many years, this was £1m. The current administration increased it four years ago to £2m and now it is being increased to £3.7m.
- 2.10 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, with a view to avoid crisis and the need for intensive intervention wherever possible.
- 2.11 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.

- 2.12 We are focused on providing empowering residents' lives by providing the right sort of support and service, for example by not having people in residential homes when they could be in their own home. In terms of families, by providing the right help at the earliest possible stage, when and where it is needed, we can keep more children safe.
- 2.13 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, as well as providing massively improved facilities for residents.
- 2.14 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 is not compromised.
- 2.15 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.
- 2.16 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.
- 2.17 This administration has been determined to deliver on the priorities it set out in its Ambitious for Croydon manifesto, notwithstanding the pressures that come, directly or indirectly, from Central Government. This budget reflects the continued delivery of those priorities.

3.0 Local Government Finance Settlement 2020/21.

- 3.1 The provisional 2020/21 Local Government Settlement was announced on the 20 December 2019 by the secretary of state for Housing, Communities and Local Government, and then confirmed on 6th February 2020 with no changes.
- 3.2 In terms of funding for Croydon, the settlement shows an increase in Core Spending Power of 7.2%, mainly due to the development in the borough and the assumed council tax increases, and an increase in Settlement Funding Assessment (SFA) of £1.4m or 1.6%. This is a real terms cut, although it compares favourably with 2019/20 when the SFA was reduced by £7.8m or 8.2%.

3.3 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. The 2020/21 Local Government finance settlement is for one year only.

3.4 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 Local Government's business rate baseline funding levels will also increase in line with inflation.

- The Government intends to delay the 75% Business Rates Retention and Fair Funding Review reforms by a year to 2021.
- The London 75% Business Rates Retention pilot will not continue in 2020/21. For Croydon this represents a loss of £4.8m.
- 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.
- 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.
- 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.
- 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.
- 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.
- Continued funding for the **Troubled Families** programme to support families with complex needs. The total possible funding for 2020/21 likely to be £1.1m
- **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. We have been

successful in a recent bidding process for additional grant money to tackle rough sleeping and have been awarded £1.2m for 2020/21.

- 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.

3.6 Croydon's response to the Provisional Local Finance Settlement for 2020/21 is included as Appendix F to this report.

3.7 The Council has a duty under the Local Government Finance Act 2003 to set a balanced budget before 11th March 2020. This report supports the enablement of that duty to be fulfilled, subject to agreement of the recommendations in this report by Full Council on the 2nd March 2020.

3.8 It is recommended that there is a 1.99% increase in council tax for the Croydon element of the charge and a 2.00% increase based on the Adult Social Care Precept as set by the Chancellor. The GLA are proposing an 3.6% increase in their element of the charge and that is due to be agreed by the GLA on the 24th February 2020. The overall headline increase is 3.92%. The effect of this increase on Band D is set out in table 1 below.

Table 1 – Local Taxation & GLA Taxation increase (Band D comparison)

Band D	2020/21 £	Increase %	Annual Increase £	Weekly Increase £
Croydon	1,325.12	1.99%	27.79	0.53
Adult Social Care Precept	126.91	2.00%	27.93	0.54
Greater London Authority	332.07	3.60%	11.56	0.22
	1,784.10	3.92%	67.28	1.29

Local Government Finance Settlement 2020/21 – Nationally

3.9 The final Local Government Finance Settlement was published on 6th February 2020. The settlement provided allocations for 2020/21 only. It is based on the Spending Round 2019 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements. The main points are set out below:

- Council Tax – As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities with social care authorities allowed a 2% social care precept. The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5.
- Business Rates Retention – The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the change to the business rates multiplier.
- Revenue Support Grant - As outlined in the technical consultation, RSG

(for those authorities that still receive RSG in 2019/20) has increased in line with the Business Rates Retention system (+1.63%).

- New Homes Bonus - The 2020/21 allocations have been announced. These will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations. The deadweight of 0.4% was maintained, with an additional £7m added from departmental resources (total funding of £907m), a slightly smaller top-up than last year.
- Top Up/Tariff Adjustments (Negative RSG) – As in previous years, the government has decided to eliminate the negative RSG amounts.
- Social Care Funding – Originally announced at Spending Round 2019, with further details provided in the technical consultation, the provisional settlement confirms the previously proposed national amounts and allocation methodologies, (see below for more detail).
- Rural Services Delivery Grant – The 2020/21 allocation of £81m and methodology for distribution remain unchanged from 2019/20.
- Business Rates Pilots – As expected, no new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 pilot areas reverting back to the 50% scheme. The 2017/18 pilot areas are to remain at 100%, or 37% for the Greater London Authority.

Overall Funding: Core Spending Power

3.10 The National Core Spending Power figures for the period 2015/16 to 2020/21 are shown in Table 2 below. It shows an in year increase of 6.3% for 2020/21 and an overall increase for the period of 10.0%. However, there is a real term decrease of 4.8% over the period.

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

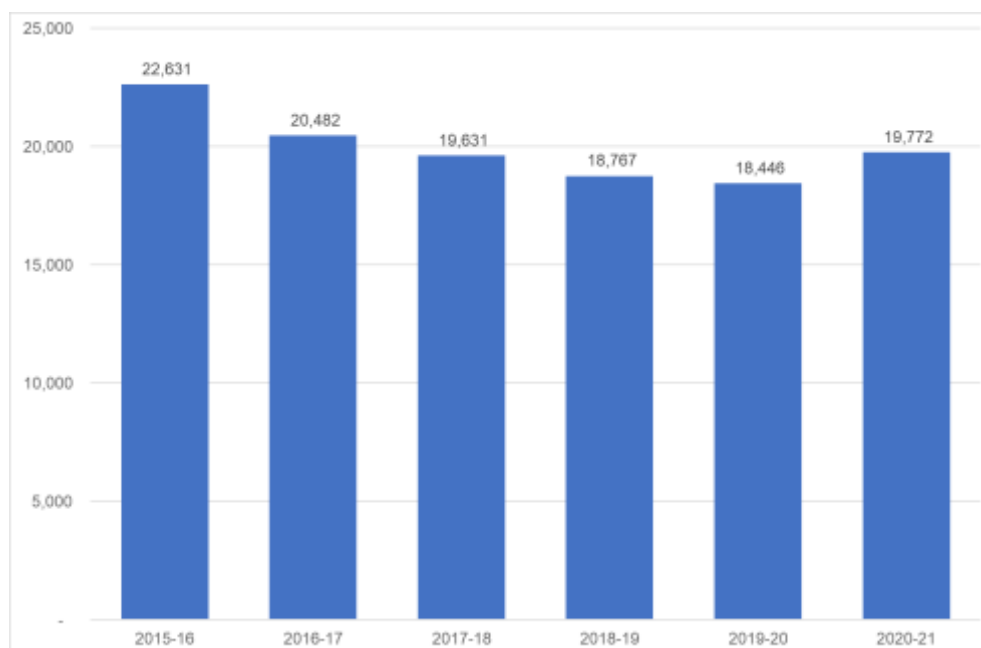
	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Settlement Funding Assessment	21,250	18,602	16,633	15,574	14,560	14,797
Under-indexing the BR multiplier	165	165	175	275	400	500
Council Tax	22,036	23,247	24,666	26,332	27,768	29,370
Improved Better Care Fund	-	-	1,115	1,499	1,837	2,077
New Homes Bonus	1,168	1,462	1,227	947	918	907
New Homes Bonus returned funding	32	23	25	-	-	-
Rural Services Delivery Grant	16	81	65	81	81	81
Transition Grant	-	150	150	-	-	-
Adult Social Care Support Grant	-	-	241	150	-	-
Winter Pressures Grant	-	-	-	240	240	-
Social Care Support Grant	-	-	-	-	410	1,410
Core Spending Power	44,666	43,730	44,296	45,098	46,213	49,142
Change %		- 2.10%	1.30%	1.80%	2.50%	6.30%

Cumulative Change %		- 2.10%	- 0.80%	1.00%	3.50%	10.00%
Real Terms Change %		- 4.00%	- 2.50%	- 1.40%	0.10%	3.10%
Cumulative Real Terms Change %		- 4.00%	- 6.40%	- 7.80%	- 7.70%	-4.80%

Core Spending Power: Excluding Council Tax

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

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



Social Care Precept

- 3.12 The introduction of a social care precept was originally announced at SR2015. In the 2016/17 local government finance settlement, the government confirmed that there would be a 2% social care precept and that this would be available for four years up to 2019/20. The 2017/18 settlement altered the annual limit to 3%, but with a total increase of 6%, for the period 2017/18 to 2019/20. For 2020/21, a social care precept of 2% is allowed, continuing the original policy.

Council Tax

- 3.13 For 2020/21, there will continue to be differential limits that will trigger the need for a council tax referendum.
- 3.14 A referendum limit of up to 2% for all authorities except Shire Districts, Town & Parish Councils, and Mayoral Combined Authorities. For district councils, as in previous years there will be additional flexibility, with increases of less than 2% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2019/20 can be made without triggering a referendum.
- 3.15 There will be no council tax referendum principles set for Mayoral

New Homes Bonus

3.16 The overall allocation (in the Core Spending Power figures) for each authority is based on the legacy payments for 2017/18 to 2019/20 plus the 2020/21 allocation. It should be noted that:

- As previously announced, the 2020/21 “in year” allocations will not have future years legacy payments;
- The deadweight for 2020/21 in year allocations remains at 0.4%;
- An additional £7m has been added to the £900m of funding, in order to allow the deadweight to remain at 0.4%; and
- The ministerial statement announced a Spring 2020 consultation on the future of the scheme, stating that “It is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most” and the consultation will “include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance”.

3.16 Table 3 below shows that the “in-year” allocation for 2020/21 of £284m; this reduces the overall cost of the scheme by £11m, as £907m compared to £918m in 2019/20. It also shows the in-year allocation of £284m is the highest, since 2017/18 when the 0.4% deadweight was introduced.

Table 3 – New Homes Bonus national allocations

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Prior Years	1,030	545	295	0
2017/18	197	197	197	197
2018/19	0	204	204	204
2019/20	0	0	222	222
2020/21	0	0	0	284
Total	1,227	946	918	907

Specific Grants £3,568m

3.17 Details of the Specific grants within the Core Spending Power are set out below and summarised in Table 4. Table 4 shows the 2019/20 levels, the changes previously announced, and the 2020/21 amounts announced at the final settlement.

Table 4 Specific Grant allocations within the Core Spending Power 2020/21

	2019-20 £m	SR19 £m	2020-21 £m
Improved Better Care Fund	1,837	240	2,077
Winter Pressures Grant	240	-240	0
Social Care Support Grant	410	1000	1410
Rural Services Delivery Grant	81	0	81
Total	2,568	1,000	3,568

3.18 Winter Pressures Grant. In 2019/20, £240m of additional funding was provided to councils to spend on adult social care services to alleviate

winter pressures on the NHS. This was allocated using the existing Adult Social Care Relative Needs Formula. The funding was ringfenced to support the NHS in dealing with Winter Pressures and pooled into the Better Care Fund. For 2020/21, the winter pressures funding has been incorporated into the Improved Better Care Fund line and must therefore form part of local authorities' contribution to the BCF, though is no longer ring-fenced for Winter Pressures.

3.19 Improved Better Care Fund. In 2019/20, £1,837m was allocated through the Improved Better Care Fund. This amount remains the same for 2020/21. The overall amount within the Core Spending Power now includes the £240m Winter Pressures Grant Funding (previously shown separately).

3.20 Social Care Support Grant. In 2019/20, £410m of additional (non-ring-fenced) funding was allocated for use for adult and children's social services. This was allocated using the existing Adult Social Care Relative Needs Formula, which will also be used to distribute this Social Care Support Grant funding. For 2020/21, as announced in Spending Round 2019, an additional £1bn of funding was added to this grant.

3.21 The additional £1bn has been allocated as per the technical consultation, this being:

- £850m to be allocated using the Adult Social Care Relative Needs Formula, as per the existing Social Care Support Grant (i.e. the £410m allocated in 2019-20), Croydon received £4.970m from this part; and
- £150m to equalise the impact of the distribution of the adult social care council tax precept, using the current Improved Better Care Fund equalisation methodology. Croydon received £0.075m from this part.

3.22 Under this methodology, the total estimated to be raised by the Social Care Precept (SCP) is added to the equalisation amount. This total is then distributed by need. Each authority's estimated SCP is then deducted. This leaves authorities who collect more SCP than their needs amount with a negative grant figure. These are set to nil, and all other authorities' grant amounts reduced accordingly. Therefore authorities, such as Croydon, receiving an amount from this equalisation 'pot' are likely to be receiving less than their needs based amount, as assessed by the formula (though the Government state that all authorities receive at least 97% of their needs based amount).

3.23 Rural Services Delivery Grant. For 2020/21, the funding amount (£81m) and methodology for distribution remain unchanged from 2019/20, though in light of the responses to the Technical Consultation it seems likely that the Government will review the allocation method in future.

3.24 Homelessness Funding (outside of Core Spending Power)
In the Spending Round 2019, Government announced an additional £422m resource funding for MHCLG to reduce homelessness and rough sleeping. On 23 December 2019, £263m of funding was committed for Local Authorities to prevent and relieve homelessness in their areas through the extension of the Flexible Homelessness Support Grant and the Homelessness Reduction Grant.

- 3.25 The Flexible Homelessness Support Grant replaced the Temporary Accommodation Management Fee for authorities. The initial grant allocations were announced for 3 years from 2017/18 to 2019/20. In 2020/21, Government has committed £200m so authorities will receive the same amount as in 2019/20.
- 3.26 The Homelessness Reduction Grant was introduced as New Burdens funding to allow authorities to fulfil their duties under the Homelessness Reduction Act 2017, which required authorities to intervene at earlier stages to prevent homelessness in their areas, and was supposed to end in 2019/20. In 2020/21, £62.9m has been allocated, a £38m increase on 2019/20. £47.9m was allocated in accordance with the original Homelessness Reduction Act New Burdens formula, updated for 2017/18 RO outturn data and homelessness statistics. The remaining £15m has been distributed partly regionally and partly using stage 2 of the New Burdens formula. The extension and increase of this funding seems to be an acknowledgement that the Government's original assessment of the cost of the Homelessness Reduction Act was incorrect.

Wider Local Government Funding Issues

- 3.27 A summary of wider local government funding issues is set out below.

Queens Speech & Business Rates Retention

- 3.28 In the Queen's Speech (19 December 2019) it was announced that there would be:
- A fundamental review of business rates. From Croydon's perspective, it is felt that whilst any change in how business rates is determined would alter the ability of each authority to collect business rates locally, local authority gains or losses from any change would not be expected i.e. as with revaluations, NNDR Baseline, and therefore Top Up / Tariff amounts would be adjusted to offset changes in the amount collected.
 - An increase to the retail discount relief (from 33% to 50%) and extension of this to cinemas and music venues, with extensions to pub and relief local newspaper relief planned. The lost business rates income from these new / higher reliefs announced will be, as per previous changes, offset by increased s31 grant payments.
 - The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021.

Dedicated Schools Grant

- 3.29 In September 2019, the Secretary of State for Education announced that Dedicated Schools Grant (DSG) funding for 2020/21 would rise by £2.6bn, plus £1.5bn to fund additional pension costs for teachers. Announcements followed in October 2019 confirming various elements and provisional allocations. The Government have now announced updated calculations reflecting the latest pupil numbers (using the January and October 2019 census data). Each local authority will, as usual, receive funding in four blocks, all of which have now been confirmed for 2020/21 (prior to recoupment of funding for Academies, which will be finalised in the coming months):
- Schools Block - Each local authority will receive a minimum of a 1.84% per pupil funding increase. The allocations also meet the Conservative

Manifesto commitment to provide at least £5,000 for every secondary school pupil, and £3,750 per primary pupil. Local authorities will now also be required to deliver these per pupil rates to schools in local funding formulae (though many areas' rates are already at this level, and authorities may, in exceptional circumstances, apply for disapplication for affordability reasons).

- Early Years Block – allocations announced before Christmas, following rates confirmed in October.
- High Needs and Central Services Block – as announced in October 2019, updated for pupil numbers.

3.30 The Dedicated Schools Grant (DSG) is a grant that funds all aspects of education that relates directly to children. In March 2016 the DfE announced the National Funding Formula (NFF) proposals and in the two consultations that followed set out the intentions for school funding going forward. The intention was to implement the NFF by December 2016. However, in May 2017 the government announced that the NFF implementation would be delayed until April 2018 with a soft implementation of the NFF being available to Local Authorities (LAs) for 2018/19 and 2019/20 with a further extension to include 2020/21 (announced in July 2018).

3.31 It remains the government's intention that the schools budget should be set on the basis of a single NFF from 2021/22 and for 2020/21, LAs will continue to determine final funding allocations for schools through a local formula allowing LAs, following Schools Forum authorisation, to apply local rates / amounts to each of the factors that determine the allocation (such as Minimum Funding Guarantee and income deprivation affecting children) prior to the distribution of funding to schools. Croydon's School Forum finalised those decisions on 11th November 2019.

3.32 The DSG consists of four blocks: a Schools block; an Early Years block; a High Needs block; and the Central Services Schools Block (CSSB).

Independent Living Fund

3.33 Following the closure of the Independent Living Fund (ILF) in June 2015, the government agreed to continue funding pre-existing ILF arrangements until the end of 2019/20, through the Former ILF Recipient Grant. The ministerial statement confirmed that the former ILF Recipient Grant will continue to be paid to local authorities in 2020/21.

3.34 The total value of the grant in 2020/21 will be maintained at the 2019/20 value of £161m, with the same approach to individual local authority allocations.

Local Government Funding Reforms

3.35 There were no additional papers published or mentioned relating to the local government funding reforms that are planned for introduction from April 2021 (i.e. Fair Funding, Business Rates Retention, the full reset of the business rates baselines or the potential Alternative Business Rates Retention System).

Public Health grant

- 3.36 From 1 April 2013 the responsibility for the management of Public Health (PH) services in the borough transferred to the Council from the NHS. This brought about a range of new responsibilities including providing PH advice to Croydon CCG, tackling smoking, alcohol misuse and obesity, sexual health services, health inequalities and substance misuse including in-patient care. Additional funding was received in 2016/17 for the transfer to the Council of new responsibilities from NHS England for Health Improvements 0-5 years which took place on 1st October 2015.
- 3.37 The ring-fence grant is used to commission a range of mandated service from external and internal provider's e.g. Health visiting, Substance misuse services, sexual health services etc. As well as providing resources for services within Croydon council that improve the health and wellbeing of the people in Croydon.
- 3.38 A review of the services that are commissioned as well as a detailed review of the resources that are provided for services within the Council has been carried out during 2019/20 to ensure that the funding is utilised in the most effective manner and delivers on public health outcomes.
- 3.39 Funding for 2020/21 remains unconfirmed at the time of writing this report but a real terms increase of at least 1.84% was announced in the draft settlement. In 2019/20 our Public Health Grant is £20.8m.

4.0 Medium Term Financial Strategy (MTFS)

- 4.1 The current approved Financial Strategy covers the period 2018/22 and will be refreshed later this year for the period 2020/23. The current MTFS was approved by Council in October 2018 and is detailed in table 5 below. 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.
- 4.2 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.
- 4.3 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.
- 4.4 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.

Table 5 – 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

5.0 Corporate Assumptions - 2020/21 budget

Council tax

- 5.1 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 assumes that council tax is increased by 3.99%. This increase comprises of 1.99% Croydon Council Tax and the additional 2% relates to the ASC precept allowed. The overall increase in council tax generates an additional £7m.
- 5.2 Also as a result of increases in the number of households liable for council tax and improved collection, a further £4m is expected in council tax from council tax base improvements.
- 5.3 Council tax income for 2020/21 after allowing for both increases referred to above would equate to £11m.

Grants

- 5.4 As set out in section 2 of the draft settlement. There has been a number of changes in grant income that have to be taken into account in the 2020/21 budget. The overall change is a net gain of £5.7m. However, it should be noted that the Government has ended the London Business Rates Pool, which results in a loss of £4.8m.

Inflation

- 5.5 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

- 5.6 The council's capital programme assumes the taking out of new borrowing to fund projects that require debt. The assumption overall is that there will be borrowing of circa £277m in 2020/21 and an additional amount of **£2m** has been added to the revenue budget to fund the associated interest payments. This additional cost of borrowing amount excludes borrowing for specific programmes where the borrowing is repaid to the Council, examples of these programmes are: Growth Zone, the asset acquisition fund and the revolving investment fund.

6.0 Local Government Finance Settlement 2020/21 – Croydon

- 6.1 The published Core Spending Power (CSP) figures for Croydon are shown in the table below. Croydon's CSP for 2020/21 is £308.7m, an increase of £20.8m on the 2019/20 amount. However, it should be remembered that the CSP figures for the Settlement Funding Assessment and Council Tax are Ministry of Housing Communities and Local Government (MHCLG) forecast amounts only; with actual resources determined by the amount of business rates and council tax collected locally.
- 6.2 The funding per head reduces in real terms from £721 per person in 2015/16 to £667 in 2020/21. This is a reduction of 7.4% or £54 per head. If funding was held at the same rate per head in real terms over the period Croydon would an extra £24.7m (£62 per head) in 2020/21.

Table 6 Croydon's Funding Allocations 2015/16 to 2020/21

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Settlement Funding Assessment	132	114.6	101.7	94.5	86.8	88.2
Under-indexing the business rates multiplier	1	1	1	1.6	2.4	3
Council Tax	133.4	143.5	155.1	167.4	180	193.1
Improved Better Care Fund	-	-	5.5	7.1	8.3	9.7
New Homes Bonus	9.6	11.8	8.5	6.3	6.7	7.3
New Homes Bonus returned funding	0.2	0.2	0.2	-	-	-
Transition Grant	-	0.4	0.4	-	-	-
The Adult Social Care Support Grant	-	-	1.4	0.9	-	-
Winter pressures Grant	-	-	-	1.4	1.4	-
Social Care Support Grant	-	-	-	-	2.4	7.4
Core Spending Power	276.3	271.4	273.8	279.1	287.9	308.7
Population	383,300	386,700	390,100	393,600	397,000	400,200
Core Spending Power Per Head	721	702	702	709	725	771
Core spending power real terms	276.3	266	258.4	255	256.8	267.1
Core spending power per head - real terms	721	688	662	648	647	667

- 6.3 Table 6 shows an increase in funding for Croydon over 2015/16 to 2020/21 of £32.4m in cash terms or 11.7%. However, it is important to note that this includes forecast increased council tax revenues over the period of £59.7m. Excluding Council Tax revenues sees a cash reduction in funding over the period of £27.3m or 19%. Further details of each funding stream included within Croydon's Core Spending Power and the extent to which the MHCLG's figures are relevant to Croydon is discussed below.

New Homes Bonus

- 6.4 Croydon's New Homes Bonus (NHB) allocation for 2020/21 is £7.3m, as shown in table 7 below. This is comprised of £4.6m legacy payments from previous years and an in-year payment of £2.7m.

Table 7 Croydon's NHB Forecast Funding Allocations 2019/20 to 2022/23

	2019/20 £m	2020/21 £m	2021/22* £m	2022/23* £m
2016/17 allocation	2.1	0	0	0
2017/18 allocation	1	1	0	0
2018/19 allocation	1.8	1.8	1.8	0
2019/20 allocation	1.8	1.8	1.8	1.8
2020/21 allocation	0	2.7	0	0
No future years' allocations forecast	0	0	0	0
Equals NHB Funding (£m)	6.7	7.3	3.6	1.8

**projected*

- 6.5 The 2017/18 settlement included a number of changes to the New Homes Bonus scheme, including only 4 years' worth of payments for 2017/18 onwards (previously 6). For 2020/21 it was announced that the 2020/21 "in-year" payment (£2.7m in table 4 above) would not have any future years' legacy payments. This means that Croydon will not benefit from 4 years' worth of the £2.7m 2020/21 allocation, which was the highest in-year allocation Croydon had received since the 2017/18 reforms.
- 6.6 It was also announced that there would be a consultation in Spring 2020 concerning the future of the scheme, with the intention of moving it towards a more targeted approach. It remains to be seen how this new approach will affect Croydon and therefore it is assumed for now that future years' payments will only reflect legacy payments outstanding from 2018/19 and 2019/20 (although these could also be withdrawn).

Social Care Grants

- 6.7 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.
- 6.8 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.

London Business Rates Pilot / Pool

- 6.9 The London Pilot provided an opportunity for all London authorities to gain from the business rates growth across the region in 2018/19 (at 100% retained growth) and 2019/20 (at 75% retained growth). For 2020/21 the government announced that there would be no pan London Business Rates Pilot, with only the Greater London Authority (GLA) able to retain a higher proportion growth (as per the 2017/18 arrangements).
- 6.10 However, for 2020/21 the London Boroughs and the City of London Corporation have joined with the GLA to form a London Business Rates Pool, thereby allowing some of the growth that would have left the region (albeit a much smaller amount than under the pilot) to be retained across the boroughs.

- 6.11 As with the 2018/19 and 2019/20 pilots, the gains are dependent on the business rates collected across all of the boroughs, it is therefore difficult to predict the outcome for Croydon at this stage. Once 2020/21 NNDR1 forms have been completed and collated, a forecast level of gain for each of the billing authorities will be possible. However, this will only be a forecast and the final amount will not be known until the actual business rates collected in 2020/21 is determined. The current estimate is that this will be a loss of £4.8m for Croydon.

Local Government Funding Reform

- 6.12 The outcome of the Fair Funding Review on relative need, the planned move to 75% Business Rates Retention and a full reset (removing the business rates growth from all authorities and re-distribute it according to need) has been put back from 2020/21 to 2021/22.

Fair Funding Review

- 6.13 There has been very little information from the Fair Funding Review in the past 12 months. Therefore, the indications remain from the Relative Needs consultation of elements that could result in Croydon losing, notably relating to use of geographical size as a factor, which could penalise urban areas.

Business Rates Reform

- 6.14 The move to 75% Business Rates Retention should not have an impact on funding levels. The Top Up grant received by Croydon would be adjusted to reflect funding lost through grants being added to the Settlement Funding Assessment and a higher proportion of business rates income being retained locally.
- 6.15 It is not possible to determine if the delay to the reset of business rates had an adverse impact on resources in 2020/21 for Croydon. This would require a comparison between the post reset funding system against actual 2020/21 business rates collected (including gains from the London Pool).

Settlement Funding Assessment per head across London

- 6.16 Table 8 below shows the Settlement Funding Assessment per head for each London Borough (excluding the City of London) and shows Croydon ranked as 20th, receiving £220 per head in 2020/21, whereas neighbouring Lambeth will receive £430 per head. If Croydon were funded at the London average of £297 per head for 2020/21 it would receive an additional £32m.
- 6.17 Croydon has an average of £247 per head over the five year period; this compares to the London average of £326.

Table 8 – Settlement Funding Assessment per Head

	SFA (£ PER RESIDENT)						Rank in 2020/21
	2016-17	2017-18	2018-19	2019-20	2020-21	Avg. over the 5 years	
London	381	341	318	295	297	326	
Hackney	615	562	530	496	498	540	1
Westminster	573	526	498	469	473	508	2
Southwark	568	519	491	460	463	500	3
Islington	555	503	472	440	442	482	4
Tower Hamlets	553	501	469	436	436	479	5
Hammersmith and Fulham	523	480	456	428	435	465	6
Lambeth	526	480	454	425	430	463	7
Camden	545	489	457	423	425	468	8
Newham	493	452	427	401	404	435	9
Kensington and Chelsea	510	458	429	396	403	439	10
Lewisham	484	440	413	385	387	422	11
Greenwich	457	415	390	363	365	398	12
Haringey	458	415	389	361	364	397	13
Brent	417	379	357	333	337	365	14
Barking and Dagenham	422	383	359	334	334	366	15
Waltham Forest	393	354	332	308	311	339	16
Wandsworth	354	325	308	290	293	314	17
Ealing	344	309	289	267	271	296	18
Enfield	341	305	283	261	263	291	19
Croydon	296	261	240	219	220	247	20
Hounslow	282	249	230	210	212	236	21
Sutton	285	247	225	202	204	233	22
Redbridge	269	237	218	199	200	224	23
Merton	267	232	212	191	193	219	24
Hillingdon	239	206	187	168	169	194	25
Harrow	233	199	180	160	162	187	26
Barnet	232	198	179	158	159	185	27
Bexley	224	192	173	154	155	180	28
Havering	205	172	153	133	133	159	29
Kingston upon Thames	182	146	126	119	119	138	30
Bromley	171	140	122	111	111	131	31
Richmond upon Thames	168	124	108	110	111	124	32

Homelessness Funding

- 6.18 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.
- 6.19 For 2020/21 Croydon has been allocated £5.5m Flexible Homelessness Support Grant (the same as in 2019/20) and £1.2m in Homelessness Reduction Grant. This funding for local authorities is outside of the Core Spending Power amounts.

External Financial Environment

Spending Round 2019 and Settlement 2020/21

- 6.20 Spending Review 2015 covered the four year period 2016/17 to 2019/20. It was the intention of the government to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, due to the uncertainty regarding Brexit, it was announced that a one-year Spending Round would be provided, covering the financial year 2020/21 only; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets.
- 6.21 The Chancellor of the Exchequer published the government's Spending Round on 4 September 2019, setting out public expenditure plans for 2020/21.
- 6.22 The key announcements made in the Spending Round and subsequently the Provisional Finance Settlement on 20th December 2019 (and confirmed in the final settlement published 6th February 2020).
- 6.23 Due to the General Election in December 2019 there was no Autumn Budget 2019. Instead a Spring Budget 2020 is planned for March 11th 2020.

7.0 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 and service estimates are accurate. This is the key element of the budget where movement in resources between services can be identified. This reflects growth, savings and income. Appendix A sets out the detailed list of growth, savings and options across the four departments of the council. Table 9 below shows the movements within departments and at a corporate level from 2019/20 to 2020/21.

Table 9 – Cash Limit Movement

Department	Cash Limits 19/20	Growth	Savings and Income	Other Movements	Cash Limits 20/21
	£M	£M	£M	£M	£M
Children, Families and Education	79.372	10.112	-8.027	-0.100	81.357
Health, Wellbeing and Adults	114.046	21.237	-16.194	-0.315	118.774
Place	45.445	6.799	-9.946	0.574	42.872
Resources	36.553	7.205	-6.082	-0.159	37.517
Dept Total	275.416	45.353	-40.249	0.000	280.520
Corporate Items	275.416	-19.771	24.875	0.000	280.520

- 7.2 The projected department overspend in 2019/20 is **£4.781m**, excluding the exceptional items detailed in paragraph 8.6 below. The main areas of overspend continue to derive from demand led services, particularly placements for Looked After Children and are a continuation of pressures experienced in previous years.

Children, Families and Education including UASC

- 7.3 Significant additional resources were allocated as part of the 2018/19 and 2019/20 Children's Social Care budgets; in particular total additional growth of £22.2m addressing pressure in a range of areas, most of which feature in the Children's Services Improvement Plan. This is in addition to £0.7m in Resources (Business Support base budget) to ensure the staffing structure and budget support both the level of demand being experienced and also the areas of focus for improvement.
- 7.4 Additional one-off investment funding via the Council's Transformation Reserve is also being used to support the implementation of the improvement plan. The estimated cost of this plan over the three years since the Ofsted inspection is expected to be £20m (of which £3.2m and £9.8m was spent in 2017/18 and 2018/19, respectively).
- 7.5 The level of one-off funding is based on a detailed assessment of the costs associated with the improvement plan and the improvements that will be achieved as a result of the investment have also been identified and are regularly monitored.
- 7.6 The exceptional items as reported to Cabinet in the Quarter 3 financial monitoring report relate to UASC, NRPF and Appeal Rights Exhausted (ARE), which we are continuing to lobby the government to fund as set out in paragraph 6.19. As stated, the UASC increased cost is as a result of the Home Office continuing to only fund an wholly inadequate fixed rate per child and the number of UASC remaining in Croydon, above the National Transfer Scheme rate of 0.07% of the borough's child population, together with the failure to recognise the gateway authority-specific costs which the Home Office used to fund at some £6m. Further, while our numbers of UASC are decreasing, direct and indirect service provision costs are not decreasing at the same rate.

Alongside the response to the Fair Funding Review Croydon continues to lobby the Government for fair funding in Croydon in relation to two specific service areas. These are No Recourse to Public Funds (NRPF) and Unaccompanied Asylum Seeking Children (UASC) funding.

- 7.7 Funding for UASC and Immigration remains a risk, and we are continuing to make a concerted drive for fairer funding for Croydon. The Leader of the Council, the Cabinet Member for Finance and Resources and senior officers continue to lobby the government for adequate funding and recognition of the additional costs burdens of a Gateway authority. 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 to Croydon.

- 7.8 The UASC pressure continues to be as a result of the Home Office only funding a fixed rate per child, which does not accurately reflect our costs for looking after those children, nor the costs of acting as a 'gateway' authority and looking after and accommodating many more UASC above the National Transfer Scheme Rate. The fall in the number of UASC has exacerbated this issue. While our numbers of UASC are decreasing from a height of 428 in 2016 to 261 at January 2020, 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 are still continuing to be explored.
- 7.9 Despite providing an additional £30m of funding in 2019/20 where Upper Tier and Unitary Local Authorities benefited from an increase in rates to £114 per UASC per night, as Croydon was already in receipt of this rate we received no further increase. Representations continue to be made to central government, making a case for the extraordinary circumstances experienced in Croydon of supporting a large cohort of UASC and former UASC care leavers.
- 7.10 In terms of UASC and NRPF for former UASC, the Council is facing an estimated £9m annual shortfall
- 7.11 The NRPF pressure remains due to the impact of the failure of Central Government to implement the provisions of the Immigration Act.
- 7.12 The total 2019/20 forecast cost of UASC for the Council is £8.2m and includes Children's Social Care costs, along with costs associated with education and health for these young people.
- 7.13 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.
- 7.14 A further £9m of growth is provided for in the 2020/21 budget to deal with the level of demand and the pressures around lack of funding of UASC.

Health, Wellbeing and Adults

- 7.15 Adult Social Care has continued to see increases in demand for services above budget and there is a projected net overspend as at Q3 of £9.891m in 2019/20. Areas of significant overspend continues to be in 25-65 Disability Service and Older People and following agreed in year savings, overspends are £4.0m and £6m respectively. This is the result of rising demand in Domiciliary Care, Nursing and Residential placements where there is an increase in placement costs and complex cases. Since April 2019 in the 25 – 65 Disability Service, there has been an increase of 37,000 planned hours of domiciliary care and an increase of 22 nursing and residential clients (note: this is a net figure as some clients also leave care during the year, however they tend to be cheaper care packages whereas

the new ones can be extremely complex and high cost, particularly for clients transferring into social care from health-funded Continuing Health Care or Transforming Care)."

- 7.16 To manage the increase costs in Adult Social Care, medium/long term savings will be sought by driving service provision costs down, for example through enabling Occupational Therapy led domiciliary care and increasing Learning Disability and Mental Health Supported living/housing. There will be a review of services provided by external contractors, maximising income and a focus on Localities based working. The council will look to strengthen partnership with health, increase investment from health, continue to invest in prevention and early intervention, drive community led support models building on people and community assets, redesign the workforce and increasing investment in digital solutions. There will also be continued lobbying of government to fund Croydon adequately for services provided.

Gateway Services

- 7.17 Gateway services continue to focus on managing demand for homelessness services and helping residents with prevention measures. Additional funding of £2.8m has been allocated to this service to ensure the service can continue to support the most vulnerable residents, with savings from managing demand and need early expected in adult social care services, children's social care services and housing.

Savings and Income

- 7.18 The full list of savings and income options included in the 2020/21 budget are set out in Appendix A.
- 7.19 The key department savings and income options included in the draft 2020/21 budget are:-
- 7.19.1 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. The draft 2020/21 budget includes over £4m of additional income assumptions, from fees, charges and fines, including additional enforcement.
- 7.19.2 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 generated 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.
- 7.19.3 The budget assumes a £3m rise in the dividend from Brick by Brick.

8.0 Local Taxation Charge for 2020/21

- 8.1 The council tax change for the Croydon element of the charge for 2020/21 is recommended to be **3.99%** in accordance with Appendix E of the report.

- 8.2 This decision includes a 2.0% increase for the Government's' adult social care precept that was approved as part of the Local Government Finance Settlement. This is contained in Appendix D, with the Band D effect shown in table 10 below.

Table 10 – Local Taxation for 2020/21

Band D	2020/21	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,325.12	1.99%	27.79	0.53
Adult Social Care Precept	126.91	2.00%	27.93	0.54
	1,452.03	3.99%	55.72	1.07

- 8.3 Table 11 gives details of both the increases to the Croydon element of the council tax and the Adult Social Care precept over the last 3 years and the increase being recommended for 2020/21.

Table 11 – Croydon Council percentage increase since 2017/18

	2017/18	2018/19	2019/20	2020/21
Croydon Council Percentage change	1.99%	2.99%	2.99%	1.99%
Adult Social Care Precept	3%	2%	1%	2%

- 8.4 Alongside grant income, local taxation is the other major income stream that impacts on the budget setting of the council. The Collection Fund accounts for taxation from Council Tax and Business rates. Further detail can be found in Appendix C.
- 8.5 **Council Tax base:** The number of domestic properties in the borough from which Council Tax can be collected is described as the Council tax base, and the number is converted into Band D equivalent units. An increase in council tax base will enable a higher level of general fund budget to be supported. The calculation of the Council Tax base is set out in Table 12 below:
- 8.6 It is anticipated that there will be an increases in the Council tax base of 2.9% compared to the 2019/20 base, which will enable further expenditure to be supported in the 2020/21 general fund budget as shown in table 12 below. The Council tax base is adjusted for anticipated collection rates, which are estimated to remain at 97.50% for 2020/21.

Table 12 - Increase in Council Tax Base

	2019/20	2020/21	Change
Number of Dwellings	159,898	164,881	4,983
Conversion of dwellings into Band D equivalent units	132,237	136,133	3,896
Less: anticipated losses on collection	-2.50% -3,306	-2.50% -3,403	-97
Collectable Council Tax Base – net Band D dwellings	128,931	132,730	3,799

	2019/20	2020/21	Change
	£	£	£
Band D charge (Croydon)	1,396.30	1,452.03	55.73
Council Tax Funding (Croydon)	180,028,000	192,727,000	12,699,000

- 8.7 It should be noted that the council tax base is shown net of the impact of Council Tax support scheme. This reduces the council tax funding by £28.5m.

Projected Collection Fund Surplus / Deficit

- 8.8 The Collection Fund surplus / deficit is a combination of the anticipated position of both Council tax and business rates at the 31 March 2020. Surpluses mean more tax is due than was anticipated, whereas a deficit indicates the estimated amount paid was greater than actual tax due in the year.
- 8.9 Council Tax - Croydon's share of an anticipated council tax surplus available in 2020/21 is £0.604m. Whilst there has been a council tax surplus in the last 5 years as a result of tax base growth and improved collection rates, the Council is now recognising the base growth by increasing the precept payment at the start of the year. This reduces any surplus available at the end of the year.
- 8.10 Business Rates – the anticipated position of Croydon's share is a deficit of £1.725m for 2019/20, which will be repaid into the Collection Fund during 2020/21. This is a result of a range of factors, including higher empty premises relief than anticipated. The impact on the general fund is however offset by an additional £1.9m of Section 31 grant, which is compensation from central government for reduced business rates income caused by changes in central government policy.
- 8.11 Any difference between the projected surplus and final surplus for 2020/21 will be carried forward within the collection fund, for consideration in 2021/22's general fund budget.

9.0 Greater London Authority Precept 2020/21

- 9.1 On 18th December 2019, the Mayor of London announced his provisional proposal to increase his share of council tax by 1.99%, £6.41. The Mayor's key objective in this Budget is to support London's further success, entrepreneurial spirit, thriving economy, extraordinary diversity and creativity, tolerance and openness to the world.
- 9.2 This proposal was revised following the announcement of the police grant settlement and the provisional increase is now 3.6%, £11.56 which is £5.15 higher than the original provisional announcement in December 2019.
- 9.3 The key deliverables in this Budget are set out below:
- increases funding to ensure we will have over 31,000 police officers in London;
 - supports my efforts to help those most in need cope with the increased cost of living in London;
 - pushes ahead with my ambitious plans to make London a cleaner, safer, healthier city through investment to improve London's streets and create better and more accessible public transport;
 - continues to tackle London's housing crisis by supporting thousands of new homes for social rent as part of my commitment to start at least 116,000 new genuinely affordable homes by 2022;
 - increases funding to the LFB to ensure fire engines continue to arrive at emergency incidents within their targets;
 - provides the funding to complete the delivery of East Bank, the arts, cultural and educational district on Queen Elizabeth Olympic Park; and
 - reprioritises the development at Old Oak Common in the light of Uncertainties that have crystallised over the past few months.
- 9.4 The Mayors consolidated budget is set out in table 13 below and the budget will be agreed on 24th February 2020.

Table 13 – Mayors Consolidated Budget 2019/20 and 2020/21

Component Council Tax Requirements	Approved 2019/20 £m	Proposed 2020/21 £m
GLA (Mayor)	67.60	66.6
GLA (Assembly)	2.60	2.6
MOPAC	725.2	767.1
London Fire Commissioner	159.2	168.6
Transport for London	6.0	6.0
Consolidated Council Tax Requirement	960.6	1,010.9
Total Band D council Tax Payable in :		
32 London Boroughs	320.51	332.07

- 9.5 This overall resultant council tax increase is set out in table 14 below.

Table 14– Local Taxation increase and the GLA Tax increase

Band D	2020/21	Increase	Annual Increase	Weekly Increase
	£	%	£	£
Croydon	1,325.12	1.99%	27.79	0.53
Adult Social Care Precept	126.91	2.00%	27.93	0.54
Greater London Authority	332.07	3.60%	11.56	0.22
	1,784.10	3.92%	67.28	1.29

9.6 The overall increase on the total bill for the residents of Croydon is 3.92%.

10.0 DSG CROYDON

10.1 Following the Spending Review announcement of an additional £7.1 billion in education funding over a three year period from 2020/21, Croydon's DSG allocation has increased accordingly.

10.2 In 2020/21, Croydon will receive £364.306m in funding through the Dedicated Schools Grant (DSG), an increase of £21.3m in funding or 6.2% since 2019/20, compared to 4.3% increase across London and 5.8% nationally.

10.3 This increase in funding follows a decade of real term reductions in per pupil funding for statutory school aged pupils (5 – 16 years old). In January 2020, the Department for Education (DfE) released trend data on school revenue funding revealing that the total amount of funding through specific grants¹, in cash terms, allocated to English schools for 5-16 year olds had grown over the last nine years as the total pupil population has grown. The total funding allocated to schools was £44.5 billion in 2019/20, an increase of 27.4% compared to the £35.0 billion allocated in 2010/11.

10.4 Total funding also grew over this time in real terms (adjusted for price changes using the GDP deflator), increasing by 8.8%. Funding increased in real terms in each year during that period with the exception of a slight fall in 2016/17 compared to 2015/16.

10.5 On a per-pupil basis the total funding allocated to schools for 5-16 year olds, in cash terms, in 2019/20 was £5,940, a 14.8% increase compared to £5,170 allocated per pupil in 2010/11. In real terms, funding per pupil

was broadly flat between 2010/11 and 2015/16 at just over £6,000 in 2019/20 prices. It then fell by 4.2% over 2016/17 and 2017/18, but subsequently increased by 1.9% over 2018/19 and 2019/20, in part as a result of additional funding provided in respect of teacher pension employer contribution costs.

- 10.6 Over a shorter period, in cash terms Croydon's per pupil funding was £6,166 in 2019/20, a 7.1% increase compared to £5,757 allocated for statutory school age pupils in 2013/14. In real terms, funding per pupil over the same period fell by 3%. Croydon's total DSG (excluding the Early Years Block) changes, in cash and real terms, since 2017/18 is summarised in the table 15 below:

Table 15 - Funding per pupil

DSG Block	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m
Schools	241.77	243.87	247.51	262.96
High Needs	58.82	60.21	61.09	66.80
Central School Services		6.18	6.12	5.83
Total DSG (exc Early Years)	300.59	310.26	314.72	335.59
Pupil numbers	50,424	50,777	51,037	51,023
Per pupil funding	£5,961.27	£6,110.29	£6,166.47	£6,577.45
Funding change	1.1%	2.5%	0.9%	6.7%
Inflation (CPI)	1.9%	1.8%	2.0%	1.8%
Real terms funding change	-0.8%	0.7%	-1.1%	4.8%

¹ Dedicated schools grant (including the schools block, most of the high needs block and the central school services block (CSSB); but excluding the early years block and post-16 funding in the high needs block); Pre-16 high needs place funding in non-maintained special schools, special and alternative provision free schools; Pupil premium; Supplementary free school meals grant; Teachers' pay grant (TPG); and Teachers' pension employer contribution grant (TPEG).

Schools Block

- 10.7 The Schools Block 2020/21 allocation is £262.963m (before recoupment), which is an increase of £15.451m since 2019/20 mainly to accommodate the overall increase in Education funding for 2020/21.
- 10.8 The minimum funding guarantee (MFG) will continue to be applied, hence every school or academy will see an increase in funding of at least 0.5% per pupil compared to its 2019/20 budget (this excludes sixth form funding). MFG protects schools' budgets from large changes in funding based on factor changes. It protects on a £/per pupil basis. This means it will not protect a school against falling roll numbers.
- 10.9 The NFF provides two per pupil funding rates, one for primary pupils and one for secondary pupils. In 2020/21, the respective funding rates are £4,504.90 and £5,986.57. The 2019/20 rates per pupil were £4,293.34 for primary pupils and £5,460.8 for secondary pupils. Croydon is, on a per pupil basis for primary and secondary pupils, ranked 24th out of 32 London boroughs. This ranking has risen by one place since 2019/20. Although Croydon has seen an increase in its funding allocation, boroughs nearest to us have also received an increase. This results in the continuation of

the gap between how much extra a pupil in one of our nearest neighbours is funded compared to Croydon.

Early Years

10.10 The Early Years 2020/21 indicative allocation is £28.707m an increase of **£0.443m** since 2019/20 again mainly to accommodate the overall increase in Education funding for 2020/21. The final allocation will be adjusted following the January 2020 census.

10.11 The Early Years block allocation for Croydon is based on a nationally set rate of a:

- £5.21 hourly rate for three and four year olds; and
- £5.74 for two year olds

This has increased from funding rates of £5.13 and £5.66, respectively.

The allocation will be updated following the January 2020 census. The proposed rates based on the indicative 2020/21 allocation are:

- A (provisional) increase in rate for three and four year olds in 2020/21 to £4.87 (£4.73 in 2019/20)
- £5.74 for two year olds

High Needs

10.12 Funding for High Needs provision continues to be area of increased budget pressure nationally and Councils including Croydon have developed Special Educational Needs and Disability (SEND) strategies to ensure services are delivered efficiently and effectively to meet demand and need. Croydon Council has reviewed SEND demand, practice and provision and engaged with stake-holders, including parents, young people and schools to inform the development of five year SEND Strategy that was implemented in 2019/20.

10.13 The High Needs 2020/21 allocation is £66.804m, which is an increase of £5.718m since 2019/20. This allocation is based on the October 2019 census, with further adjustments to be made for January 2020 census.

10.14 At as the end of 2018/19, the High Needs block forecast overspend was £13.041 million (including previous years overspends). The 2019/20 Quarter 3 High Needs Block forecast overspend is £5.351 million, bringing the cumulative High Needs deficit to £18.392 million.

10.15 The budget pressures are principally attributable to the increase in demand, which has led to an over-reliance on the independent / non-maintained sector, due to shortage of local state funded special schools and / or resourced provision. This is being addressed and a strategy developed to move to a more sustainable framework. Table 16 below illustrates the increase in the number of Education and Health Care Plans compared to the increase in High needs funding since the introduction of the EHCP regulations in 2014/15.

Table 16 Impact of EHCP regulations

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

The increase in 20/21 will mean there will have been a 24% real terms increase in funding since 2014/15. However, over the same timescale, we will have seen an increase in EHC plans of over 50%

- 10.16 Croydon Council has a long term plan to increase special schools, Enhanced Learning Provision and post 16 specialist places, including a new free special school with 150 places opening in September 2021. Through this strategy the intention is to provide an effective pathway of local education provision for young people which is an efficient use of resources and supports young people in becoming independent in or near their local community.
- 10.17 That together there is an approach that manages reliance on Education, Health and Care Plans (EHCP) for children with lower levels of SEND, reduces demand and ensure placements of children are delivered through the continuum of state-funded education provision at efficient values. The increase in the number of EHCP plans following the change of regulations has also had a financial impact on the Council's revenue budget providing home to school transport, with cost rising annually.
- 10.18 The increase in EHCPs has a direct correlation on the increase in students eligible for travel assistance.

Table 17 – Analysis of SEN Travel

Academic year	Number of students on Traditional transport	Number of students on a PTB	Number of students travel trained
2015/2016	1121 not including post 16	79	41
2016/2017	1127 not including post 16	84	56
2017/2018	1156 not including post 16	88	63
2018/2019	1203 not including post 16	96	24
2019/2020	1258 (+ 100 post 16)	105 to date	12 to date

- 10.19 A number of Innovative strategies continue to be implemented to try and deal with the unprecedented demand for SEN travel assistance which include
- Investment in our in-house travel training service, gaining an excellent reputation from other boroughs.
 - Route sharing with neighbouring boroughs
 - Amendment of the Croydon's post-16 travel policy in 2019 following a detailed consultation process which allows for the default position of a personal transport budget for 16-18 year old eligible students who are not suitable for independent travel training.
 - The Promotion of Personal transport budgets
 - Review of high cost, complex cases
 - Joint strategic working with SEN, Schools and parents (placement decisions)
- 10.20 The 2020/21 budget has allocated a further £2m to fund transport costs.

Central Services Schools

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

Ongoing Functions

The Reported spend on Ongoing Functions includes services such as School Improvement and Education Welfare, totals £2.831 million.

The 2020/21 allocation for ongoing functions has reduced by £0.073 million based on a reduction in the CSSB unit of funding decreasing by 2.5% year on year from £56.91 per pupil in 2019/20.

Historic Commitments

The Reported spend on Historic Commitments consists of the prudential borrowing costs for SEND provision and historic teacher pension costs, totalling £2.570 million, a 20% reduction from 2019/20 equating to £0.643 million. This 20% reduction is in line with the ESFA's previously stated policy of reducing the funding that LAs receive for historic commitments made prior to 2013/14.

- 10.24 Following representations made to the ESFA on the impact of this significant reduction – particularly on the prudential borrowing costs of a capital programme with a pay-back period of 10 years (up to 2025/26) - the ESFA have restored the allocation as it relates to the prudential borrowing costs and it is anticipated that the allocation as it relates to historic teacher pension costs will also be restored. The ESFA have not yet determined how they will continue to unwind this in future years and commit to ensuring information about future years will be provided with as much notice as possible.

- 10.25 The 2020/21 budget for the Schools, Early Years, High Needs and Central School Services Blocks was agreed by Schools Forum on the 20th January 2020. The Schools Block funding formula was submitted to the DfE on the 21st January 2020 using the budget principles agreed by Schools Forum over the autumn period. Once agreed by the DfE the detailed school budgets will be finalised and these will be issued to schools in March 2020.

DSG Deficit Recovery Plan

- 10.26 As a condition of the 2019/20 DSG, LAs with an overall DSG deficit of one per cent or more at the end of the previous financial year were required to submit recovery plans for the deficits by 30th June 2019.
- 10.27 Croydon submitted a plan to recover the 2018/19 in-year High Needs Block deficit of £5.612 million over a five year period to the DfE, as agreed with the School Forum and Chief Finance Officer and endorsed by this Sub Committee in July 2019.
- 10.28 The five-year recovery period is in line with the five year SEND strategy with key areas to be targeted. The intention is to improve our SEND provision while reducing the expenditure in order to ensure that we can fulfil our statutory duty to be meet the needs of all pupils with special education needs.
- 10.29 The DfE letter of response informed Croydon that as the High Needs Block allocation for 2020/21 would be increased and that subsequent year's allocations for 2021/22 and 2022/23 were under review, the Council would need to review and revise the previously submitted recovery plan.
- 10.30 A detailed breakdown of the revised recovery plan, including High Needs Block budget setting for 2020/21 will be submitted to the High Needs Working Group in January 2020 in preparation for Schools Forum in the same month. It is anticipated that the Council will receive clarification about future High Needs Block funding allocations early in the spring of 2020, which will inform strategic deployment of resources with greater certainty.

11.0 Capital Budget – 2020/2023

- 11.1 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:-
- Housing
 - Asset Investment
 - Highways
 - Education
 - Libraries and leisure programme and
 - Environmental schemes
- 11.2 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 £270m, this includes investment in housing of over

£45m and an additional amount of **£2.1m** has been added to the revenue budget to fund the associated interest payments.

11.3 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.

Table 18 – Capital Programme

Description	Budget 2020/21	Budget 2021/22	Budget 2022/23	Total 2020/21 to 2022/23
	£000's	£000's	£000's	£000's
Angel Lodge conversion to MHO	100	0	0	100
Disabled Facilities Grant	2,400	2,400	2,400	7,200
Provider Services - Extra Care	500	-	0	500
Health, Wellbeing and Adults	3,000	2,400	2,400	7,800
Education - Fixed Term Expansions	59	90	0	149
Education - Fire Safety Works	1,000	0	0	1,000
Education - Major Maintenance	2,882	2,000	2,000	6,882
Education - Miscellaneous	1,444	228	0	1,672
Education - Permanent Expansion	1,091	959	0	2,050
Education - Secondary Estate	0	0	0	0
Education - SEN	18,807	8,568	0	27,375
Children, Families and Education Sub Total	25,283	11,845	2,000	39,128
Affordable Homes programme	40,000	0	0	40,000
RIF - Brick by Brick Borrowing	75,510	107,700	0	183,210
Community Ward Budgets	576	576	576	1,728
Devolution initiatives	912	912	912	2,736

Electric Vehicle Charging Points - Council Element	2,400	2,400	0	4,800
Empty Homes Grants	500	500	500	1,500
Feasibility Fund	330	330	330	990
Fiveways junction	0	3,000	2,000	5,000
Growth Zone	15,000	36,000	32,000	83,000
Grounds Maintenance Insourced Equipment	1,500	0	0	1,500
Highways - Maintenance Programme	6,000	6,000	6,000	18,000
Highways - Maintenance Programme	567	567	567	1,701
Highways - flood water management	565	535	505	1,605
Highways - bridges and highways structures	575	9,950	800	11,325
Highways - Tree works	299	179	179	657
Libraries Investment	650	1,500	0	2,150
Neighbourhood Support Safety Measures	50	0	0	50
New Addington wellbeing centre	3,000	12,000	0	15,000
Sustainability Programme	2,500	2,500	2,500	7,500
Parking	2,825	475	475	3,775
Safety - Digital Upgrade of CCTV	250	0	0	250
SEN Transport	1,460	0	0	1,460
TFL - LIP	2,462	2,000	2,000	6,462
Walking and cycling strategy	750	0	0	750
Waste and Recycling - Don't Mess with Croydon	768	0	0	768
Place sub-total	159,449	187,124	49,344	395,917
Asset Acquisition Fund	100,000	0	0	100,000
Corporate Property	2,000	2,000	2,000	6,000
ICT Refresh & Transformation	6,200	4,800	4,800	15,800
People ICT Programme	2,014	1,521	0	3,535
Uniform ICT upgrade	3,600	0	0	3,600
Resources sub-total	113,814	8,321	6,800	128,935
General Fund	301,546	209,690	60,544	571,780
Major Repairs and Improvements Programme	26,771	26,771	26,771	80,313
Special Transfer Payments	180	180	180	540
BxB Properties Acquired	8,750	13,000	0	21,750
HRA Total	35,701	39,951	26,951	102,603
Capital Programme Total	337,247	249,641	87,495	674,383

Table 19 DRAFT Capital Programme Resourcing 2020/21 to 2022/23

Funding	Budget 2020/21	Budget 2021/22	Budget 2022/23	Total 2020/21 to 2022/23
	£000's	£000's	£000's	£000's
ESFA	9,000	5,365	-	14,365
School Condition Funding	2,000	2,000	2,000	6,000
Disabled Facilities Grant	2,400	2,400	2,400	7,200
TFL LIP and other funding	2,462	2,000	2,000	6,462
NHS	5,000	-	-	5,000
CIL	6,800	6,800	6,800	20,400
CIL local meaningful proportion	576	576	576	1,728
ECVP external funder	600	600		1,200
Borrowing	42,198	46,249	14,768	103,215
Borrowing - (RIF) - BXB and Affordable Homes	115,510	107,700	-	223,210
Borrowing - Asset Acquisition Fund	100,000	-	-	100,000
Borrowing - Growth Zone	15,000	36,000	32,000	83,000
GENERAL FUND	301,546	209,690	60,544	571,780
Major Repairs Allowance	12,506	21,209	21,209	54,924
HRA - Revenue Contribution	11,150	1,742	1,742	14,634
HRA - Use Of Reserves	3,295	4,000	4,000	11,295
GLA Funding of BxB Properties	3,500	5,200	0	8,700
Borrowing BxB Properties	5,250	7,800	0	13,050
HRA FUNDING	35,701	39,951	26,951	102,603
TOTAL FUNDING	337,247	249,641	87,495	674,383
UNDER/OVER FUNDING OF PROGRAMME	-	-	-	-

- 11.4 The capital programme detailed in tables 18 and 19 above do not include expected slippage from the 2019/20 capital programme. Estimated slippage is detailed in the quarter 3 financial monitoring report at agenda item 3B. It is currently estimated that there will be scheme slippage of approx. £159m but this is subject to any changes arising between now and the year end. The final slippage will be reported to this Cabinet as part of the annual July Financial Review report once the financial year has closed. Schemes which are funded using a combination of external grants and borrowing will only be undertaken once the external funding is secure; amounts of council borrowing shown are indicative.
- 11.5 There are a number of key projects supported in the 2020/21 programme, including:

- 11.5.1 Affordable Housing Scheme. Following the completion of the ETA 1 and ETA 2 property acquisition schemes, where the Council embarked on a street property acquisition programme, the authority is developing its business case for Phase 3. The ambition is for a new round of property acquisitions, with the option of them being funded and held within the HRA unlike the previous acquisitions which were transferred to the Croydon Affordable Homes. This is because central government has now lifted the borrowing cap on the HRA, which enables investment via the HRA directly into Council housing subject to financial viability. The Affordable Housing acquisition scheme will enable the Council to respond quickly to the ongoing need for additional housing stock which manifests in significant pressures within temporary accommodation budgets. The priorities for the Housing and Homelessness Strategy were set out to Cabinet in October 2019. Cabinet authorised the commencement of a process of statutory consultation and engagement with key external stakeholders to develop the strategy. As part of this work, the Council will develop a programme of investment into new homes for a range of different housing needs. The Affordable Housing Scheme will form part of this strategy. We expect the business case for phase 3 of the Affordable Housing Scheme to be submitted to Cabinet in March 2020.
- 11.5.2 Continued investment in the school estate from 2020/21 to 2022/23 of £27.4m. This includes £15.67m for the New Addington Valley SEN School on the Timebridge site which the Education and Skills Funding Agency (ESFA) commissioned Croydon to lead on. The school will offer 150 places to children aged 2-19 years, with autism and learning difficulties, with the aim of providing a local pathway from the early years to adulthood. The proposed date for the opening of the school September 2021. The project will be fully funded by the ESFA under its "Invest to Save" programme.
- 11.5.3 Continued investment in Croydon's libraries, with 2020/21 being the second of a three year programme. The Council has an ambitious programme of work over the next 4-10 years that will transform Croydon's libraries into a modern library service to meet the ambitions for the service and contribute to Croydon Council's outcomes, priorities and locality based delivery.
- 11.5.4 Continued investment in Public Realm and Highways Infrastructure. This scheme will enable investment in the public realm and highways to ensure that the infrastructure is fit-for-purpose and achieves our vision making use of the opportunities presented by the Croydon Growth Zone. The Council will need to increase its borrowing to maintain the highways network following reduction in TFL funding. Additional borrowing has been included to support the work needed to maintain bridges and other key structures and to meet our legal obligations under the Flood Water Management Act.
- 11.5.5 Continued investment in the Council's ICT infrastructure to provide a fit for purpose service to staff and residents remains a priority. Approved in our programme last year, the continuation of:
- £10.4m from 2019/20 over 3 years for the full implementation and improvements of the ICT software to

support and drive efficiencies in the Housing, Adults and Children's services.

- £4.2m from 2019/20 over 3 years for the procurement of Uniform System, a key line of business system used across the Planning and Strategic Transportation, Building Control Highways, Environmental Health and Licencing services.

11.5.6 Asset Acquisition Fund. Table 18 indicates that the Fund is to increase in 2020/21, and there is a recommendation for Council to this effect. More broadly, as part of the 2018/22 Medium Term Financial Strategy, Council approved the creation of the Asset Acquisition Fund in September 2018. This Asset Investment Strategy detailed how decisions about acquisitions would be made. Specifically, the Strategy included set criteria for assessing the investment opportunities, with one of the criteria being location. The investment criteria will be reviewed to ensure that they remain in line with the Council's key objectives. This review is being delegated to the Cabinet Member for Finance and Resources and the Executive Director for Place. Any changes will be recommended to Council and Cabinet as part of the July review.

11.6 The HRA capital programme set out in Table 18 shows the planned capital expenditure in 2020/21 is £35.7m and total is £102.6m over the 3 years to maintain homes to a decent homes standard and purchase new BxB homes using GLA grant under its Building Council Homes for Londoners programme to fund part of the cost:

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

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

11.7 No new capital schemes will be added to the programme without a business case being approved and a report being submitted to cabinet and then the funds will be released.

Revolving Investment Funding (RIF) for Housing and other development

11.8 Cabinet previously agreed to set up a RIF to support the delivery of our Growth Promise. The RIF is acting as funder both to the development company Brick by Brick and the Housing LLP's set up in conjunction with the charity Croydon Affordable Housing. The figures shown in the table above are shown on a net basis. The Council may lend to Croydon Affordable Homes if the company cannot secure debt from other sources. Brick by Brick will increasingly recover its costs through sales receipts and enable borrowing to be repaid, or re-invested into further schemes.

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

Growth Zone

- 11.10 The Croydon Growth Zone is a Tax Incremental Financing (TIF) model which harnesses business rates uplift to enable borrowing to fund infrastructure. The Croydon Growth Zone programme consists of a range of transport, public realm social infrastructure and technology projects as reported to Cabinet in December 2017. They are deemed essential to mitigate the impact and maximise the opportunities of the growth planned (as detailed in the Croydon Local Plan 2018, Croydon Opportunity Area Planning Framework 2013 and the London Plan) in Croydon for the benefit of existing and future residents, businesses and visitors.
- 11.11 As reported to Cabinet in February 2020 in more detail, and subject to approval, the Growth Zone programme has been re profiled, with the total funding required for 2019/20 to 2022/23 moving from £167.8m to £88m. Table 20 below sets out the reprofiled programme.

Table 20 – Growth Zone Projects

Project	2019/20 (£'000s)	2020/21 (£'000s)	2021/22 (£'000s)	2022/23 (£'000s)
Transport	1,736	4,775	9,730	16,800
Public Realm	461	4,297	13,580	6,059
Construction				
Logistics	240	687	345	205
Parking	300	825	0	0
Culture	1,000	1,000	750	750
Smart Cities	314	1,596	811	0
Social Infrastructure	450	1,200	9,950	6,800
Croydon Works	400	400	0	0
Energy	100	220	834	1,386
TOTAL	5,000	15,000	36,000	32,000

Section 106 and Community Infrastructure Levy (CIL)

- 11.12 The Council, as Local Planning Authority, when required secures Section 106 Agreements as a requirement of the grant of planning permission to secure the mitigation measures necessary to make a development acceptable in planning terms. This includes securing financial contributions towards infrastructure types and projects.
- 11.13 The Council's Section 106 balance as at December 2019 was £10.3m. This balance is sub-divided into the heads of terms for infrastructure types and projects as set out in the parent Section 106 agreements. This understanding is important as Section 106 income can only be assigned in accordance with the parent Section 106 agreement in terms of infrastructure type, project and / or the location defined in the agreement.

- 11.14 Set out below in table 21 is the Council's detailed Section 106 balance sheet.

Table 21 – S106 breakdown of funds

Section 106	Balance £'000
Housing	4,823
Transport	3,496
Education and employment	298
Open Spaces and Public Realm	615
Other	1,112
TOTAL	10,343

- 11.15 In terms of future Section 106 assignment, our affordable housing income will be assigned to align with the Council's emerging housing funding strategy. The Council is actively working on how the remainder of the Section 106 moneys can be used to benefit the people of Croydon.
- 11.16 The Council introduced the borough's CIL in April 2013. The Council has been collecting the borough's CIL since this date. As a consequence of requiring the grant of planning permission and commencement of development post April 2013 for the CIL to be liable for payment, the income received since the introduction has gradually increased.
- 11.17 The current balance for 2019/20, before planned expenditure of £7.2m as at 31/12/19 was £18.1m, including the 5% administration fee and 15% Local Meaningful Proportion for 2019/20.
- 11.18 Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) restricts the use of CIL to ensure no duplication between CIL and planning obligations (Section 106).
- 11.19 The Council's Regulation 123 list indicates the infrastructure projects or types that will, or may be, wholly or partly funded by CIL. This broadly covers all infrastructure projects and types, except for sustainable transport and highway that are secured through Section 106 and / or Section 278 highway agreements.
- 11.20 In addition to allocations in 2019/20, and based on current CIL balances and forecast CIL receipts, it has been assumed that £7.3m of CIL money will be available to fund the capital programme. The specific projects to enjoy borough CIL funding will be defined through consultation with lead Cabinet Members. The specific project assignment will occur post the approval of this report. We will be reviewing the CIL scheme over the next few months, and then consulting on any potential amendments to the current scheme.
- 11.21 The Community Infrastructure Levy (Amendment) Regulations 2013 allow for up to 15% to be spent on the provision, improvement, replacement, operation or maintenance of infrastructure; or anything else that is concerned with addressing the demands that development places on Croydon. This is commonly referred to as the Locally Meaningful Proportion.

- 11.22 The CIL Local Meaningful Proportion as at 31/12/19 was £3.580m. The capital programme has assigned the Local Meaningful Proportion to fund the Community Ward Budgets.

Housing Programme

- 11.23 The Council is committed to delivering affordable housing in the borough through a range of measures:
- In order to accelerate the delivery of new homes for Croydon residents, the Council established Brick by Brick, an independent development company. Brick by Brick receives borrowing and equity investment from the Council. It is expected to deliver a total of 522 affordable rent units in the current programme by 2020/21, with a further 800 units in the pipeline programme.
- The Council entered in to three separate limited liability partnerships (LLPs) with Croydon Affordable Homes, a local charity to develop units across the borough and street purchased properties as affordable rented homes. In order to fund their acquisition activities, the Council gifted retained right to buy receipts to the LLPs, with the Council acting as lender for the balance of the funds needed. The Council has completed phase 1 and 2 of its street property acquisition programme for the provision of affordable rent. This has enabled acquisitions of 346 street properties for the provision of affordable rent in the borough without public subsidy.
 - The Council has been awarded GLA grant funding under the Mayor of London's £1 billion Building Council Homes for Londoner's programme for social housing. The grant funding has been used to part fund the purchase of new build Brick by Brick properties, transferring them into the HRA.

Repair and Improvement of council stock

- 11.24 A key aim for the council has been the government target of bringing 100% of social homes up to the decent home standard. Croydon has invested in its HRA properties to ensure that it meets, and continue to achieve the decent homes standard. The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years. Homes which are currently decent will fall below the standard, for example as facilities age and with wear and tear, the Council will need to continue to invest in the stock to keep homes up to standard over time. Indeed, the social housing regulator has proposed a revised home standard which will reflect the government's direction that social landlords should comply with the decent home standard with ongoing effect. The council continues to invest in maintenance and improvement works in order to maximise the life of the assets
- 11.25 The HRA budget for proposed major repairs and improvement programme for 2020/21 will remain at circa £27m, although available budget unspent at the end of 2019/20 will be carried forward, taking the estimated total spend to £30m. It should be noted that there is also a separate programme of responsive and cyclical repairs which are resourced through revenue funding totalling £12m. In order to enable the Council to respond quickly

to any additional or changing fire safety regulations, a £5m reserve has been ringfenced in the HRA account.

Capital Allowance (HRA)

- 11.26 Local authorities are required to establish a 'Capital Allowance' within the HRA. This is a notional amount set by the Council. The main considerations in setting the allowance are to ensure that it will exceed the anticipated receipts during the year and that total investment in affordable housing needed within the borough exceeds the allowance. This is in order to justify 100% use of the receipts.
- 11.27 The Capital Allowance for 2019/20 was set at £10m. It is recommended that the Capital Allowance for 2020/21 is set again at £10m. This will enable the Council to keep 100% of the receipts of any HRA disposals of land or property during the year for housing investment purposes. The Capital Allowance will continue to be reviewed annually as part of the process for approval of the Council's Housing Investment Programme and will include a report back on the previous year's activity.

12.0 Housing Revenue Account (HRA)

- 12.1 The Housing Revenue Account (HRA) is a ring-fenced account used to manage income and costs associated with managing the Council's owned housing stock and related assets which includes shops and garages on council housing estates. It is funded primarily from tenants' rents and service charges. The services provided to tenants and leaseholders which includes responsive repairs, management and supervision services and caretaking as examples are resourced from this account.
- 12.2 Croydon's HRA consists of approximately 13,700 homes. In addition to the HRA, there are approximately 800 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to maintain good quality accommodation, and offer temporary accommodation to families most in need.
- 12.3 Longer term planning for the HRA is continuing to take place through the 40-year business plan which is updated annually to reflect changes in legislation and assumptions which underpin the financial projections. This includes the impact of increasing rents by CPI+1%, which will enable the HRA to be more financial sustainable. The lifting of the HRA borrowing cap will also enable the Council to consider developments funded directly by the HRA.
- 12.4 The budget for 2020/21 shows a balanced position as required by statute and will be reported with the proposed rent and other charges to the Tenants and Leaseholders Panel on the 11th February 2020. A draft budget for the HRA for 2020/21 can be found in the Budget Book in Appendix B.

- 12.5 All investment in new-build is currently being undertaken outside of the HRA by either the Council's Development Company, Brick by Brick, or other partners.
- 12.6 Croydon Affordable Homes (the charity set up by the Council in partnership to deliver affordable rented properties across the borough) will be renting out local homes at a maximum of 65% of the market rent to borough residents and remaining units will be available through shared ownership.
- 12.7 Prior to the announcement, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. Croydon's current HRA debt is £324m with a headroom of £11m. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside the HRA.
- 12.8 The Council is using its wholly owned development company, Brick by Brick (BxB), to bring forward housing led developments and Housing LLP, Croydon Affordable Homes (CAH) to increase the provision of social and affordable housing in the borough for the benefit of residents. Funding for these schemes is secure through the source that provides value and where appropriate the Council provides the required funding from its Public Works Loan Board (PWLb) borrowing, with repayments including interest.
- Housing demand**
- 12.9 It is considered that for at least the next 10 years that the housing market in London and the South east will be characterised by rising demand and increased barriers to entry caused by rising house prices, rising rents and population growth. Beyond 10 years it is difficult to predict with any certainty what housing policy will be in place or what structural housing market changes may have occurred.
- 12.10 The mix of new housing supply continues to be influenced by numbers of applicants on the Council's housing register locally and the forecasts of future housing need.
- 12.11 The budget position of the HRA is subject to continued uncertainty in light of further policy proposals that have been issued by the government. The Council is awaiting the final outcome of the legislative process followed by detailed guidance still to be issued by government.
- 12.12 The 'A new deal for social housing' Green Paper consultation outcome is awaited. Recent changes and proposals impacting HRA are set out below.
- The government has confirmed that from 2020/21 rent increases will apply at CPI+1% (Consumer Price Index) on social housing rented properties which is equal to 2.7%
 - The government has proposed making Right to Buy (RTB) receipts to be available for 50% of social rented new build costs rather than 30%. We are waiting for the government's final decision on this.

- The government has proposed extending use of existing RTB receipts to 5 years with new receipts being available for 3 years. We are waiting for the government's final decision on this.

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

Right to Buy

12.14 Croydon Council entered into a retention agreement with the government in April 2012. Under the terms of the agreement, the government requires that local authorities can only retain the receipts from right to buy (RTB) sales if they spend it within three years of retention to create new stock by match funding the purchase of this new supply on a 70:30 basis.

12.15 The implication of this is that the RTB receipts can only fund 30% of new property development or acquisition costs with the remaining balance of 70% funded through the council's HRA or other resources. Interest is repayable to the government on retained receipts not used within 3 years.

12.16 The Council's Housing LLP has used retained RTB receipts which the HRA had been unable to use due to the limited resources in the HRA before the government announced the lifting of the borrowing cap, with the Council acting as lender for the balance of the funds for the purchase of the leases and development of the sites. As explained above, if the Council did not use the retained RTB receipts in this manner, it would need to repay the unused receipts to central government with interest.

12.17 The current 2020/21 HRA budget and business plan assumes there will be 80 right to buy sales in the year. As well as the loss of an asset to the HRA, this impacts on the level of rents collected year on year and therefore the availability of funds to match the 70:30 requirement.

12.18 The table below shows the RTB sales since 2012 compared to the assumptions in the Self-Financing (SF) settlement.

Table 22 – RTB sales since 2012

	Actual Sales (Forecast from 2019/20)	Assumed Sales (in SF Settlement)
2012/13	36	14
2013/14	51	17
2014/15	135	19
2015/16	143	20
2016/17	148	20
2017/18	90	20
2018/19	83	20
2019/20	80	20
2020/21	80	20
2021/22	80	20
Total	926	190

Rent Setting and Changes

- 12.19 The Welfare Reform and Work Act 2016 requires all registered providers of social housing in England to reduce rents by 1% a year for four years from 2015/16 levels to 2019/20. This reduction commenced in 2016/17, making 2019/20 final year. Rents for new tenants must also reflect the 1% per annum reduction. Central government has announced that rents can increase from 2020/21, by CPI + 1% which is equal to 2.7%.
- 12.20 Where tenants are eligible for receipt of Housing Benefit, the level of benefit will reflect the lower rent. However, a small number of tenants may be subject to the overall benefit cap. The introduction of Universal Credit in Croydon has begun to have an impact on rent collection rates. Rates are likely to continue to drop as tenants move from receiving housing benefit to universal credit when they experience a change in circumstances, impacting on the levels of bad debt that the Council must provide for.
- 12.21 The cumulative reduction in rents has resulted in the HRA has needing to make corresponding savings in expenditure and reduction in its annual spending by a total of £13.0m over the four-year period in order to maintain a balanced budget position.
- 12.22 Social rents in Croydon are currently approximately 32%-35% of the private sector equivalent, as shown in the Table below. New build council properties are let at an affordable rent which is based on the GLA guidance for London at 65% of the comparable private sector market rent.

Table 23 – Comparison of rents in Croydon

Property Type	Average weekly Council rent 2019/20	Average weekly Council rent 2020/21	Current average private sector weekly rent	Council rent as % of private sector
1 bed	£84	£86	£252	34%
2 bed	£102	£105	£321	33%
3 bed	£124	£127	£399	32%

Service Charges

- 12.23 It is proposed that service charges increase by 2% as they have not increased since 2017/18. This will ensure that the level of service charge reflects the costs incurred. A full review of the costs will take place in summer 2020.
- 12.24 The charges for 2020/21 will therefore be:

Table 24 – 2020/21 Tenant Service Charges

	2019/20	2020/21	Change
Tenant Service Charges			
Caretaking	£10.18pw	£10.20pw	£0.20pw
Grounds Maintenance	£2.09pw	£2.14pw	£0.05pw

Heating charges

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

Garages and parking spaces

- 12.26 Rents for garages and parking spaces were not increased in 2019/20 and it is proposed that no increase will be applied for 2020/21. As a number of garages have been disposed of in recent years the rental income budget is reduced by £135k, reducing overall garage rental income. It is proposed that no increase will be applied for 2020/21.

Table 25 – 2020/21 Parking and Garage Charges

	2019/20	2020/21	Change
Parking Spaces			
Tenants	£7.00pw	£7.00pw	£0.00pw
Non-Tenants	£9.62pw	£9.62pw	£0.00pw
Garages			
Avg. Rent*	£13.13pw	£13.13pw	£0.00pw

Voids and Bad Debts

- 12.27 The loss of income associated with void properties is assumed at 0.9% for 2020/21.

13.0 Treasury Management

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

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

- 14.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report on the robustness of the budget estimates and adequacy of the planned reserves when the council tax decision is being made by the Council, this forms part of the statutory advice from the Section 151 officer to the Council in addition to their advice throughout the year in the preparation of the budget for 2020/21. The Chief Financial Officer and Section 151 Officer statutory responsibility resides with the Director of Finance, Investment and Risk. This is her statement which meets the Section 25 requirement of the Act.
- 14.2 All Members of the Council have been advised of the financial challenges the Council faces over the next financial year, the medium and longer term. The levels of government funding for 2020/21 have been clearly identified in this report and it must be recognised and understood that a one year funding settlement creates a level of uncertainty and therefore creates a financial planning risk.
- 14.3 Until 202/21 we have experienced substantial reductions to Local Government funding. 2020/21 has seen a slight increase to funding levels, while tis is welcome we will need to continue to undertake an ongoing in-depth review of the way we work and the way we deliver services. In taking decisions on any budget all Members must first and foremost understand the underlying funding changes which the Council faces and set these associated decisions within the context of the overall financial environment the Council faces.
- 14.4 These continue to be very challenging times for local government and therefore it is certain that further difficult choices will be required over the coming budget cycle if the Council is to maintain a continued solid financial foundation and achieve the delivery of a balanced outturn in 2020/2021 and in future years. Continuous improvements have been made in the Council's overall financial standing demonstrated through the ability to maintain general fund reserves during these challenging times and the Council's ability to manage the significant in-year risks in a corporate and planned way. The financial strategy has been written to help us navigate through these difficult times and Members will need to fully support this

strategy if the Council is to maintain a solid financial foundation. The refreshed Medium Term Financial Strategy which will be presented to Cabinet in July 2020 will provide an update for Members on the future financial challenges the Council expects to face. This will form a strong robust platform and tool to manage develop and manage future budgets. In forming my statement of the robustness of the budget estimates and adequacy of planned reserves I have reviewed this position in detail with the Chief Executive and Senior Leadership Team and have reported my conclusions and assumptions to the Cabinet on a continued on-going basis as part of the Council's overall governance and financial stewardship arrangements.

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

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

14.6 With regard to the Housing Revenue Account, it is important for Members to understand that the previous 1% per annum reduction in rents resulted in a significant reduction in income to the Housing Revenue Account and if it were to continue would make the 30 year business plan unsustainable based on the current expenditure plans. With this in mind it is important that rents are now increased in 2020/21 in line with the Governments Social Rent Policy which is legislated at CPI plus 1%. This increase will enable a balance budget to be set and the enable the business plan to be implemented in an affordable manner.

Growth, Savings and income options in service expenditure

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

Local Taxation

14.8 The level of change in council tax is similarly a matter of political judgment, again having due regard to the professional advice of officers, and in particular to the advice of the s151 officer as regards the robustness of the budget, the level of reserves and balances, prudent financial management, the current and future financial risks the Council may face over the medium to longer term such as the localisation of business rates and council tax benefit support and the future forecast of Government funding support. The recent local government settlement saw a shift in the

government's approach to Council tax. The ability to raise Council tax has been restricted to 2% without the requirement for a referendum (this was previously 3%). The ability to charge a social care precept has continued for 2020/21, with the maximum increase being restricted to 2%. It is important for Members of the Council to understand that social care expenditure is continually rising and putting increasing pressure on our financial resources so it is important to understand that any decision made now regarding increasing locally determined taxes will have an immediate and future impact on the council's financial strategy.

The Level of Reserves and Balances

- 14.9 The level of reserves and balances are principally the responsibility of the s151 officer and are key to ensure the financial sustainability of the Council. The Members of the Council are not automatically obliged to accept my advice in every particular, but must pay due regard to it and be satisfied that they have met their own public obligations if they are minded to depart from my advice.
- 14.10 In the context of the current financial climate and the financial risks which the Council faces my formal advice to all Member is that an appropriate level of General Fund Balances is between 3% and 5% for the medium term which in cash terms is between £8m and £13.8m. The current level of General Fund Balances is £10.4m. This budget makes provision to increase reserves by £5m.
- 14.11 The 2019/20 revenue budget is currently forecast to overspend by £2.371m and it is proposed to make every effort in the remaining weeks of the current financial year to reduce and contain costs where possible, and any overspend will be funded from Earmarked Reserves at the end of the year.

In determining the level of reserves and balances key factors include:

- The risks inherent in the budget;
 - The level of specific reserves and associated provisions;
 - The identified efficiencies to be achieved;
 - The future financial risks the Council may be exposed to both quantifiable and unquantifiable; and
 - The Authority's history of delivering services within the budgetary provision set.
- 14.12 Earmarked reserves are also relevant in supporting the budget and objectives of the council. The level of earmarked reserves reflects a number of policy decisions by the council and supports the revenue budget. The decision to use earmarked reserves for particular purposes can be a political decision based on priorities and also needs to reflect the financial strategy objectives of the council. Earmarked reserves have reduced over the last 3 years and are expected to be in the region of £12m at the end of 2019/20. This is a position that needs to be kept under review. The increased flexibility on the use of capital receipts allows the authority to use these to support transformation projects and therefore provides capacity that would previously have to be funded from earmarked reserves.

- 14.13 Despite budgets being calculated on most likely estimates, not the best estimates basis, the budget contains significant challenges in terms of efficiencies delivery as well as demand led pressures and income generation. The Council has set plans to deliver departmental efficiencies and additional income of £40m. Whilst the financial environment remains volatile I believe that the budget and plans in place to review and monitor spend throughout the year ahead take account of that environment and is therefore prudent for the 2020/21 financial period.
- 14.14 Clearly delivering against a budget with a significant amount of savings whilst coping with an increased population driving further pressures on services is demanding and there has been overspends in social care each year since 2010. Despite this the council has managed to maintain balances at an appropriate level. This remains challenging and this outcome is only achieved through the constant focus of the organisation's officers and the leadership of its Members.
- 14.15 HRA reserves are currently above their target of 3% and expected to remain at this higher level in the medium term in line with the financial strategy.
- 14.16 Table 26 shows the schools reserves position.

Table 26 Reserves (Schools)

Reserves	Balances as at 31/03/19 £m	Estimated Deficit 31/3/20 £m
Local Maintained School balances	3.732	1.700
	3.732	1.700

- 14.17 The above balance as at the end of the financial year is an estimate and includes St Andrews which is due to close. Work is ongoing with the schools in deficit to ensure that plans are in place to ensure the deficits are addressed by the schools. The Council does not currently set or control balance levels for Schools although it is open to local authorities to amend these with the agreement of their Schools Forum. Croydon's Schools Forum has agreed a threshold level of balances for schools, which are 4% of annual expenditure for secondary schools and 6% for primary schools. If maintained schools have balances greater than these sums and do not have plans meeting approved criteria that explain the reasons for additional balances, the additional balances may be redistributed between Croydon's maintained schools. Like local government schools are facing increasing financial pressures and monitoring schools budgets remains a key element of ensuring our schools remain financially viable.
- 14.18 The Section 151 officer has a responsibility to ensure Croydon's maintained schools have sound financial management. Where a school has set a deficit budget (one where anticipated expenditure will exceed anticipated income), or is heading towards a deficit position in year, the

Section 151 officer requires the school to submit a pro forma, setting out their action plan to show how the deficit position will be managed. The pro forma is signed by the School Governors and submitted to the Section 151 officer for agreement. We are currently working with a number of schools on their deficit position and recovery plans.

15.0 Pre Decision Scrutiny

- 15.1 The 2020/2021 budget has been presented to Scrutiny and Overview committee on two separate occasions. On the 10th September 2019 the committee had the opportunity to scrutinise the budget setting process as part of the Cabinet Member for Finance and Resources Question time.
- 15.2 The draft budget and all savings, income and growth options were also presented to Scrutiny and Overview Committee on the 10th February 2020/21. This report enabled members to be briefed on the financial context and challenges the Council faces and updated the Committee on the assumptions made in setting the 2020/2021 budget.
- 15.3 The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.

16.0 Summary and Conclusions

- 16.1 As all Members are aware, setting a budget for 2020/21 that is robust, balanced and deliverable has been extremely challenging and has involved a number of difficult decisions for the Council. The Council faces increasingly challenging choices over the medium term period within the context of its own funding position, the national economy and the level of funding available to the public sector as a whole.
- 16.2 This budget report is based on the current financial outturn projections for 2019/20. If any of the projections change significantly, these will have to be taken in to account in year and urgent action taken to address these.
- 16.3 **Appendix D and E contains the legally required recommendations to Council for setting the budget and Council Tax for 2020/21.**

17.0 Financial Considerations

- 17.1 The report contains the financial implications of the options to deliver a balanced budget for 2020/21 and the draft capital programme for 2020/23.

18.0 LEGAL CONSIDERATIONS

Budget and Council Tax Setting

- 18.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that the Council is under a statutory duty to set a balanced budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of reserves both of which are contained within this report. The Council is required to set the amount of the Council Tax before 11th March 2020 but it may not be set before the GLA has issued the precept.
- 18.2 The Local Government Finance Act 1992 (as amended), requires the Council as billing authority to determine whether its relevant basic amount of council tax for a financial year is excessive. If it is excessive then there is a duty under s.52ZF - s.52ZI to hold a referendum.
- 18.3 Determining whether the Council Tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State and approved by a resolution of the House of Commons. The Thresholds for 2020-21 provide that local authorities with responsibility for social care, such as Croydon, must hold a referendum if council tax is to be increased by 4% or more. Council tax for general spending requires a referendum if it rises by 2% or more, alongside a maximum 2% 'social care precept'. The 'adult social care precept' is technically not a 'precept' but additional headroom within the referendum regime for selected local authorities. The expressed intention is that local authorities would then be able to raise
- 18.4 The procedure to be followed in developing the budget proposals as detailed in the report are set out in the Budget and Policy Framework Procedure Rules provided in Part 4.C of the Council's Constitution.
- 18.5 When considering the budget proposals the Cabinet and Council will be mindful of their fiduciary duty to ensure that the Council's resources are used in a prudent and proportionate manner. Members are required to have regard to their statutory duties whilst bearing in mind the requirement to act reasonably when taking in to account the interests of the Council Tax payers and Croydon's communities.
- 18.6 To deliver some of the budget proposals action may be required which should be undertaken in accordance with statutory requirements including any legal requirements for consultation and equality impact assessments. Members will be aware of the requirement to consider the Council's obligations under the Equality Act 2010 as detailed more fully in the Equalities Considerations, section 23 below.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

19.0 HUMAN RESOURCES IMPACT

- 19.1 The implementation of the efficiency and cuts programme will in a number

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

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

Pay Policy Statement

- 19.3 The Council aims to ensure that its remuneration packages are fair, equitable and transparent and offer suitable reward for the employment of high quality staff with the necessary skills and experience to deliver high quality services.
- 19.4 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". In accordance with Section 38 of the Localism Act, this Pay Policy Statement sets out the Council's policy for 2020/21 on:
- 19.4.1 The remuneration of its senior staff including chief officers
- 19.4.2 The remuneration of its lowest paid employees
- 19.4.3 The relationship between the remuneration of its senior staff, including chief officers, and the remuneration of staff who are not chief officers
- 19.5 The pay policy statement is at **Appendix H**. The Council are required to approve the pay policy on an annual basis and therefore this will be considered as part of the budget decision of the Council on the 2nd March 2020.

Approved by: Sue Moorman – Director of Human Resources

20 EQUALITIES CONSIDERATIONS

- 20.1 The Equality Act, 2010, also requires the Council to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services. In reality, this is particularly important when taking decisions on service changes. The three aims of the Equality Duty are to;-
- Eliminate unlawful discrimination, harassment and victimisation;
 - Advance equality of opportunity; and
 - Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.
- 20.2 The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these "protected characteristics" will all be of

relevance in all circumstances.

- 20.3 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.
- 20.4 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 in order to reduce its overall expenditure to meet Government cuts in grant funding and to deliver a balanced budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. In doing so it will endeavour to ensure that it best meets the specific needs of all residents, including those groups that share a “protected characteristic”.
- 20.5 Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to groups that share protected characteristics. It will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments to secure delivery of that duty, including such consultation as required.
- 20.6 An equality analysis has been completed in respect of the overall Council Tax increase which will apply to all households in the borough. While this increase is relatively modest it will nonetheless impact on those on low and fixed incomes and in particular those that may have been adversely affected by changes to the benefit system and who do not qualify for Council Tax Support. This segment of the population is more likely to live in the most deprived areas in the borough where there is a greater proportion of BAME residents. This has to be balanced against the additional amount raised through the Adult Social Care charge which will contribute to meeting the expected increase in demand for these services. This will benefit Croydon’s most vulnerable adults and families. In addition the Council will continue, through the Council Tax Support scheme to provide financial relief for vulnerable households including:
- Pensioners on low incomes.
 - People that are in receipt of disability living allowance or employment support allowance.
 - People that are in receipt of income support.
 - Single parents with a child or children aged under five.
- 20.7 As part of the overall welfare support provided, customers having

difficulties with their payments are also offered wider budgeting advice and support and help in finding work is also available where applicable through the Council's Gateway service. These provisions and the support available are highlighted in the customer's Council Tax bills.

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

Approved By Yvonne Okiyo, Equalities Manager

21.0 ENVIRONMENTAL IMPACT

- 21.1 There are no direct environmental considerations arising from this report.

22.0 CRIME AND DISORDER REDUCTION IMPACT

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

23.0 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

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

24.0 OPTIONS CONSIDERED AND REJECTED

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

REPORT CONTACT: Lisa Taylor, Director of Finance, Investment and Risk, Section 151 Officer

BACKGROUND DOCUMENTS: None

APPENDICES:

- A – Revenue savings, income and growth options
- B – Detailed Budget Book
- C – Summary of Revenue Estimates
- D – Budget Requirement and Council Tax
- E – Council Tax Recommendations
- F – Response to Provisional Local Government Settlement
- G – Dedicated Schools Grant
- H – Pay Policy Statement