

REPORT TO:	COUNCIL 8 MARCH 2021
SUBJECT:	COUNCIL TAX AND BUDGET REPORT
LEAD OFFICER:	KATHERINE KERSWELL, INTERIM CHIEF EXECUTIVE OFFICER CHRIS BUSS, INTERIM DIRECTOR OF FINANCE, INVESTMENT AND RISK
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:	
The Council Tax and Budget Report is prepared in keeping with the Council Procedure Rules at Part 4A of the Constitution.	

1. RECOMMENDATIONS

Subject to decision at the Cabinet meeting to be held on 1 March 2021, the Council is expected to be asked to approve the following recommendations:

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

- 1.1. Council's request for a Capitalisation Direction of £150m covering financial years 2020/21 to 2023/24, of which a direction of up to £120m has been granted in respect of 2020/21 and 2021/22.
- 1.2. A 1.99% general increase in the Council Tax for Croydon Services (a level of increase Central Government has assumed in all Councils' spending power calculation).
- 1.3. A 3.00% increase in the Adult Social Care precept (a charge Central Government has assumed all councils' will levy in its spending power calculations).
- 1.4. To note the draft GLA increase of 9.5% on the Council Tax precept for 2021/22.
- 1.5. With reference to the principles for 2021/22 determined by the Secretary of State under s.52ZC (1) of the Local Government Finance Act 1992 (as amended) confirm that in accordance with s.52ZB (1) the Council Tax and GLA precept referred to above are not excessive in terms of the most recently issued principles and as such to note that no referendum is required. This is detailed further in section 3.8 of this report.
- 1.6. The calculation of budget requirement and council tax as set out in Appendix C and D including the GLA increase. This will result in a total increase of 5.83% in

the overall council tax bill for Croydon.

- 1.7. The revenue budget assumptions as detailed in this report and the associated appendices.
- 1.8. The programme of revenue savings, income and growth by department for Financial Years 2021/22 to 2023/24 (Appendix A).
- 1.9. The Capital Programme as set out in Section 18, table 17 and 18 of this report, except where noted for specific programmes, are subject to separate Cabinet reports.
- 1.10. To agree that in light of the impact on the Council's revenue budget no capital contractual commitment should be entered into until a review of revenue affordability has been concluded.
- 1.11. To approve that any receipts that come from the Council's company Brick by Brick will first be applied to the accrued interest and any subsequent receipts will be used to pay down the principle loan balance.
- 1.12. To note there are no proposed amendments to the Council's existing Council Tax Support Scheme for the financial year 2021/22.
- 1.13. The adoption of the Pay Policy statement at Appendix G

2. EXECUTIVE SUMMARY

- 2.1 This Council Tax and Budget Report comprises a summary of the process and matters of business relating to the Council Tax and Budget Setting as required by Part 4A of the Constitution. The report also includes recommendations that are anticipated to be made to Council by Cabinet at its meeting on 1 March 2021.

3. GENERAL FUND AND HRA BUDGET PROPOSALS

- 3.1. The General Fund and HRA Budgets are appended as part of the covering report at Appendix 6.1.
- 3.2. At its meeting on 1 March 2021, Cabinet is anticipated to recommend to Council the recommendations detailed in 1.1 to 1.13 above. Those recommendations will be put to the vote at the conclusion of this item of business.
- 3.3. In accordance with paragraph 4.12 of part 4A of the Constitution, recommendations 1.2, 1.3 and 1.4 will be taken as recorded votes.

4. QUESTIONS TO THE LEADER AND CABINET MEMBERS FOR CROYDON RENEWAL AND RESOURCES & FINANCIAL GOVERNANCE

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

5. BUSINESS REPORT OF THE SCRUTINY AND OVERVIEW COMMITTEE

- 5.1. Part 4C of the Constitution outlines the process for developing the Council's annual budget and makes provision for the Scrutiny & Overview Committee to comment on proposals. It also requires Cabinet to take into account any formal response from the Scrutiny & Overview Committee.
- 5.2. Paragraph 4.8 of part 4A of the Constitution allows a period of ten minutes for Councillors to question the Chair of the Overview and Scrutiny Committee, the first two minutes of which are available to the Chair to make any announcements.
- 5.3. In accordance with the above requirements, the Scrutiny & Overview Committee considered all non-education elements of the proposed 2021/22 budget at its meeting on 16 February 2021. Education elements of the proposed budget were considered by the Children and Young People Scrutiny Sub-Committee at its meeting on 19 January 2021.

Council Tax and Budget Scrutiny

- 5.4. At its meeting on 16 February 2021, the Scrutiny and Overview Committee considered an item on the draft budget from the Leader of the Council and the Cabinet.
- 5.5. An introduction from the Leader of the Council outlining the significant financial challenges facing the Council, the action needed to address these challenges including improved finance systems and increased financial rigour across the organisation. Although the budget presented to the Committee was balanced,

this was predicated on the capitalisation bid to the MHCLG being successful, with early conversations with the Improvement and Assurance Panel being positive. It was emphasised that even should the capitalisation bid be successful, there would still be a £79m budget gap across the life of the Medium Term Financial Strategy, which meant that further difficult choices would need to be taken to address the Council's financial stability and resilience.

- 5.6. Following the introduction, the Committee spent over three hours questioning the Cabinet and officers on the budget. Areas focussed on by the Committee included the key risks to the delivery of the budget, the S.25 Statement from the S.151 Officer, the ability of the Council to implement the necessary cultural change to deliver the budget and in more detail the risks associated with selected savings from the budget. Following the discussion, the Committee reached a number of conclusions, which are set out in the following paragraphs.
- 5.7. The Committee felt hopeful that the budget could be delivered, following reassurance given on both the robustness of the development process and the achievability of the budget itself. However, given that similar assurances had been provided in previous years, which in hindsight had been optimistic at best, there remained serious concerns that could only be allayed through the actual delivery of the budget in 2021-22.
- 5.8. The Section 25 statement from the interim Section 151 Officer, which confirmed that the budget was sound, as long as there was a political will to deliver it, was accepted by the Committee.
- 5.9. The Committee felt there should be a certain amount of confidence in the estimation of the growth items included in the budget, given that these had been reviewed by external organisations and were based on worst case scenarios.
- 5.10. The priority for the Council to live within its means, while protecting the most vulnerable residents in the borough, was endorsed by the Committee.
- 5.11. There was concern about the deliverability of the Adults and Children's Social Care budgets, particularly the savings which targeted a reduction in the number adults and children in the care system. To ensure that there was not an adverse impact, it was agreed that the budget and performance of these services would be regularly monitored by their respective Scrutiny Sub-Committees.
- 5.12. As the delivery of the budget was predicated on changing the culture with the Council toward finance control, it was questioned how it could be demonstrated to the Committee that these cultural changes were being embedded across the organisation.
- 5.13. The Committee felt that there should be Member oversight of the potential risks arising from the savings programme, to ensure there could be confidence that these were being managed appropriately and mitigation identified as needed. Given that risk sat within the remit of the General Purposes and Audit

Committee, it would be appropriate for them to receive regular updates on the risks associated with the delivery of the budget.

- 5.14. There remained concern that there could be potential, unforeseen consequences arising as a result of the savings programme and further reassurance was required to confirm how these would be picked up through the corporate monitoring process.
- 5.15. There was a concern about the potential impact upon the workload of Council staff, which would need to be monitored corporately.
- 5.16. It was agreed that there was an onus on all Councillors to ensure the budget was delivered and the right level challenge was provided. Councillors also needed to accept that some service areas would be reduced from their current level.
- 5.17. Although the Committee accepted the reassurance that the budget outcome for the remainder of 2020-21 was reasonably certain, it was agreed that going forward should there be any major alterations to the budget over the life of the Medium Term Financial Strategy, it should be reported to the Committee.
- 5.18. In order to provide additional reassurance on the delivery of the budget, it was agreed to make the following recommendation to the Cabinet:-
 1. That regular monitoring reports on the budget and performance of Children and Adults Social Care is scheduled for meetings of the relevant Scrutiny Sub-Committees throughout 2021-22.
 2. That performance indicators are created which allow the Scrutiny and Overview Committee, and the wider political and corporate leadership, to monitor the effectiveness of the work to implement cultural change across the Council in regard of financial monitoring and controls.
 3. That the General Purposes and Audit Committee received regular reports on the risks identified in the budget, to provide reassurance that these were being managed effectively.
 4. That an update be provided to the Members of the Scrutiny & Overview Committee to confirm how corporate monitoring of the budget will enable potential, unforeseen consequences arising from the savings programme to be identified at an early stage.
 5. That timely updates are provided to the Scrutiny & Overview Committee on any major alterations to the Council's in-year budget over the life of the Medium Term Financial Strategy.

Education Budget 2021/22

- 5.19 At its meeting on 19 January 2021 the Children and Young People Scrutiny Sub-Committee considered an item on the draft education budget from the

Cabinet Member for Children, Young People & Learning and the interim Head of Finance for Children, Families & Education.

- 5.20 During the Sub-Committee's consideration of the report, it was questioned what was being done to manage excess places in schools, as this presented a problem from the accumulation of large financial deficits. The Sub-Committee acknowledged that managing school places was a challenge, due to various contributing factors such as inward migration and birth rates. There was always the issue of surplus places at some schools in the borough, due to popularity of certain schools and parental choice. The Sub-Committee was reassured that the Education service had clear oversight of those schools operating with deficit and challenged schools where necessary, asking them to provide information on they would be managing their budget. The service also provided support to assist schools to explore where possible savings could be made.
- 5.21 Another area questioned by the Sub-Committee was the confidence of officers to be able to control the budget, in order to close the deficit, as there was significant concern amongst the Sub-Committee about the Council's ability to manage the deficit. The Sub-Committee was advised that all that could be done was being done to manage the budget without compromising the offer for children, in particular within the legislative requirements of Special Educational Needs (SEN) to contain spending within the allocation. It was acknowledged that it would be difficult to give any certainty that Council would be able to eliminate the accumulated deficit in year. The service was working hard to manage its budget and this was reflected in the SEND Strategy's basis of local provision for Croydon children, as this would assist by not having to pay high costs for out of borough independent school fees. There was confidence in the SEND Strategy's proposal outcomes that this could be achieved.
- 5.22 Following their discussion of the Education Budget, the Sub-Committee agreed that they were not reassured about the Council's ability to close the gap on the accumulated deficit for the high needs block. As such, this would be a significant risk in the delivery of the budget.

6. COUNCIL TAX DEBATE

- 6.1. The Council Tax Debate will proceed in accordance with paragraphs 4.9 to 4.12 of part 4A of the Constitution.
- 6.2. The order of speakers shall be as follows:
- i) Leader or other Cabinet Member (10 mins)
 - ii) Leader of the Opposition (10 mins)
 - iii) Administration Speaker (3 mins)
 - iv) Opposition Speaker (3 mins)
 - v) Administration Speaker (3 mins)
 - vi) Opposition Speaker (3 mins)
 - vii) Administration Speaker (3 mins)
 - viii) Opposition Speaker (3 mins)
 - ix) Administration Speaker (3 mins)

- x) Opposition Speaker (3 mins)
- xi) Administration Speaker (3 mins)
- xii) Opposition Speaker (3 mins)
- xiii) Leader or other Cabinet Member exercising a right of reply (5 mins).

6.3. At the conclusion of the debate, the recommendations shall immediately be put to the vote as detailed in 1.1 to 1.13 above.

CONTACT OFFICER: Stephen Rowan
Head of Democratic Services and Scrutiny

BACKGROUND DOCUMENTS: None

APPENDICES:

Appendix 1: Council Tax Report to Cabinet
Appendix 1A: Revenue savings, income and growth options
Appendix 1B: Summary of Revenue Estimates
Appendix 1C: Council Tax Bands
Appendix 1D: Council Tax Recommendations
Appendix 1E: Response to Provisional Local Government Settlement
Appendix 1F: Dedicated Schools Grant
Appendix 1G: Pay Policy Statement
Appendix 1H: 20-21 Q3 Budget Monitoring Report
Appendix 1I: Letter from Minister of State re Capitalisation Direction