

LONDON BOROUGH OF CROYDON

REPORT:	CABINET
DATE OF DECISION	25 October 2023
REPORT TITLE:	2024-28 Medium Term Financial Strategy Update
CORPORATE DIRECTOR / DIRECTOR:	Jane West Corporate Director of Resources (Section 151 Officer)
LEAD OFFICER:	Jane West, Corporate Director of Resources
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance
KEY DECISION?	Yes
CONTAINS EXEMPT INFORMATION?	No
WARDS AFFECTED:	All

1. SUMMARY OF REPORT:

- 1.1 Budget Council approved the 2023-24 General Fund revenue budget on 8 March 2023. The forward financial forecast for 2024-25 to 2027-28 (2024-28) is now refreshed and an update given on the key budget assumptions. A budget deficit, before allowance for savings, efficiencies and any further government support, of £75m is forecast for 2024-25, increasing to £137m by 2027-28.
- 1.2 Croydon's finances, like those of the wider local government sector, are under strain from inflationary pressures and increasing demand for essential social care, housing and welfare services. An allowance of £17m is made within the updated 2024-25 forecast for inflationary pressures and £13m to meet demand and legacy budget pressures. Overall, by 2027-28, new inflation and growth pressures of £111m are modelled.
- 1.3 Croydon's financial challenge is compounded by significant, and independently well documented, local historic legacy (governance, financial, service delivery and structural) issues. Legacy budget corrections of £49m were made in 2023-24 following the launch of the Opening the Books exercise by the Executive Mayor in July 2022. This has more clearly established the Council's underlying financial position. Whilst there is still a risk that further historic legacy issues may emerge that will impact on future budgets this risk is diminishing. Legacy budget pressures of £0.8m are included within the updated 2024-25 MTFS forecast.
- 1.4 On 22 November 2022 the Council's Section 151 Officer issued Croydon's third Section 114 report to make it clear to all residents in Croydon and all Councillors that the Council

faced a financial situation of an extremely serious nature with significant estimated unfunded financial deficits forecast from 2023-24 onwards.

- 1.5 Subsequent discussions with central government regarding the 2023-24 budget included agreement that:
- The 2023-24 Referendum Cap for council tax increases be increased from 4.99% to 14.99% for Croydon. 8th March 2023 Budget Council subsequently approved the additional 10% increase which will result in the Council generating additional income of £21m in 2023-24. It also meant that Croydon had the largest council tax increase in the country. The Executive Mayor made clear that this was a one-off decision to increase above the national cap and he would not support doing so again should government propose a higher referendum cap for Croydon.
 - Extraordinary Financial Support in the form of additional borrowing was made available to the Council by government through the offer of a capitalisation direction of £63m for 2023-24.
 - A further capitalisation direction of £161.6m was also made available, for prior years, to cover the historic legacy finance issues that were revealed through the Opening the Books programme.
- 1.6 These measures, along with the Council agreeing to make savings of £36m in 2023-24, enabled Croydon to set a balanced budget for 2023-24. The Council is therefore currently not subject to the S114(3) report issued on 22 November 2022. The updated 2024-28 financial forecast confirms that extraordinary government support continues to be necessary unless a resolution to the high cost of servicing the Council's £1.6bn debt, is found. For financial modelling purposes this support is assumed to be provided through the further award of capitalisation directions of £38m per annum. The Executive Mayor should note that this is an assumption only at this stage and no formal approval has been requested by the Council nor granted by the government.
- 1.7 However, the Executive is extremely concerned that the continued use of capitalisation directions which is the Government's only solution at this stage for councils in financial distress, simply adds to the already prohibitive cost of funding the Council's debt burden and increases the budget problems the Council faces.
- 1.8 For 2024-25 the Council's net cost of borrowing is forecast to be £72.5m¹ – an increase of £14.5m on 2023-24 and amounting to 19% of core spending power. Each additional £38m borrowed regarding the future capitalisation directions will add an estimated £3m per annum to future borrowing costs. The Executive remains in positive dialogue with the Government on alternative forms of financial support, such as a debt reduction of £540m or equivalent revenue support that would deliver estimated revenue budget savings of £38m. This would enable the Council to set balanced budgets that do not rely on future government support and do not put additional and avoidable pressure on Croydon's taxpayers.

1 This excludes the saving from the asset disposal programme.

- 1.9 In January 2021 the Secretary of State for DLUHC (MHCLG) appointed an Improvement and Assurance Panel (IAP) to advise, support and challenge the Council on a non-statutory basis to help deliver the Croydon Renewal Plan and address the well documented governance and financial failures across the Council. The Council's historic legacy of service failings, poor financial management, weak decision making and poor governance of major investments resulted in a budget which cannot be sustained without government support – this is directly due to the amount of debt and debt servicing costs.
- 1.10 This is demonstrated through the Government's own Office for Local Government (OFLOG) financial sustainability indicators² which were first published in July 2023. They show Croydon's outturn position for 2021-22 and demonstrate that Croydon's debt level, and debt servicing cost, is far higher than the median figure for both England and the Council's nearest statistical neighbours (the 15 London boroughs that CIPFA consider are most like Croydon).

Table 1 – OFLOG Financial Sustainability Data – 2021-22 Outturn

	Croydon	Nearest neighbour median	England median
Debt servicing costs as a percentage of core spending power	16.0%	9.0%	8.0%
Total debt as a percentage of core spending power	478.6%	275.6%	226.7%

- 1.11 Following the outcome of the Executive Mayor's Opening the Books programme, a further request for significant extraordinary financial support from the Government had to be made by this Council. As outlined above borrowing permission for £224.6 million was granted. This took the Council's overall extraordinary financial support to a total of £369.6 million.
- 1.12 So despite the progress made in delivering the Croydon Renewal Plan, the Secretary of State concluded in July 2023 that the Council was not meeting its best value duty. The IAP was moved onto a statutory footing with a power to intervene if they felt the Council was acting in a way not designed to meet its duty of best value. This power of intervention is a power of last resort, and the Council has not had any powers or functions removed from it. However, unlike other councils under intervention, the Secretary of State has not deemed it necessary to appoint Commissioners to Croydon Council.
- 1.13 A new requirement of an Exit Strategy for councils in intervention has been introduced by DLUHC. The IAP have led the development of the Croydon Exit strategy and have chosen to work with the Council in its production, reflecting the very close working relationship that

² The OFLOG data measures debt servicing costs and debt levels as a percentage of core spending power. Core spending power is a government calculated indicator that is published annually within the local government finance settlement. It indicates the core revenue funding available to a local authority, including council tax, locally retained business rates, adult social care grants and revenue support grant.

exists. The Exit Strategy will be published on the Council's website on Tuesday 17th October and will be reported to the 25th October Cabinet meeting. A crucial part of this exit strategy is the resolution of the Council's independent financial sustainability. Without this, the duty of best value cannot be met. It needs to be noted that ongoing capitalisation directions do not provide a financially sustainable solution to the Council's future budget.

- 1.14 A council tax increase of 4.99% (2.99% council tax and 2% adult social care precept) is modelled for 2024-25. This is the expected referendum limit for London Boroughs. The Council has a fiduciary duty to taxpayers and the Executive Mayor has given a commitment that Croydon will not increase future council tax levels above the referendum limits set for other London Boroughs. Decisions regarding council tax levels are reserved to Full Council as part of the budget setting Council meeting.
- 1.15 The updated financial forecast identifies proposed savings of £30.9m for 2024-25 which reduce the forecast 2024-25 budget deficit to £6.0m. Work will continue before Budget Council to develop further options that deliver a balanced budget.
- 1.16 A sensitivity analysis has been undertaken of the budget assumptions, and the financial forecast, with best and worst-case options modelled. These highlight the many potential financial variables that underpin the current forecast and risks (both positive and negative).
- 1.17 It is important that there is an opportunity for Croydon's residents, businesses partners, voluntary organisations and community sector and other interested parties to have their say and to feedback any concerns regarding the 2024-25 budget proposals. Arrangements are set out for the planned budget engagement process. The budget timetable is also set out.

2. RECOMMENDATIONS

For the reasons set out in the report, the Executive Mayor in Cabinet is recommended to:

- 2.1 Note the updated financial forecast and medium-term financial strategy assumptions set out in this report.
- 2.2 Note the positive dialogue with DLUHC to develop a further package of support in order to set a sustainable and balanced budget for the future years 2024-25 to 2027-28.
- 2.3 Approve a period of public engagement, as set out in Section 4, on the proposals for returning the Council to financial and operational sustainability including the savings and growth proposals set out in Appendices B and B1.
- 2.4 Note the outcome of the public engagement will be reported back to the Executive Mayor in Cabinet as part of the budget and council tax setting decision making.
- 2.5 Consider the outcome of the review of the Council Tax Support scheme at paragraphs 3.46 to 3.54 of this report.
- 2.6 To approve the recommendation to Full Council that the Council Tax Support scheme is

not changed from that agreed by Full Council resolution on 1st March 2023.

3. BACKGROUND

- 3.1 An update is provided on the future financial challenge for Croydon as it deals with:
- Inflationary pressures
 - An increase in demand for essential social care, housing, public health and welfare services
 - Independently well documented, local historic legacy (governance, financial, service delivery and structural) issues.
 - The prohibitive cost of servicing the Council's debt burden.
- 3.2 As detailed in the 2023-24 Budget Report, Croydon cannot resolve the extremely serious financial situation it faces without on-going government support. For the years beyond 2023-24, the 2023 MTFs assumed that capitalisation directions of £38m may be required to bridge the estimated annual budget gap. The Executive remains in dialogue with central government over the type, and level, of such future government support.
- 3.3 The Executive is seriously concerned that the use of capitalisation directions will hinder the Council's return to financial sustainability by continuously adding to the prohibitive cost of the Council's debt burden. The Council's net cost of borrowing (excluding any savings realised from the sale of assets) is currently modelled to reach £72.5m in 2024-25. This takes the proportion of the Council's core spending power spent on borrowing costs to 19% compared to the median figure for England of 8%.
- 3.4 The Opening the Books review launched by the Executive Mayor in 2022 identified significant additional historic financial accounting issues which needed to be set right. These adjustments required further capitalisation of £224.6m to resolve. Following the Opening the Books review, the primary challenge facing the Council is the scale of the £1.6bn of debt (£1.3bn General Fund and £0.3bn HRA) accrued prior to 2022, which the Council remains unable to service without significant external financial support. A significant proportion of the General Fund debt (circa £320m) is not backed by physical assets, it represents toxic, negative equity.
- 3.5 A further contributing factor to Croydon's significant general fund financial challenge is that it has become responsible for a range of new burdens, and services, which are not currently adequately funded. Some examples are set out in Appendix F.
- 3.6 The Executive's preferred option for future government support would be for a debt reduction of £540m or an equivalent level of revenue grant support to be provided. This would deliver estimated revenue budget savings of £38m p.a.

and enable the Council to set balanced budgets that do not rely on further government support. A debt reduction, or equivalent grant support, would recognise both the unique 'toxic' debt burden faced by Croydon but also the burdens it has taken on without sufficient funding capacity to service the debt.

- 3.7 Dialogue is ongoing with government regarding the level and type of future government support. For budget planning purposes, this report assumes that government support will be provided through the on-going use of capitalisation directions of £38m per annum. This replicates how central government has previously supported the Council, however this is not a sustainable solution and not a cost-effective use of Council taxpayers money. This level of support is lower than the £63m capitalisation direction agreed for 2023-24.
- 3.8 The discussions with government regarding the 2023-24 Budget included agreement that the Referendum Cap for council tax increases be raised from 5% to 15% for Croydon. Budget Council subsequently approved the additional 10% increase which will result in the Council generating additional income of £21m in 2023-24. It also meant that Croydon had the largest council tax increase in the country. The Council has a fiduciary duty to taxpayers and the Executive Mayor has given a commitment that Croydon will not increase future council tax levels above the referendum limits (currently expected to be 2.99% for council tax and 2% for the adult social care precept) set for other London Boroughs. Decisions regarding council tax levels are reserved to Full Council as part of the budget setting Council meeting.
- 3.9 The updated MTFS identifies a potential 2024-25 budget deficit, before allowance for savings and additional government support, of £75m. This increases to £137m by 2027-28. The current proposed savings for 2024-25 are £26.9m and are outlined in Appendix B. An additional £4m saving is modelled in borrowing costs from the asset disposal programme.
- 3.10 After allowance for the proposed savings the forecast 2024-25 budget deficit reduces to £44m. The current assumption is that even if a debt write off has not been achieved or an exceptional grant offered that the government will make a Capitalisation Direction available of £38m for 2024-25 leaving a gap of £6m for the Council still to find. Work is on-going to identify further opportunities that will enable the budget to be a balanced for 2024-25.

The 2024-28 Medium Term Financial Strategy

- 3.11 Despite the uncertainty regarding the level and type of future government support the Council is required to develop plans for its 2024-25 budget
- 3.12 The updated 2024-28 financial forecast is detailed in Appendix A. The forecast is for the next four years rather than, as previously, three years to enable a fuller consideration of the Council's medium-term position. The 2024-25

forecast is summarised in Table 2. After allowance for the potential savings of £30.9m, put forward in this report, the forecast 2024-25 deficit is £6m.

Table 2 – 2024-25 Financial Forecast

	£m
Directorate and Corporate Base Budget	376.3
Provision for pay and contract inflation	17.0
Demand pressures and legacy budget corrections (Appendix B)	12.7
Net cost of borrowing (this is the overall cost)	72.5
Saving in borrowing costs from 2022-23 asset disposals)	-4.0
Risk/contingency provision (unchanged from 2023-24)	5.0
Economic demand pressures contingency (£5m increase from 2023-24)	10.5
Transformation investment (reduction from £10m in 2023-24)	5.0
Set aside of the increase in adult social care grants	6.3
Gross Budget Requirement	501.3
Additional adult social care grants (includes 2023-24 funding of £3.7m)	-6.3
Core grant funding (Appendix C)	-42.7
Compensation grant for under indexing the business rates multiplier	-12.4
Net Budget Requirement	439.8
Financing	
Revenue Support Grant (Appendix C)	-17.6
Business rates income (including top-up grant) (Appendix D)	-85.2
Council tax (4.99% increase modelled)	-262.1
Total Financing	-364.9
Forecast Gross Budget Deficit before Savings	74.9
New savings from the asset disposal programme (2023-24 onwards)	-4.0
Proposed Savings (Appendix B)	-26.9
Forecast Net Budget Deficit	44.0
Extraordinary government support	-38.0
Forecast deficit after extraordinary government support	6.0

Budget Assumptions

3.13 The key budget assumptions that underpin the budget forecast are summarised below.

Expenditure

3.14 **Inflation.** There is considerable uncertainty around the medium-term outlook for inflation.

3.15 The latest projections provided by the August 2023 meeting of the Bank of England Monetary Policy Committee (MPC) show inflation, as measured by the Consumer Price Index (CPI), falling back sharply from 10.15% in December 2022 to around 5% at the end of 2023. In the medium-term CPI is projected to fall to 2% in 2025. The reduction is due to past increases in energy and other goods prices falling out of the calculation of the annual rate. As at July 2023 CPI stands at 6.8%. There is a risk that inflationary pressures will be more severe, and endure longer, than the current MPC forecast.

- 3.16 The 2023-24 Croydon budget includes a £32.9m provision for inflation:
- Catch-up inflation of £1.3m to fully fund 2022-23 pay and contract pressures.
 - An allowance of £11.2m for the 2023 pay award. This is consistent with the 2022 pay award and assumes a flat rate increase of £2,226 per full-time equivalent employee plus an increase in relevant national insurance and employer contributions. This equates to an approximate increase of 6.5% in current employee budgets. The current 2023-24 National Employers pay offer for local government is the same as for 2022-23. The Trade Unions have indicated that they will reject this offer and there is a risk that the final pay award could be higher. A higher award is not provided for within the 2023-24 budget.
 - An allowance of £20.4m for contract inflation. This was unchanged from 2022-23.
- 3.17 For 2024-25 the forecast budget allows for a lower inflation provision of £17m with a provision of £12m per annum thereafter. This assumes that inflationary pressures ease in line with the MPC forecasting, e.g., £17m could be seen to fund an estimated 3.5% pay inflation of £6m with £11m funding for non-pay inflation, and £12m could be seen to fund an estimated 2% pay inflation of £3.5m with £8.5m funding for non-pay inflation.
- 3.18 A £5.5m provision was also set aside within the 2023-24 budget in recognition of the potential impact of inflation and economic demand pressures on Croydon. Should the provision not be fully utilised in 2023-24 then the unallocated balance will be available to support the 2024-25 budget. An incremental provision of £5m is modelled for 2024-25 onwards in recognition of wider economic pressures.
- 3.19 **Demand pressures and legacy budget corrections** of £12.7m are currently modelled for 2024-25. These are detailed in Appendix B. The need for budget growth, and any potential use of alternative funding streams, will continue to be reviewed as part of the 2024-25 budget process.
- 3.20 The initial modelling for the 2024 MTFS included growth pressures, brought forward from 2023, of £7.9m. A review of these items, as part of the 2024 MTFS process, has reduced these pressures by £1.8m. The changes are:
- £1m regarding the deferral of highway maintenance works to 2025-26.
 - £0.8m regarding Adult Social Care project management costs. Funding for this will be considered as part of the transformation programme.
- 3.21 **New demand and demographic pressures** will continue to arise beyond 2024-25. For financial modelling purposes it is assumed that future demand and demographic pressures will be at a similar level as for the past 2 years with an overall allowance of £14m made for 2025-26 and subsequent years.

- 3.22 **New Adult Social Care Grants.** As part of the 2023-24 Local Government Finance Settlement the government confirmed that their planned reforms regarding the 'fair cost' of adult social care will be pushed back to 2025. The government funding that was set aside for this reform was released and is expected to reach £6.3m for Croydon in 2024/25 (£2.3m regarding the adult social care discharge fund and £4.0m regarding the market sustainability and improvement fund). Within the 2023-24 budget this funding is passported for use by adult social care usage and this continues to be the case for 2024-25. The forecast 2024-25 budget deficit will potentially reduce if some, or all, of the £6.3m can be offset against the currently modelled 2024-25 inflation and demand pressures.
- 3.23 **Savings** of £30.9m are currently proposed for 2024-25 and are summarised in Appendix B. These include incremental savings of £7.1m that were originally put forward within the 2023 budget process.
- 3.24 The budget proposals also include potential uplifts in forecast resources and additional savings from the asset disposal programme. As set out in Table 3 the Executive is proposing measures that close the gross 2024-25 budget gap by £33.9m.

Table 3 – Incremental Savings and Change Proposals

Directorate	2024-25 £'m	2025-26 £'m	2026-27 £'m	All Years £m
Adult Social Care and Health	5.0	4.0	4.0	13.0
Assistant Chief Executive	4.2	0.9	-	5.1
Children, Young People & Education	4.1	0.2	-	4.3
Housing	2.0	0.6	1.0	3.6
Resources	6.7	1.0	-	7.7
Sustainable Communities Regeneration & Economic Recovery	1.4	0.4	-	1.8
Corporate / Council wide	3.6	-	-	3.6
Savings	26.9	7.0	5.0	38.9
Additional debt financing savings from asset disposals (in addition to £4m in 2023-24)	4.0	4.0	4.0	12.0
Total savings including asset disposals	30.9	11.0	9.0	50.9
Funding adjustments to Council Tax and Business Rate forecasts	3.0	0.6	-	3.6
Total Savings and Change Proposals	33.9	11.6	9.0	54.5

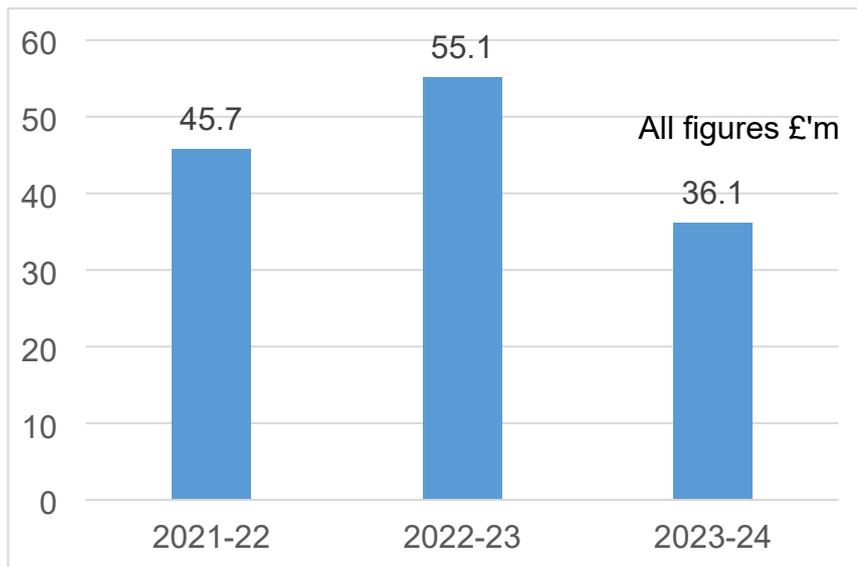
3.25 The new budget proposals for growth and savings have been developed following guidance from the Corporate Director of Resources and have been through a robust process of development and challenge with the Executive Mayor, Cabinet Members, the Chief Executive, the Corporate Management Team, service directors and managers. The proposals will now be subject to review by the Scrutiny and Overview Committee and through public engagement. Details of the new savings and growth proposals are provided in Appendix B1.

3.26 **Transformation.** Discussions are continuing with the Government appointed Improvement and Assurance Panel (IAP) regarding the level of transformation that can be sustainably delivered. It was advice from the IAP that led to the £10m transformation revenue budget being established for 2023-24. This is included in the MTFs, although it is reduced to an ongoing budget of £5m from 2024-25 onwards. Given the scale of Croydon's financial challenge the level of the transformation budget will require regular review to ensure that transformation plans can be delivered safely and sustainably.

3.27 The Executive has set a target level of savings that can safely be delivered each year beyond 2024-25 of £20m. As set out in Chart 1 the Council has identified an average of £45m+ per year in savings from 2021-22 to 2023-24. This is not sustainable for the future and risks hollowing out the services received by residents.

3.28 The chart below shows savings agreed for the last three financial years. Please note that not all the 2021-22 and 2022-23 savings were fully achieved, and some have been reversed out as part of subsequent annual budget setting. These annual savings are significantly higher than other London boroughs and our statistical neighbours.

Chart 1- Budget Savings 2021-22 to 2023-24



3.29 **The net cost of borrowing** forecast is based on the approved 2023-24 to 2026-27 capital programme and use of capitalisation directions as set out in Table 4.

Table 4 – Budgeted Capitalisation Directions

	£'m
Prior to 2023-24	145.0
Legacy issues to 2022-23 (agreed for 2023-24 Budget)	161.6
2023-24 – Existing	5.0
2023-24 – New	58.0
2024-25 – assumed	38.0
2025-26 – assumed	38.0
2026-27 – assumed	38.0
2027-28 – assumed	38.0
Total government support	£521.6m

3.30 An increase of £17.5m was made in the 2023-24 budget for the net cost of borrowing and a further increase of £14.5m is modelled for 2024-25. The Council's net cost of borrowing (excluding any savings realised from the sale of assets) is currently modelled to reach £72.5m in 2024-25. This takes the proportion of the Council's core spending power spent on borrowing costs to 19% compared to the current median for England of 8%.

3.31 The Council has put in place a programme of asset disposals to generate capital receipts that will partially mitigate the Council's increasing reliance on external borrowing. The current modelling allows for annual receipts of £50m per annum from 2022-23 to 2025-26 and incremental estimated revenue savings of £4m per annum. The estimated revenue benefit in 2024-25 is £8m (an increase of £4m on 2023-24) increasing to £16m by 2026-27. This benefit is separately identified within the forward financial plan. A new saving proposal is also put forward to deliver an additional £2m saving in 2024-25 through realising greater benefits from the disposal programme. After allowance for the potential savings from the asset disposal programme the proportion of the Council's core spending power spent on borrowing costs is modelled at 17%.

3.32 The forecast for the net cost of borrowing will continue to be reviewed in line with the development of the Council's capital programme, asset disposal strategy and the outcome of discussions with government. The future movement in interest rates is uncertain and there is risk that both long and shorter-term rates will increase as part of the Bank of England's policy response to inflationary pressures. As well as impacting on borrowing costs this may affect the potential value of future receipts.

3.33 **Contingency/risk provision.** The 2023-24 budget included an unallocated contingency of £5m and this is sum is unchanged for future years.

3.34 **General Balance.** The Council is currently finalising its accounts for 2019/20, 2020/21, 2021/22 and 2022/23 but it is anticipated that Croydon currently

holds a general fund balance of at least £27.5m. This is in line with the S151 Officer's view that this is the minimum the Council needs to hold given the scale and complexity of services provided by Croydon, as a Unitary Authority, and the Council's historic high-risk profile. The MTFs is seeking to neither add nor reduce the current general fund balance.

3.35 **Hardship funding** of £2m was approved in the 2023-24 budget to provide additional support for low-income households that cannot afford to pay their full council tax. The forward financial plan assumes that this level of funding is ongoing albeit it is now netted against forecast council tax income rather than shown as expenditure. In accounting terms, the hardship funding is delivered through the provision of council tax discounts.

Resources

3.36 Forecast **government grant funding** is detailed in Appendix C. A 1-year Local Government Finance Settlement (LGFS) was issued for 2023-24 with no certainty on future allocations. However, DLUHC have stated that no fundamental reform will be made to the needs assessments prior to 2025-26 and that the current grant formulae are likely to continue in 2024-25.

3.37 Based on this assumption 2024-25 grant levels are modelled in line with the anticipated increase in overall local government funding, as set out in the Government's 2022 Autumn Statement. Beyond 2024-25, for financial modelling purposes, an underlying 2% per annum increase is assumed in government funding. There is a risk that actual grant increases may be lower.

3.38 Exceptions to the assumed grant increase are the New Homes Bonus Grant (£1.646m in 2023-24) and Services Grant (£2.994m in 2023-24). These are potentially subject to further reform and no grant receipt is modelled for 2024-25 onwards.

3.39 Forecast **Business Rates** funding (including compensation grant for under indexing the business rates multiplier) is detailed in Appendix D. An increase of £1.9m is assumed in the overall funding receivable from business rates in 2024-25 from new developments within the borough and through allowance for inflation. Concern remains that the recent rates revaluation, which increased the rates payable in Croydon by an average of 7.5% from 1 April 2023, may have an adverse impact on collection rates and the level of business rate valuation appeals. The business rates estimate will be refreshed in January in accordance with the government timetable for submitting the 2024-25 forecast.

3.40 For **Council Tax** an increase of 4.99% (2.99% council tax and 2% adult social care precept) is modelled for 2024-25. The 2023-24 LGFS confirmed that London Boroughs could increase council tax by up to 2.99% in 2024-25, without requiring a local referendum. Croydon can also raise the Social Care

precept by 2% in both 2023-24 and 2024-25. The Council has a fiduciary duty to taxpayers and the Executive Mayor has given a commitment that Croydon will not increase future council tax levels above the referendum limits set for other London Boroughs.

- 3.41 From 1 April 2022 the Council changed the Council Tax Support Scheme to an income band scheme. This means that weekly household income is used to determine the percentage of Council Tax support provided.
- 3.42 At the Council budget meeting on 1 March 2023, it was resolved to “Change the rate at which the income bands are increased annually from the level of CPI 10.1% to the amount Council Tax is increased for that year which could be up to 15% cap.” The income band levels increase being in line with Council Tax increase was only for 2023-24 and therefore the Council Tax Support Scheme will revert from 1 April 2024 to increase the income bands in line with consumer price index (CPI) year on year inflation as at September in the prior year.
- 3.43 Beyond 2024-25 a council tax increase of 2.99% per annum is modelled for Croydon. The government have yet to indicate what the potential referendum cap will be but, given the expectation of lower inflation, it is modelled at a lower rate than for 2024-25.
- 3.44 An underlying increase in the tax base of 1.13% is assumed for each year in line with the average increase over the past 5 years with an unchanged collection rate of 97.5%. Allowance is also made for a reduction in the tax base of £2m regarding the provision of the additional hardship funding agreed within the 2023-24 budget.
- 3.45 As part of the ‘Levelling Up and Regeneration Bill’ the government are expected to pass legislation that will allow a local authority to charge a second home council tax premium. Separately the legislation also provides for charging a 100% premium on properties that are empty for more than 12 months (rather than two years as currently). Subject to the legislation passing and the passing of the 2024-25 Council budget, and any timing or other constraints, this may enable the tax base forecast to be uplifted by an estimated £0.3m in 2024-25 and £0.7m in 2025-26. This is modelled within forecast resources along with other increases of £0.7m.

Council Tax Support Review

- 3.46 In accordance with the requirements of schedule 1A of the Local Government Finance Act 1992, the Council is required each financial year to consider whether to revise its local Council Tax Support (CTS) scheme or to replace it with another scheme. The scheme should be reviewed each year to ensure that it is an effective local CTS scheme which will provide continued support to Croydon's most vulnerable residents and residents who are most in need of support. The Council must make this decision no later than 11th March (previously 31 January) in the financial year preceding when the scheme is to take effect.
- 3.47 The CTS scheme operates by offering a discount to residents who need help paying their council tax. The cost of the scheme is shared between the Council and the Greater London Authority based on respective council tax charges. The forecast 2023-24 cost of the CTS scheme as at the end of August 2023 was £33.4m with £12.6m being the cost of the pensioner scheme and £20.8m being the cost of the working age scheme.
- 3.48 There are 27,093 CTS claimants, of which 8,004 are pensioner and 19,089 are working age claimants. The current CTS scheme created by the Council is divided into two schemes, with pension age claimants receiving support under the rules prescribed by Central Government, and the scheme for working age claimants being determined by the Council. Pensioners, subject to their income can receive up to 100% support towards their council tax. The Council has no powers to change the level of support provided to pensioners and therefore any changes to the level of CTS can only be made to working age claimants.
- 3.49 The Council reviewed and changed the CTS scheme to an income banded scheme for working age claimants on 1st April 2022. This was because the previous CTS scheme was based mainly on "old fashioned" means tested benefit scheme, meaning it was difficult for residents to understand based on the complex calculation of entitlement, the administration for staff was complex with significant amounts of information and evidence needed from residents, the timescale for processing claims was delayed due to the complexity and evidence required to support claims. There was also a need to simplify the scheme not only to mitigate the effects of Universal Credit, but to make it easier for residents to make a claim and reduce the costs of administration.
- 3.50 An income banded scheme takes into consideration the net combined household, of a claimant and partner only. A council tax discount is paid incrementally, e.g. residents in receipt of the lowest income would receive the highest discount towards their council tax liability, and residents in receipt of

higher income would receive a lower discount towards their council tax liability. This means support is targeted at households with the lowest incomes and in the greatest need. An income banded scheme is fairer and easier to administer and understand.

3.51 On 1st March 2023 Full Council following a review and due regard to statutory consultation feedback of the CTS scheme, agreed recommendations to change to the CTS scheme which would take effect from 1 April 2023

- Remove the application of the minimum income floor to households where the claimant or partner are disabled
- For 2023-24 only, to change the rate at which the income bands are increased annually from the level of CPI 10.1% to the amount council tax is increased for that year which could be up to 15% cap. For 2024-25 the scheme will revert to one where the income bands are increased annually by the level of CPI
- Introduce non-dependent deductions (NDD) to disabled not working households, except where the non-dependent is in receipt of Employment Support Allowance or Limited Capability to Work, or in receipt of Carers Allowance for the claimant or partner.

3.52 Despite the current economic and cost of living crisis, and the council tax increase in Croydon of 14.99% in 2023-24, we have not seen an increase in CTS claimants during 2023-24.

3.53 It should be noted that the Council has introduced a new council tax hardship scheme from 1 April 2023 of £2m which is available to residents each year, to support those who are in most need and to help support them to pay council tax.

3.54 Having reviewed the principles of the CTS scheme (as locally adopted) for working age claimants which are detailed below:

- **Council Tax Support should be paid to those with minimal savings** – residents who have Capital of more than £8,000 cannot claim (excluding Pensioners or disabled not working whose limit is £16,000)
- **Council Tax Support should be property related** – Residents can only receive Council Tax Support to a maximum of band D.
- **Everyone should pay something** - all residents will be asked to contribute something towards Council Tax unless they are in one of the protected groups i.e., pensioner (pensioner or disabled not working).
- **Everyone in the household should pay something** – Other adults living in a household who are not the main taxpayer, or their partner will contribute to meeting the cost of Council Tax for the property

- **Make Work pay** – £50 income disregard for disabled working residents.
- **Protecting the vulnerable** – Residents who are working age residents who receive Disability Living Allowance, Personal Independence Payments or Employment and Support Allowance and not working receive 100% council tax support.

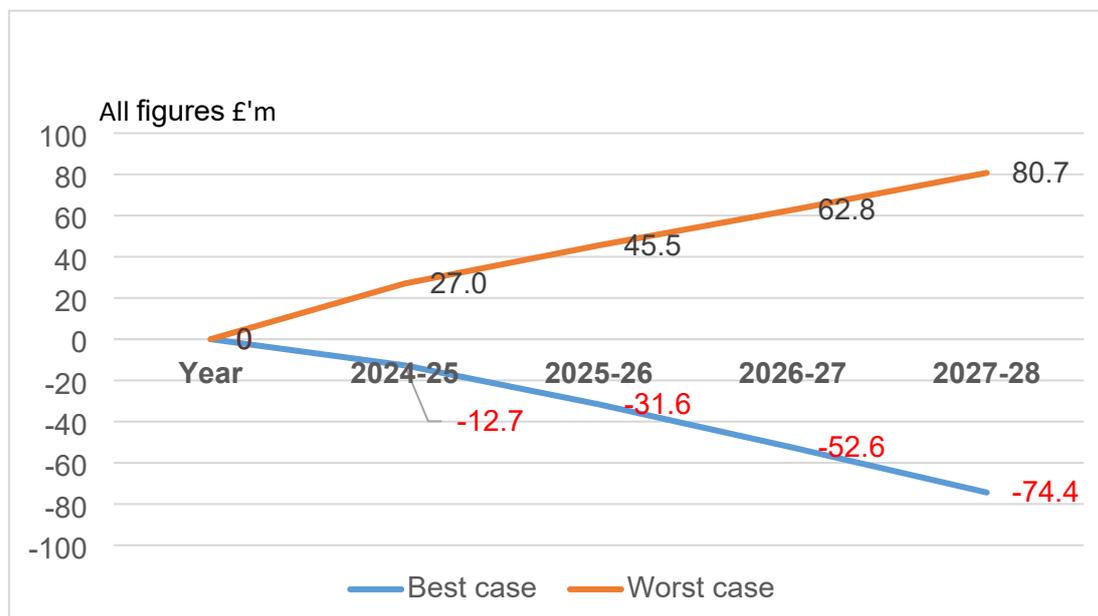
It is recommended that there are no changes to the CTS scheme from 1st April 2024.

Sensitivity Analysis

3.55 The current budget assumptions are estimates made at a specific moment in time. They will be updated, as appropriate, during the 2024 MTFS process.

3.56 Sensitivity analysis has been undertaken, as part of the review of the current assumptions, of potential best and worst-case options. The analysis is detailed in Appendix G with the variance from the current forecast summarised in Chart 2.

Chart 2 – Best/Worst Case Variance from the current MTFS Forecast



3.57 The best-case modelling would improve the forecast 2024-25 position by £12.7m and switch the forecast deficit of £6m to a £6.7m surplus. This would enable a reduction in the assumed capitalisation direction (or other form of government support) from £38m to £31.3m.

- 3.58 The worst-case modelling would increase the forecast 2024-25 deficit by £27m, which would mean a required capitalisation direction (or other form of government support) of £71m.
- 3.59 The current MTFs modelling sits broadly in the middle of the best and worst-case options. The sensitivity analysis highlights the many variables that may impact on the future financial forecast and the scale of potential financial risk (both positive and negative) faced by Croydon.
- 3.60 The most significant variable is inflation with a £45.5m differential, by 2027-28, between the best and worst-case modelling. The rate of inflation is outside of the Council's control and highlights the potential impact on the Council's financial position of wider economic factors over which it has little, or no, influence.

The 2024 Budget Process and Balancing the Books

- 3.61 Given Croydon's financial challenges, and the size of the forecast future budget deficits, the Council must reduce its expenditure significantly over the medium-term. Difficult decisions are required on the services the Council provides, and as set out in the Executive Mayor's Business Plan, the Council will need to do less and spend less in the future. However, the Council is committed to doing what it does do well.

Savings and Transformation

- 3.62 A savings programme is required that delivers services more efficiently and will consider stopping some areas of spend entirely. It must focus on the Executive Mayor's priorities:
1. The Council balances its books, listens to residents and delivers good, sustainable services.
 2. Croydon is a place of opportunity for business, earning and learning.
 3. Every child and young person in Croydon has the chance to thrive, learn and fulfil their potential.
 4. Croydon is a cleaner, safer and healthier place, a borough to be proud of.
 5. People can lead healthier and independent lives for longer.

As well as directorates considering what they can do less and spend less on, the Executive Mayor has asked officers to draw up a programme of cross-directorate transformation savings to drive the Council's financial recovery. The Executive Mayor has a commitment to transforming Croydon Council into a sustainable local authority and does not wish to "hollow out" services to the community by balancing the budget through cuts.

- 3.63 For 2024-25 the scale of savings required by the Council cannot be met through 'salami-slicing' or just stopping some services. Whilst the identification of operational efficiencies by directorates is still required, there needs to be an

increasing reliance on savings that are delivered through the transformation programme. Savings in some discretionary services could result in higher statutory costs in the future for the Council and its partners such as health and the police.

3.64 The proposed 2024-25 transformation savings are separately identified within Appendix B and total £11.4m. This represents 42% of the overall 2024-25 savings programme of £26.9m. Appendix H details the current transformation programme. This will support the identification and delivery of savings for future years.

Other Financial Measures

3.65 The current MTFS forecast identifies a remaining budget deficit, should all existing savings and growth proposals be agreed, of £6.0m. Further financial measures that the Council may consider to close this deficit include:

- Development of further options for additional savings.
- Containing inflationary pressures in 2023-24 within the overall funding envelope of £32.9m without full recourse to use of the economic pressure contingency of £5.5m. This may enable part of the contingency to be freed up as part of the 2024-25 budget process.
- Minimise the need for additional future capital borrowing by realising increased capital receipts and tightly controlling spend on the Croydon funded element of the capital programme. A separate suite of reports will be provided through the budget process on the capital programme and Treasury Management Strategy.
- Constraining new demand and demographic growth requests within the funding envelope assumed within the forward financial plan and/or identifying alternative funding streams.
- Review of the 2023-24 legacy budget corrections and demand pressures to establish if any budget headroom can be freed up.
- Development of a robust reserves strategy and action plan for the Council that mitigates against key financial risks whilst supporting necessary investment.
- Review the resource forecast as it evolves over the forthcoming months. It will be updated in line with new government announcements and actual data on business rates and council tax collection.
- Dialogue with central government on the options available to share the Council's financial burden across government, the Council and residents as service recipients. This could include a debt write-off, revenue grant support, changes to the debt payback period and the interest rate applied to debt (including in relation to capitalisation directions).

Budget Risk and Reserves

3.66 Reserves play a crucial role in good public financial management. They enable investment in service transformation and provide resilience against unexpected events or emergent needs. As one-off resources they can only be spent once. The Council has a well documented history of the imprudent use of reserves to balance its budget. It is the view of the Corporate Director of Resources that next year's budget proposals should only include prudent and appropriate use of reserves to meet one off costs.

3.67 Croydon faces a range of substantial financial risks that may require the use of reserves. These include:

- Key directorate financial risks which were identified as £23m as part of the 2023-24 budget proposals. This forecast will be refreshed prior to the setting of the 2024-25 Budget.
- The outcome of discussions with central government on the Council's need for further capitalisation directions / assistance equivalent to £38m per annum.
- A further upturn in inflation and impact of rising cost of living.
- Hospital discharge delays and pressures in the adult social care sector regarding social care waiting times, fee rates and workforce capacity.
- There is a risk that the number of children in care or the number of homeless families in the borough increases beyond what can be accommodated within existing budgets.
- The risk of recession and impact on demand for council services and income streams, such as business rates, council tax or parking charges.
- Additional financial issues coming to light as part of the external audit of the past four years of the Council's annual accounts.
- The impact of the wider economy on major Council development projects and future capital receipts.
- The future impact on London of the government's 'levelling-up' agenda and wider local government finance reform (such as business rates).
- A significant upturn in interest rates. This would impact on both the core borrowing undertaken to finance the historic capital programme and future borrowing regarding the use of capitalisation directives.
- The impact of, and costs of tackling, climate change.
- The challenge of identifying further significant future savings that balance the budget over the longer-term. The current MTFs modelling identifies a target for new savings of £20m per annum beyond 2024-25. However, there is an annual £38m shortfall driven by the cost of debt in the Council's ongoing annual budget which is currently assumed to be funded from annual Capitalisation Directions from government, which in turn will generate more cost pressures from their annual Minimum Revenue Provision (MRP) payments. This is not a sustainable financial position and not a cost-effective use of taxpayers' money and needs to be resolved.

- A financial risk from children being moved into the borough from other councils and the Council becoming liable for their needs and costs.
- The financial risk of other councils and government agencies placing homeless families and single people in Croydon and the Council having to fund new service needs.

3.58 Croydon holds reserves for the following main purposes:

- As a contingency to cushion the impact of unexpected events or emergencies. This is held as the Council's general fund balance and is estimated to be at least £27.5m which the Corporate Director of Resources and Section 151 Officer considers to be the minimum level of general fund balance that the Council should hold given its scale, complexity as a unitary council and historically high-risk profile.
- To build up funds for known or predicted requirements; these specific reserves are known as earmarked reserves. The current level of earmarked reserves is still being established through the closedown of the accounts for 2019-20 to 2022-23.
- Restricted reserves are also earmarked but there are more constraints, such as grant terms and conditions, on how the Council can use such funding. The largest restricted reserve is £30m relating to business rates income ringfenced for use in the Croydon growth zone.
- Specific reserves relating to school balances and the funding of business rate rebates as part of the government's Covid measures. As set out in Appendix D the 2023-24 business rates income forecast includes a drawdown from the business rate relief reserve (which was funded from government grant) of £12.1m that offsets a prior year adjustment made for rate reliefs granted during the Covid-19 pandemic.

3.59 The level of financial risk and reserves will continue to be reviewed as part of the 2024-28 MTFs process. The latest comparative data produced by DLUHC³ indicates that Croydon's general and earmarked reserves are still below the median level for a London Borough (46% of service expenditure compared to the median for London of 59%).

4 BUDGET ENGAGEMENT

4.1 The Council's financial challenges mean that setting the 2024-25 Annual Budget, the resulting Council Tax and the Capital Programme will require difficult decisions to be made by Members. In line with the Executive Mayor's commitment to listen to Croydon's residents it is proposed that a public engagement programme is launched to allow residents, partners, the voluntary, community and faith sector and other interested parties to provide their views and feedback on the revenue budget proposals set out in this report, including the savings proposals detailed in Appendix B1. The annual

³ Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22- DLUHC paper published 18 May 2023

budget consultation with local businesses (required in law) will also be covered by this public engagement programme.

- 4.2 If agreed, the Budget engagement will run on the Council's online platform from 6th November 2023 for at least six weeks. It will give residents and businesses the opportunity to provide their views on the services and areas of spending which are most important for them and offer the opportunity to comment on how specific savings proposals may impact them and what mitigations the Council may wish to consider.
- 4.3 The Budget engagement will be publicised across all Council communications channels including social media, shared with local voluntary, community and faith sector organisations, resident associations, local businesses and other partners, and publicised in the Council's libraries and children's centres with staff briefed to support residents and print copies of the information and survey if needed.
- 4.4 Separate individual service consultations with service users, staff and trade unions will also be undertaken ahead of implementation of individual savings proposals where required.
- 4.5 The results will be reported to Cabinet and will inform the final proposals for Council Tax setting to be presented to the Executive Mayor in Cabinet and Full Council in February and March 2024.

Budget Timetable

- 4.6 The budget proposals will continue to be reviewed and developed in the lead up to Budget Council in February/March 2024. A proposed budget timetable is attached as Appendix E.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 None.

6 CONSULTATION

- 6.1 This report commences the 2024-25 budget engagement with residents, businesses, the voluntary sector and other stakeholders.

7 CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 This report supports the Executive Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8 IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

- 8.1.1 As this report is primarily financial in nature, financial implications are covered throughout the report.

8.2 LEGAL IMPLICATIONS

- 8.2.1 Under Section 151 Local Government Act, the Council must make arrangements for the proper administration of its financial affairs and the Council's Corporate Director of Resources and Section 151 Officer has responsibility for the administration of those affairs.
- 8.2.2 The Council is under a statutory responsibility to set a balanced budget. Section 28 of the Local Government Act 2003 is required to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 8.2.3 Under Section 3(1) of the Local Government Act 1999 ("the 1999 Act"), the Council, as a best value authority, must make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. For the purpose of deciding how to fulfil the duty arising under subsection (1) an authority must consult—
- (a) representatives of persons liable to pay any tax, precept or levy to or in respect of the authority,
 - (b) representatives of persons liable to pay non-domestic rates in respect of any area within which the authority carries out functions,
 - (c) representatives of persons who use or are likely to use services provided by the authority, and
 - (d) representatives of persons appearing to the authority to have an interest in any area within which the authority carries out functions.
- 8.2.4 In addition, the Council must have regard to the statutory guidance issued under Section 26 of the 1999 Act in this regard which recommends that Authorities should include local voluntary and community organisations and small businesses in such consultation.
- 8.2.5 By virtue of Section 65 of the Local Government Finance Act 1992 ("the 1992 Act"), the Council has a duty as billing authority to consult persons or bodies appearing to it to be representative of persons subject to non-domestic rates under sections 43 and 45 of the Local Government Finance Act 1988 as regards hereditaments situated in the authority's area. Consultations must be made as to each financial year, and must be about the authority's proposals for expenditure (including capital expenditure) in that financial year; and the Secretary of State may by regulations prescribe matters which are to be treated as expenditure for this purpose.

- 8.2.6 The duty to consult as to a financial year shall be performed before the Council as billing authority makes calculations (otherwise than by way of substitute) in relation to the financial year under section 31A or section 32 of the 1992 Act. A billing authority is required to make available to persons or bodies it proposes to consult under this section such information as may be prescribed and is in its possession or control; and it shall do so in such form and manner, and at such time, as may be prescribed.
- 8.2.7 Under Section 15 of the 1999 Act, the Secretary of State has the powers to intervene if satisfied that the Council is failing to meet its best value duty. This includes the power to issue direction that the function of the authority be exercised by the Secretary of State, or a person nominated by him for a specified period.
- 8.2.8 On 20th July 2023, the Secretary of State for Levelling Up, Housing and Communities (“the SoS”) issued Directions under Section 15(5) of the LGA to the Council on the basis that the Council was failing to comply with its Best Value Duty setting out actions to be taken by the Council to comply the duty. The SoS Directions require the Council to, amongst others, continue to address the culture of poor financial management at the Authority and to continue to restore public trust and confidence in the Authority by transforming the Authority’s activities, practices, and omissions to ensure that they are compatible with the best value duty. In addition, the Council is required to secure as soon as practicable that all the Authority’s functions are exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Croydon.
- 8.2.9 The Council must comply with legal framework including established public law principles in relation to any proposed disposal of land and property. Under Section 123 the Local Government Act 1972, it has a statutory duty to sell land at the best price reasonably obtainable, unless it has the express consent of the Secretary of State. A “disposal” includes the sale of the freehold, granting a lease, assigning a lease and/or granting an easement. Entering into option agreements or sale and leaseback contracts are also be deemed to be disposals. Where land or property is used to deliver services, the Council must take a decision on changing or maintaining its existing service provision before disposing of assets that are used to provide these services. This could engage the public law duty to consult service users and other affected stakeholders.
- 8.2.10 Section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) requires the Council as the billing authority to make a localised Council Tax Reduction Scheme (which Croydon calls its Council Tax Support Scheme (“CTS”)) in accordance with Schedule 1A of the 1992 Act. Each financial year the Council must undertake a review of its scheme to consider whether it wants to revise the scheme, leave as is or replace it. Consultation must occur on any option required to change the scheme. This consultation must take place prior to introduction, and the statutory consultation process and consultees are set out in Schedule 1A paragraphs 3 and 5 of the 1992 Act and related regulations. These statutory steps include:

- Consulting any major precepting authority which has power to issue a precept to it;
- Publish a draft scheme in such a manner as it thinks fit; and
- Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

8.2.11 The 1992 Act provides that a billing authority's Council Tax Reduction Scheme must include proscribed matters set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, as amended. Most recently these regulations were amended in January 2023 to make changes to proscribed contents which do not currently form part of the Council's Council Tax Reduction Scheme. Consequently, the Council is required, without any exercise of discretion, to amend the CTS, to reflect any changes made to those regulations.

8.2.12 The Council as Billing Authority must make any revision to its scheme, or any replacement scheme, no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect. If the revised scheme is not agreed by 11 March, then the statutory provisions provide that the scheme the Council administered for the previous financial year would become the default scheme for upcoming financial year. This would mean that the Council would fail to include the most recent amendments made to the prescribed contents of such schemes.

8.2.13 In exercising its functions under various statutory requirements detailed within this report, the Council must have due regard to the public sector equality duty (PSED) contained within section 149 of the Equality Act 2010 which requires the Council to have due regard in its decision-making processes to the need to: eliminate discrimination, harassment, victimisation or other prohibited conduct, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. The protected characteristics include age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation. The equalities considerations are detailed more fully in section 8.4 below.

8.2.14 Any consultation carried out, whether under the Council's best value duty, public sector equality duty and/or other common law or statutory duty will need to comply with the following requirements ("the Gunning principles"): a) it should be at a time when proposals are still at a formative stage; b) the Council must give sufficient reasons for any proposal to permit intelligent consideration and response; c) adequate time must be given for consideration and response; and d) the product of consultation must be conscientiously taken into account before a decision is made.

Comments approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer.

8.3 HUMAN RESOURCES IMPLICATIONS

- 8.3.1 Consequences arising from this report, and the consequent actions, will be the impact upon the existing workforce, as the Council seeks to implement measures to reduce the cost overhead. The Council will need to ensure careful and consistent communications to all staff, especially staff who will be directly impacted upon. The Council should seek to retain as many vacant posts as possible to either review and delete (to contribute to cost savings) or to provide opportunities for staff redeployment. The Council should also ensure, where appropriate, staff at risk of redundancy are redeployed and retrained into new work. This approach has the benefit of avoiding redundancy costs, as well as the wider local economic impact of ensuring staff are employed, avoiding the local economic and community costs of worklessness.
- 8.3.2 All staff at potential risk of redundancy must be consulted, along with their trade union representatives, in accordance with the Council's restructure and redundancy policies and procedures. If over 99 staff in any three-month period are at risk of redundancy the Council is required to observe a 45-day statutory redundancy consultation time frame. If the number of staff at risk of redundancy is between 20 to 99 in any three-month period, the statutory redundancy consultation time frame is 30 days. The Council has a legal duty to find suitable alternative employment, where possible, and to take all reasonable measures to prevent compulsory redundancy. The Council could also seek voluntary redundancies through each planned staff restructure to reduce the impact of compulsory redundancies and selection for redundancy exercises.
- 8.3.3 The Council has established a comprehensive support network for staff including an employee assistance programme, a Guardians' network, Staff Network groups for different protected characteristics, mental health first aiders and the trade unions.

Comments approved by Dean Shoesmith, Chief People Officer, 19/09/2023.

8.4 EQUALITIES IMPLICATIONS

- 8.4.1 This report sets out a number of proposals that will change the services and provisions we provide for residents across Croydon. These proposals are subject to further work and the decisions in relation to the budget are reserved for Full Council.
- 8.4.2 As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.
- 8.4.3 The Council must, therefore, ensure that we have considered any equality implications for each of the budget proposals prior to the budget

council meeting. The Council has an established Equality Impact Assessment [EqIA] process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.

- 8.4.4 Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the Council to ensure it makes better decisions, based on robust evidence.
- 8.4.5 Our approach is to ensure the equality impact assessments are data led, using user information, demographic data and forecasts, as well as service specific data and national evidence to fully understand the impact of each savings proposal. This enables the Council to have proper regard to its statutory equality duties.
- 8.4.6 As an organisation we are committed to protecting the most vulnerable in our communities and to ensure that in making difficult decisions about funding we maintain an absolute commitment to tackling inequality and disadvantage and promoting equality for everyone who lives and works in the borough.
- 8.4.7 We have a large number of vulnerable children and asylum seekers who are in need of our services. We have also been faced with the rise of costs of the provision of adult social care, which has been exasperated following the pandemic. Alongside this our residents have been hit with cost-of-living pressures, we have supported residents through mitigations for changes where possible and signposting to other support organisations in the borough. We will continue to seek mitigation during the equality analysis process where possible. This includes the provision of emergency accommodation for a range of characteristics including disabled people who we have supported during the year.
- 8.4.8 Our initial data suggests that residents across all equality characteristics may be affected by changes. National data highlights that this may have a greater impact on race, disabilities, sex and pregnancy and maternity. We will continue to assess the impact and strive to improve our evidence and data collection, to enable us to make informed decisions.
- 8.4.9 Where consultations take place, we will ensure that we make it accessible for all characteristics including those with disabilities including neurodiversity by ensuring that we adopt Disability standards in our consultation platform. Notwithstanding those residents who are digitally excluded. We will also consult using plain English to support our residents who do not have English as a first language.
- 8.4.10 With regard to potential staff redundancies, as a diverse borough we will undertake equality analysis and seek mitigation for staff by offering redeployment and employability support. We will also assess the impact of job losses on protected characteristics.

Comments approved by Naseer Ahmad for the Equalities Programme

9 APPENDICES

- A 2024-28 Medium Term Financial Strategy Forecast
- B Growth and Savings Proposals
- B1 Details of New Savings and Growth Proposals
- C 2024-28 Government Grants and Funding Forecast
- D 2024-28 Business Rates Forecast
- E Budget Setting Timetable
- F Unfunded New Burdens and Services
- G Sensitivity Analysis – Best and Worst Case Modelling
- H Transformation Projects

10 BACKGROUND DOCUMENTS

- 10.1 None.