

LONDON BOROUGH OF CROYDON

REPORT:	CABINET	
DATE OF DECISION:	16 October 2024	
REPORT TITLE:	2025-29 Medium Term Financial Strategy Update	
CORPORATE DIRECTOR:	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION? 0824CAB	Yes	<p style="text-align: right;">Reason:</p> <p>Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates;</p> <p style="text-align: right;">AND</p> <p>Decision significantly impacts on communities living or working in an area comprising two or more Wards.</p>
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 Budget Council approved the 2024-25 General Fund revenue budget on 6 March 2024. An updated Medium Term Financial Strategy (MTFS) is now presented for 2025-26 to 2028-29, providing a forward financial forecast along with the underlying budget assumptions and budget setting timetable.

- 1.2 The Chancellor is expected to publish the Autumn Statement on 30 October 2024 which will set out the overall national funding assumptions for local government alongside related policy direction. The provisional Local Government Finance Settlement (LGFS) is then expected by December which will provide funding levels for individual councils including Croydon. The MTFS will be updated as these are received.

- 1.3 The current forecast indicates a gross budget deficit of £104.9m for 2025-26 increasing to £187.0m cumulative by 2028-29. This is before any allowance is made for savings or the approval of further extraordinary financial support from Government.
- 1.4 Croydon's finances, like those of the wider local government sector, are under strain from inflationary and market price pressures and increasing demand for essential social care, housing and welfare services. An allowance of £20m is made within the updated forecast for 2025-26 inflationary pressures and £52m growth (including to meet demand, market price and legacy budget pressures). Overall, by 2028-29, new cumulative inflation and growth pressures of £201m are modelled.
- 1.5 The updated 2025-29 financial forecast confirms that exceptional financial support from Government continues to be necessary unless a resolution is found to the high cost of servicing the Council's £1.4bn General Fund debt. For financial modelling purposes this support is assumed to be provided through the further award of capitalisation directions of £38m per annum. It should be noted that this is an assumption only at this stage and no formal approval has been requested by the Council nor granted by Government.
- 1.6 However, it remains a matter of extreme concern 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.
- 1.7 For 2025-26 the Council's net cost of borrowing is forecast to be £69m¹, amounting to 16% 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 Council's historic borrowing and subsequent debt burden continues to be critical to the non-sustainability of the Council's revenue budget. As at the end of 2021-22, data from the Office for Local Government (OFLOG) confirmed that the cost of servicing Croydon's debt, at 16% of core spending power, was double that for the median English authority.
- 1.8 Dialogue with the Ministry for Housing, Communities and Local Government (MHCLG) continues. The Council submitted a Financial Sustainability Plan on 22 May 2024 providing options of further financial support from Government in regard to its level of structural indebtedness. Such support is essential if the Council is to set balanced budgets in the future 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 However, during 2024, the Council's financial position has deteriorated significantly, as have the financial positions of most other local councils. Demand for support for families facing homelessness, the cost of support for children with complex needs and the demand for home to school transport for children with special educational needs and disabilities has increased enormously. It is a situation without precedent. Other councils are also reporting huge increases in demand and costs for adult social care services, but these pressures are less for Croydon due to the successful transformation of the service that started four years ago and still continues.
- 1.10 These new pressures mean that even were MHCLG to assist the Council to resolve the £38m ongoing gap in its budget, the Council in common with many others will struggle to achieve financial sustainability in the near future. This led to a revised Financial Sustainability Plan being presented to the Treasury and MHCLG in September as part of the new Government's Spending Review consultation.

In-Year Financial Recovery Plan

- 1.11 Although costs are being influenced by increasing external demand and market pressures, which are also acknowledged by the current Government as a priority to address through national policy, the Council will still strive to do all it can to bring its 2024-25 budget into balance including through improving financial stewardship and an in-year Financial Recovery Plan. A number of discussions and deep dives, including weekly Corporate Management Team (CMT) discussions, have taken place across all directorates around how the Council addresses the in-year overspend.
- 1.12 Initiatives that are being taken forward include:
- an in-depth review of children's expenditure, together with progressing a quick win approach together with the strategic delivery partner
 - tightened spend control panel criteria (including the removal of previous exemptions for grant/HRA funded expenditure and qualified social worker recruitment)
 - the setting up of a new agency staffing expenditure panel
 - the setting up of a new contracts panel to review all current contract expenditure
 - budget holder risk assessed review of all budgets to identify new potential opportunities to reduce spend or increase income
 - review of all grant related expenditure to ensure we are claiming all appropriate expenditure (e.g. a proportion of management/overheads) and to consider any relaxations in grant conditions by Government departments
 - review of IT and communications equipment, including looking at use of e-sims rather than separate mobile phones
 - in-year recovery plans are being developed for homelessness, children's social care placements and SEND transport.

- 1.13 MHCLG introduced the requirement of an Exit Strategy for councils in intervention and this was developed by the Improvement and Assurance Panel (IAP) and reported to Cabinet in October 2023 ([Agenda for Cabinet on Wednesday, 25th October, 2023, 6.30 pm | Croydon Council](#)). A crucial part of this exit strategy is the resolution of the Council's 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% is modelled for 2025-26. This is the estimated 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. Arrangements for the council tax referendum limit are unlikely to be known until the Chancellor's Autumn Statement on 30 October 2024. 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 £14.1m for 2025-26, a further £2.5m borrowing cost saving from asset disposals and further savings to be identified of £5.0m which together reduce the forecast 2025-26 budget deficit to £83.3m. Work will continue before Budget Council to develop further options to move towards a balanced budget.
- 1.16 The transformation work with our strategic partners will become an increasingly important driver of change. The work undertaken by Boston Consulting Group is telling us that we must make fundamental changes to benefit Croydon residents and become a sustainable council.
- 1.17 A sensitivity analysis has been undertaken of the budget assumptions, and the financial forecast, with best and worst case options modelled as set out in Appendix F. These highlight the many potential financial variables that underpin the current forecast and uncertainties/risks (both positive and negative).
- 1.18 Unfortunately, based on current projections, the Council can only balance its budget if it assumes the best case option modelled in Appendix F is achieved. If the technical case modelled in Appendix A proves more accurate, and it is based on assumptions judged currently to be most likely, further capitalisation directions of £39.5m are estimated. In addition, the base case is still carrying an unfunded balance of £5.8m (which is normal at this point in the cycle given there are so many unknowns).
- 1.19 It is important that there is an opportunity for Croydon's residents, businesses, partners, voluntary, community and faith sector organisations, and other interested parties to have their say and to feedback any concerns regarding the 2025-26 budget proposals. Arrangements are set out in this report for the planned budget engagement process and the budget setting timetable is also set out.

2 RECOMMENDATIONS

For the reasons set out in the report and its appendices, Cabinet is recommended:

1. To note the updated Medium Term Financial Strategy (MTFS) and related assumptions set out in this report.
2. To note the positive dialogue to date with MHCLG to develop a further package of support in order to set a sustainable and balanced budget for the future years 2025-26 to 2028-29.
3. To note the changes the Council needs to consider resulting from the work to develop a new target operating model, set out in paragraph 4.58 of this report.
4. To approve a period of public engagement, as set out from paragraph 4.66, 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.
5. To note the outcome of the public engagement will be reported back to Cabinet as part of the budget and council tax setting decision making.
6. To consider the outcome of the review of the Council Tax Support scheme as set out from paragraph 4.40 of this report.
7. To approve the recommendation to Full Council that the Council Tax Support scheme is not changed from that agreed by Full Council resolution on 6 March 2024.
8. To note the budget timetable set out in Appendix E.

3 REASONS FOR RECOMMENDATIONS

- 3.1 The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992.

4 BACKGROUND AND DETAILS

- 4.1 An update is provided on the future financial challenge for Croydon as it deals with:
- Inflationary and market price pressures, particularly in services for children with complex needs
 - An enormous and unprecedented increase in demand for support for families facing homelessness, children with complex needs and home to school transport for children with special educational needs and disabilities.
 - The prohibitive cost of servicing the Council's debt burden.

- 4.2 As detailed in the 2024-25 Budget Report, Croydon cannot resolve the extremely serious financial situation it faces without ongoing government support. For the years beyond 2024-25, the 2024 MTFs assumed that capitalisation directions of £38m may be required to bridge the estimated annual budget gap. Due to the escalating budget pressures, it now looks inevitable that further exceptional financial support will be required. The Council remains in dialogue with central government over the type, and level, of such future government support.
- 4.3 It is a matter of great concern 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. 2025-26 debt servicing costs for Croydon, after allowance for the Council's asset disposal programme, are estimated at 14% of core spending power compared to the median figure for an English Authority of 8%². The further use of capitalisation directions adds further cost, estimated at £3m for each £38m borrowed, to the Council's already prohibitive debt burden. The additional ongoing annual costs relating to any further request for exceptional financial support, currently modelled as up to a new capitalisation direction request of circa £39.5m for 2025-26, have not yet been reflected in the MTFs model in Appendix A.
- 4.4 The Council's longstanding preference for future government support in relation to its debt burden has been 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 per annum. Unfortunately, this is unlikely now to be sufficient to return the Council to a balanced budget. Current modelling demonstrates new ongoing budget pressures with no obvious solution apart from a best case scenario emerging during 2025-26. Without an ongoing balanced budget, the Council cannot demonstrate that it is meeting its duty of best value in line with the IAP's Exit Strategy.
- 4.5 Dialogue is ongoing with MHCLG regarding the level and type of future government support. Current guidance is that a S114 report is not required where dialogue with government is ongoing. 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 in relation to the Council's debt burden and up to circa £39.5m for new emerging budget pressures. 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.

² This is based on the Office for Local Government (OFLOG) data as at the end of 2021-22. 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.

Unfunded Burdens on Councils

4.6 Current Burdens

- General demand increases in children's social care post the pandemic
- The huge increase in demand for placements for children with complex needs, often including mental health needs, whose care used to be looked after by the NHS
- Excessive inflation on placements in children's social care driven by a broken market
- Rising demand for adult social care, particularly for working age adults with complex needs
- The reduction in funding being made available for children's and adults' placements by Health through either Continuing Health Care or through joint funding arrangements
- Huge increases in homelessness driven by the cost of living crisis and limited protections for renters
- Increasing costs of temporary accommodation in the market fuelled by housing shortages and, in part, by other players in the market bulk buying units at excessive rates e.g. the Home Office
- The gap between the 90% of the 2011 Local Housing Allowance which can be claimed by homeless families through housing benefit and the cost of temporary accommodation incurred by local authorities
- The huge increase in the numbers of children deemed to have special educational needs and disabilities (driven by unfunded changes to the Department of Education's Code of Practice 2014) who need transport to their placements
- The increasing demand and costs placed on councils from Supported Exempt Accommodation used by other agencies, e.g. health, probation, where not all the housing benefits claimed by residents can be reclaimed by the local council through the housing benefit system.
- An increase in debt financing costs with long-term PWLB interest rates having more than doubled since 2016.
- Section 21 evictions increasing homelessness
- Unrealistic limits on housing benefits and universal credit in relation to rents making housing schemes (private and public sector) unviable and therefore preventing residential new builds
- The additional costs of safety measures and generally improved standards required for residential property, which are of course to be welcomed, but push up the cost of temporary accommodation
- Huge administrative burdens in relation to bidding for specific grants, entering into legal agreements in relation to grants awarded, monitoring performance against grants awarded, claiming the cash for grants awarded (the latter activity is mostly quarterly)
- Procurement Act 2023 requirements eg moving from two statutory notices to 15 and the need to publish future contracts and their future performance against key performance indicators on an ongoing basis

- Councils having to pick up the bulk of the costs in relation to partnership boards with local public sector partners eg Safeguarding Children Partnerships, Community Safety Partnerships, Health and Wellbeing Boards etc
- Limits and controls on the mechanisms for holding housing in the General Fund for homeless families.

4.7 Potential New Burdens from the King's Speech in July 2024

- New requirements on Trading Standards in relation to vapes, blades, weights and measures
- New built environment terrorism protection requirements
- Decent Homes requirements for private sector housing
- Proposed Mental Health Bill.

4.8 It should be noted that the Council's financial position has deteriorated significantly during 2024 due to unprecedented increases in demand for support for families facing homelessness, large increases in the cost of support for children with complex needs and enormous increases in the demand for home to school transport. Similar pressures are being faced by all councils nationally. As a result, the updated MTFS identifies a much larger than originally projected potential 2025-26 budget deficit, before allowance for savings and exceptional government support, of £104.9m. This increases to £187.0m cumulative by 2028-29. The currently identified proposed savings for 2025-26 are £14.1m and are outlined in Appendix B. An additional £2.5m saving is modelled in borrowing costs from the asset disposal programme.

4.9 After allowance for an overall savings target of £19.1m and the £2.5m borrowing costs saving, the forecast 2025-26 budget deficit reduces to £83.3m. The current assumption is that, even if a debt write off has not been achieved or an exceptional grant offered, the Government will make a capitalisation direction available of £38m for 2025-26 leaving a gap of £45m for the Council still to find. If the Council used the best case model of assumptions around growth pressures and income, the gap would be £6m. Work is ongoing to identify further opportunities that will enable the budget to be balanced for 2025-26.

4.10 It should be stressed that the only tools available to the Council to address the budget gap are further reductions in costs, increased income (including from council tax) or support from government. The latter is currently only available through capitalisation directions. The change in government in July 2024 means that there is no information available as to the new government's intentions towards local government finance which makes projecting the Council's likely financial position in 2025-26 extremely difficult.

The 2025-29 Medium Term Financial Strategy

- 4.11 Despite the uncertainty regarding the level and type of future government support, the Council is required to develop plans for its 2025-26 budget.
- 4.12 The updated 2025-29 technical financial forecast is detailed in Appendix A. The 2025-26 forecast is summarised in the table below.

Table showing the 2025-26 Financial Forecast

	£m
Departmental and Corporate Base Budget	390.4
Provision for pay and contract inflation	25.5
Growth including demand and demographic pressures	52.1
Net cost of borrowing	69.0
Core saving in borrowing costs from asset disposals (base budget)	(6.7)
Corporate risk budget	5.0
Economic demand and pressures contingency budget	5.0
Gross Budget Requirement	540.4
Core grant funding	(44.4)
Compensation grant for under indexing the business rates multiplier	(16.4)
Net Budget Requirement	479.6
Financing	
Revenue Support Grant	(18.0)
Business rates income (including top-up grant)	(81.8)
Council tax (4.99% increase modelled)	(274.9)
Total Financing	(374.7)
Gross Budget deficit	104.9
Incremental borrowing cost saving from asset disposals	(2.5)
Savings target (includes existing savings identified in the 2024 MTFS)	(19.1)
Assumed Capitalisation Directions	(38.0)
Net Forecast Budget deficit	45.3
Adjustment to best case forecast model (under-written by capitalisation directions)	(39.5)
Net Forecast Budget deficit (best case model)	5.8

Budget Assumptions

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

Expenditure

- 4.14 **Inflation:** Inflationary pressures have eased since the Consumer Price Index (CPI) peaked at 11.1% in October 2022 with CPI increasing by 2.2% in the 12 months to August 2024. The latest Office for Budget Responsibility (OBR) forecast for the future movement in CPI is shown in the table below. The OBR forecasts were published in the March 2024 [Economic and Fiscal Outlook](#).

Table showing Consumer Price Index Forecast

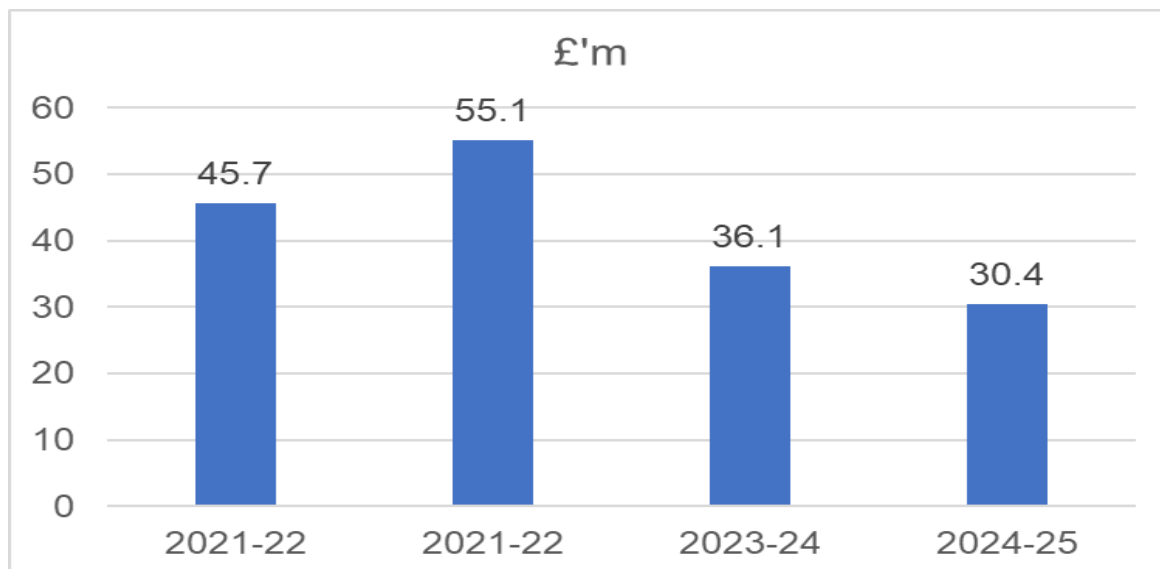
	2025	2026	2027	2028
Office for Budget Responsibility	1.5%	1.6%	1.9%	2.0%

- 4.15 Although the OBR forecast indicates that overall inflationary pressures have eased, the Council is impacted by living wage inflationary impacts on staffing costs (including external contracts that include a large staffing proportion of costs) and higher wage price increases feed through to Council costs with a lag.
- 4.16 The 2024-25 inflation budget agreed by Full Council was £18.183m which could notionally be seen as an estimated 4% pay award of £6.4m with £11.783m funding for non-pay inflation. Service directorates have calculated the inflation experienced on contracts for 2024-25 at £15.694m (excluding the Housing General Fund). The pay inflation requirement will not be fully known until the National Joint Council (NJC) negotiations on the 2024-25 pay award are finalised. The Joint Negotiating Committee for Chief Officers of Local Authorities agreed in July a 2024-25 pay award of 2.50% on the individual basic salaries of Chief Officers.
- 4.17 For 2025-29, the MTFs allows for a further easing in inflationary pressures with a provision of £14m per annum from 2026-27. This could be seen to fund a 2% pay award of £3.9m with £10.1m funding for non-pay inflation. The 2025-26 inflation budget has a higher allowance of £20m (including £10.4m estimate for adult social care packages) to allow for a potentially higher increase in London Living Wage (LLW) and also includes a £5.5m catch up on the estimated underfunding in 2024-25. The 2025-26 inflation allowance will be revised for the MTFs report in February, following the publication of the London Living Wage increase by the Mayor of London.
- 4.18 **Economic Demand Pressures:** There is a risk that inflationary and market price pressures will be greater than the £14m provision set aside for 2026-27 onwards. As potential mitigation, the MTFs allows for an additional £5m contingency budget per annum regarding economic demand pressures. This contingency was reduced to nil in the 2024-25 budget, however, market price pressures identified in 2024-25 financial performance reporting have demonstrated the requirement to restore this contingency in order to set a more sustainable budget.

- 4.19 **Demand pressures and legacy budget corrections:** The MTFs provides £52.1m for growth in 2025-26 including demand, demographic and market price pressures and legacy budget corrections. This includes £15.1m for children's social care placements, £15.1m for homelessness emergency accommodation, £8.6m for Special Educational Needs & Disabilities (SEND) transport, £5.1m for adult social care placements and £3m for the waste contract. Growth proposals are detailed in Appendix B.
- 4.20 **Future demand and demographic pressures:** The MTFs includes an unallocated provision for future demand and demography of £10m in each of the years from 2026-27.
- 4.21 **Savings and transformation:** Croydon must significantly reduce expenditure over the medium term if it is to meet the future financial challenge. Future Croydon, the Council's 2024-29 transformation plan, was agreed by Cabinet in March 2024. The plan builds on the foundations of the improvement work undertaken to date and seeks to radically change the way the Council delivers services for residents and connects with communities. Future Croydon will support the Council in delivering the Mayor's Business Plan priorities and also in identifying a significant level of savings in future years. To support this work, the Capital Programme and Capital Strategy 2024-30 will include transformation investment funded through the flexible use of capital receipts.
- 4.22 The Council's 2024-28 MTFs agreed by Full Council in March 2024 included savings totalling £12.0m for 2025-28 and following review of these and new savings proposals, there are savings identified to date of £41.2m for 2025-29. Appendix B lists all proposed savings (including previously agreed ones) and appendix B1 provides more detail on new savings proposals. The MTFs also includes the benefit of additional borrowing cost savings from the asset disposal programme of £2.5m in 2025-26 and a further £0.8m in 2026-27.
- 4.23 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.
- 4.24 The Council is aiming to become the most efficient and cost effective council in London. As demonstrated in Chart 1, the Council has identified an average of over £41m savings per year from 2021-22 to 2024-25. These annual savings are significantly higher than for other London boroughs and the Council's statistical neighbours. Through Future Croydon the Council will strive to continue delivering higher savings provided it is safe to do so and that the services received by residents are not hollowed out.

4.25 The current MTFS assumes that further transformation savings of £5m will be identified for 2025-26 in partnership with the Strategic Delivery Partners, including through the new Target Operating Model. The diagnostic and due diligence work is continuing and these savings are expected to be added into the next iteration of the MTFS.

Chart 1 – Budget Savings 2021-22 to 2024-25



4.26 **The net cost of borrowing** forecast is based on the approved capital programme and capital strategy 2023-29. For financial planning purposes it is assumed that further capitalisation directions of £38m per annum will be required from 2025-26 to 2028-29. Given the Council's high debt burden, the capital programme has been reduced in recent years. However, it is expected that essential capital expenditure will need to be considered when updating the capital programme and strategy. The resulting increase in borrowing costs from any agreed capital growth will need to be reflected in the updated 2025-29 MTFS proposed to Cabinet and Full Council in February 2025. Any additional capitalisation directions beyond the £38m in relation to the debt burden will also need to be incorporated.

4.27 The MTFS takes account of the Council's asset disposal programme. The Council's asset base is under continual review to identify surplus assets that can be sold to generate capital receipts and minimise further borrowing. The asset disposal programme aims to generate capital receipts of £200m over the 2022-26 period.

4.28 The current 2025-26 forecast for the net cost of borrowing is £69.0m prior to forecast savings of £9.2m from asset disposals. The net cost of borrowing includes interest payments on external debt and the annual charge to revenue for debt repayment (minimum revenue provision), partially reduced by investment income. The debt servicing cost is forecast to be 14% of the 2025-26 net budget requirement. This is disproportionately high compared to most councils for whom the revenue cost of financing debt is in the range of 5-10% of their net budget.

- 4.29 Dialogue with MHCLG continues and a revised Financial Sustainability Plan, providing options of further financial support from Government in regard to the level of structural indebtedness, was presented to the Treasury and MHCLG in September as part of the new Government's Spending Review consultation.
- 4.30 The forecast for the net cost of borrowing will continue to be reviewed in line with the development of the Council's capital programme, closure of the 2023-24 and prior year accounts, delivery of the asset disposal strategy, discussions with Government and movement in interest rates.
- 4.31 **Hardship funding** of £0.5m was approved in the 2024-25 budget to provide additional support for low-income households that cannot afford to pay their full council tax increase. The MTFS assumes that this level of funding continues. It is treated as a decrease in council tax income in accounting terms since the hardship funding is delivered through the provision of council tax discounts.
- 4.32 **Corporate risk budget:** The 2024-25 budget included a risk budget held corporately to offset potential overspend pressures across services and the MTFS assumes that this budget continues at £5m in future years.
- 4.33 **General Balance:** The Council is currently finalising its accounts from 2020-21 to 2023-24. However, it is anticipated that Croydon currently holds a general fund balance of at least £27.5m. This is in line with the Section 151 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 assumes that the General Balance remains at this level.

Resources

- 4.34 **Government grant funding:** Appendix C shows the forecast for government grants which assumes a below inflation increase of 1% per annum. A one year Local Government Finance Settlement (LGFS) was issued for 2024-25 with no certainty on future allocations. The inflation assumption is a prudent position, pending the Chancellor's Autumn Statement expected on 30 October 2024, given that there are indications that unprotected services (such as councils, courts, further education colleges and prisons) may have low increases or even decreases in funding for 2025-26.
- 4.35 **Business Rates:** The business rates income forecast (including compensation grant for under indexing the business rates multiplier) is detailed in Appendix D. The forecast currently assumes an inflationary annual increase of 2% per annum and will be updated following the Autumn Statement and review of trends in business growth and business rates appeals.

- 4.36 **Council Tax:** The MTFs assumes an increase of 4.99% on bills for 2025-26 and 2.99% for future years. This is inclusive of any further increases in the Adult Social Care Levy. The government have not yet indicated what the 2025-26 Referendum Cap will be with the decision expected to be notified through the Autumn Statement on 30 October 2024. Each 1% increase in Croydon Council Tax is estimated to generate additional income of £2.7m.
- 4.37 The Council recognises that council tax is also a consideration as it seeks Financial Sustainability. It took the difficult decision in March 2023 to increase council tax by 14.99%, 10% above the Referendum Limit for other London councils. It also increased council tax by the Referendum Limit of 4.99% in March 2024. The Mayor recognised the financial hardship that the 14.99% increase has caused Croydon's residents and has pledged not to increase council tax by more than the Referendum Limit in the future. The Council's council tax is the 35th highest in the country out of 337 councils.
- 4.38 An underlying increase in the tax base of 0.59% is assumed for each year. This is half the trend of Croydon growth of 1.18% for the past 5 years. Below trend growth is modelled due to prudent forecasting that the upturn experienced in 2023-24 regarding the local council tax support discount caseload, particularly for the disabled not working category, will be ongoing. An unchanged collection rate of 97.5% is modelled. The forecast will continue to be reviewed during the 2025-26 budget setting process.
- 4.39 The Levelling-up and Regeneration Act 2023 enabled local authorities to change the timeframe for applying empty property council tax premiums and to introduce council tax premiums on second homes. These changes were approved for Croydon by Full Council in March 2024 and allowance is made within the 2025-26 forecast for additional income of £0.35m as a result.

Council Tax Support Review

- 4.40 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 in the financial year preceding when the scheme is to take effect.
- 4.41 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 2024-25 cost of the CTS scheme as at the end of August 2024 was £36.1m, with £13.2m being the cost of the pensioner scheme and £22.9m being the cost of the working age scheme.

- 4.42 As at 31 August 2024, there were 26,929 CTS claimants, of which 7,794 are pensioner and 19,135 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 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.
- 4.43 The Council reviewed and changed the CTS scheme to an income banded scheme for working age claimants on 1 April 2022. This was because the previous CTS scheme was based mainly on an “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, and 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.
- 4.44 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.
- 4.45 On 1 March 2023 Full Council, following a review and due regard to statutory consultation feedback of the CTS scheme, agreed recommendations to change the CTS scheme which took 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 ongoing the scheme reverted 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.
- 4.46 It should be noted that the Council introduced a new council tax hardship scheme from 1 April 2023 to provide additional support for low-income households that cannot afford to pay their full increase in council tax.

4.47 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 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.

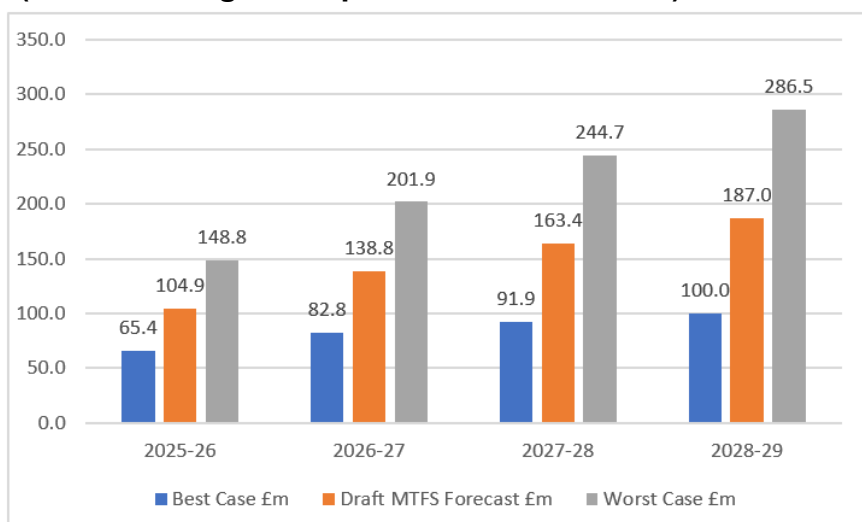
It is recommended that there are no changes to the CTS scheme from 1 April 2025.

Sensitivity Analysis

4.48 The current budget assumptions are estimates made at a specific moment in time. They will be updated, as appropriate, during the 2025-29 MTFS process.

4.49 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 F and summarised in the chart below.

Chart showing Best/Worst Case and Current Forecast of Budget Gap (before savings or capitalisation directions)



- 4.50 The best case modelling would improve the forecast 2025-26 position by £39.5m and the 2028-29 position by £87.0m. The worst case modelling would increase the forecast 2025-26 deficit by £43.9m and the 2028-29 deficit by an extra £99.5m.
- 4.51 The technical MTFs forecast in Appendix A sits broadly in the middle of the best and worst case options. The sensitivity analysis does highlight the many variables that may impact on the future financial forecast and the scale of financial uncertainty (both positive and negative) faced by Croydon. Several significant variables, such as demand and demographic pressures, inflation, interest rates or government grant funding are outside of the Council's control and reinforce the need for Croydon to take measures, such as holding reserves or maintaining an adequate contingency, that provide sufficient financial resilience.

The 2025-26 Budget Process and Balancing the Books

- 4.52 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

- 4.53 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.
- 4.54 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 unsustainable cuts.

- 4.55 For 2025-26 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.
- 4.56 The 'Future Croydon' transformation programme will become increasingly important in supporting the Council to deliver the priorities set out in the Mayor's Business Plan and will identify a significant level of savings in future years.
- 4.57 The work with the strategic partners for Adult Social Care & Health (Newton Europe) and Children, Young People & Education (Impower) is progressing well with initial baselining and discovery work expected to lead to significant savings.
- 4.58 Work to develop a new target operating model has moved forward at pace over the summer. This work is telling us that we must make fundamental changes to benefit Croydon residents and become a sustainable council. These changes are critical to making sure we deliver the Mayor's Business Plan, the Future Croydon transformation plan and make necessary, significant savings.
- 4.59 These changes are centred around the following priorities:
- **Helping to restore a sense of pride in Croydon as a place.** This means putting even more focus on attracting investment into Croydon, regenerating the town centre and local neighbourhoods to help rebuild pride in the borough.
 - **Working even more closely with partners.** This means changing how some services are delivered to better match residents' priorities, and to deliver better value. This includes working more closely with the voluntary sector, public sector, businesses and others.
 - **Acting more effectively as "One Council".** This means making it simpler for residents to access council services – providing easier ways to access information and contact the council, including 'self-service' digital options where appropriate.
 - **Organising to become the most cost-effective council in London.** This means simplifying council teams and investing in digital tools to support the workforce and better service residents.
- 4.60 A progress update on the Future Croydon plan and Council Improvement plan will be presented to Cabinet in November.

Other Financial Measures

- 4.61 The current MTF5 forecast identifies a remaining budget deficit, should all existing savings and growth proposals be agreed. Further financial measures that the Council may consider to close this deficit include:
- Development of further options for additional savings.
 - 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.
 - 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, additional revenue grant support, changes to the debt payback period and to the interest rate applied to debt (including in relation to capitalisation directions).

Budget Risk and Reserves

- 4.62 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 prior to 2020. 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.
- 4.63 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 2024-25 budget proposals. This forecast will be refreshed prior to the setting of the 2025-26 Budget.
 - The outcome of discussions with central government on the Council's need for further capitalisation directions or assistance equivalent to £38m per annum in relation to excess debt servicing costs compared to other councils.
 - 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.
- Further increases in the cost of supporting children with complex needs.
- 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 a government '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 directions.
- 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. Previous MTFs modelling identified a target for new savings of £20m per annum beyond 2025-26. The new financial pressures mean that a £20m annual savings target will be insufficient to balance the Council's budget.
- The 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, as will any additional capitalisation directions required to balance future budgets, estimated at circa £39.5m for 2025-26. 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.

4.64 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 2020-21 to 2023-24.

- 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 £27m 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.

4.65 The level of financial risk and reserves will continue to be reviewed as part of the 2025-29 MTFS process. The latest comparative data produced by MHCLG³ 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%).

BUDGET ENGAGEMENT

4.66 The Council's financial challenges mean that setting the 2025-26 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 budget consultation with local businesses (required in law) will also be covered by this public engagement programme.

4.67 If agreed, the budget engagement will run on the Council's online platform from 28 October 2024 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.

4.68 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.

4.69 Separate individual service consultations with service users, staff and trade unions will also be undertaken ahead of implementation of individual savings proposals where required.

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

- 4.70 The results will be reported to Cabinet on 12 February 2025 and will inform the final proposals for Council Tax setting to be presented to Cabinet and Full Council in February and March 2025.

Budget Timetable

- 4.71 The budget proposals will continue to be reviewed and developed in the lead up to Budget Council in February/March 2025. A proposed budget timetable is attached as Appendix E.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 None.

6 CONSULTATION

- 6.1 This report commences the 2025-26 budget engagement with residents, businesses, the voluntary sector and other stakeholders.

7 CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 This report supports the 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.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

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** The steps that will be taken with respect to consultation and engagement are set out at paragraphs 4.66 to 4.70 and section 6 of this report.
- 8.2.8** 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.
- 8.2.9** 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.
- 8.2.10** 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.
- 8.2.11** 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. The recommendation in this report proposes no change to the CTS scheme from 1 April 2025.

8.2.12 The 1992 Act provides that a billing authority's Council Tax Reduction Scheme must include prescribed matters set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, as amended.

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 Kiri Bailey, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer, 08/10/2024.

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, 7/10/2024.

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 Ken Orlukwu, Senior Equalities Officer, on behalf of Helen Reeves, Head of Strategy & Policy on 08/10/2024.

9. APPENDICES

- A 2025-29 Medium Term Financial Strategy Forecast
- B Draft Savings and Growth Proposals
- B1 Details of New Draft Savings and Growth Proposals
- C 2025-29 Government Grant Forecast
- D 2025-29 Business Rates Forecast
- E Budget Setting Timetable
- F Sensitivity Analysis – Best and Worst Case Modelling

10. BACKGROUND DOCUMENTS

- 10.1 None.