

REPORT TO:	SCRUTINY AND STRATEGIC OVERVIEW COMMITTEE 17th DECEMBER 2014
AGENDA ITEM:	7
SUBJECT:	COUNCIL BUDGET - 2015/16
LEAD OFFICER:	Richard Simpson - Director Finance & Assets (Section 151 Officer)
CABINET MEMBER:	Councillor Tony Newman, Leader of the Council Councillor Simon Hall, Cabinet Member for Finance and Treasury

ORIGIN OF ITEM	This item is contained in the Committee's work programme
BRIEF FOR THE COMMITTEE	To scrutinise the proposed 2015/16 Council Budget

1. INTRODUCTION AND BACKGROUND

- 1.1 The report sets out the context and challenges faced by the council in setting a balanced budget for 2015/16. The report also sets out the current savings plans and approach to transformation of the council and over the next 4 years. This is in advance of the final budget decisions being made by council in February 2015.
- 1.2 Funding and grant reductions are expected from national government over the medium term with a funding gap of over £100m projected by 2017/18 (a quarter of the base budget). To address this funding gap the Council has initiated the Croydon Challenge programme to drive through the transformation of Council services. The programme will focus on making our council more efficient but critically more effective, through our focus on the right outcomes, and delivering services to the public that changes people's lives for the better. While we focus on managing this challenge, we will also be demanding the government take immediate action to deliver a Fair Funding Share for the People of Croydon.
- 1.3 The choices made by in this budget reflect the clear priorities set out in the manifesto of the administration. This is particularly clear in the focus on reducing back office costs and protecting the front line and those services that matter most to our residents. This is reflected in table 4 and 5 which show the investment and savings by Cabinet member portfolio.
- 1.4 The Coalition Government that took office after the 2010 general election has followed a policy aimed at reducing the public sector deficit, principally through reductions in public expenditure. One of the main areas to be cut has been local

government. As a result Councils have had significant reductions in their funding from government grants and further reductions are expected over the medium term. At the same time the Council has faced increasing demand for some services due to demographic pressure (population growth due to natural increases and migration, particularly in older age groups and children) and the consequences of other government policies such as welfare reform.

- 1.2 The London Borough of Croydon is no different from other council. In order to balance its budget the Council has already delivered over £100m in efficiency savings and cuts so far with a 32% reduction in government funding.

2.0 The 2014 AUTUMN STATEMENT

- 2.1 In his Autumn Statement, delivered on 3rd December 2014, the Chancellor of the Exchequer announced future policies that he intends to pursue around public sector expenditure and measures that he is intending to introduce in his 2015 Budget.

2.2 Public Sector Expenditure Policy

- a) **Public Sector Spend** – The Chancellor stated;-
“in the coming years there are going to have to be very substantial savings in public spending.....The work starts with our spending plans for 2015-16, which save £13.6 billion.....There will be two further years where decisions on this scale will be required”.
- b) **Growth Zones** - The Government will discuss with the Council plans for a Growth Zone in Croydon, subject to value for money. This is in response to one of the major themes of the Council’s Fairer Share campaign.
- c) **Public services Integration** - The principles of the Tackling Troubled Families programme will be extended to other groups of people with complex needs from the next Spending Review.
- d) **Integrated social Care** - The Government is committing to give local authorities and CCGs indicative multi-year budgets as soon as possible after the next Spending Review.
- e) **Business rates long-term review** – Government will conduct a review of the future structure of business rates to report by Budget 2016. The review will be fiscally neutral and consistent with the Government’s agreed financing of local authorities. Terms of reference will be published in due course.

- 2.3 Those local government finance measures that the Chancellor is proposing to implement in 2015/16 relate to Business Rates and are an extension of measures introduced in the Autumn Statement 2013.

- a) **Business rates indexation** – Government will continue the 2% cap on the RPI increase in the business rates multiplier for an additional year from 1 April 2015.

- b) **Small Business Rate Relief (SBRR)** – Government will extend the doubling of SBRR for a further year from 1 April 2015.
- c) **Transitional arrangements** – Government will extend transitional arrangements for properties with a rateable value of £50,000 and below that were facing significant bill increases due to the ending of Transitional Rate Relief from 1 April 2015 to 31 March 2017.
- d) **Business rates discount** – Government will increase the business rates discount for retail and food and drink premises with a rateable value of £50,000 and below to £1,500 up to the state aids limit for 1 year from 1 April 2015.

2.4 These measures are anticipated to be cost neutral to local government as billing authorities should receive a specific grant to cover the loss of income.

3.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 The Public Sector continues to face unprecedented challenges following the global economic crisis and has been in a period of public sector funding austerity since mid-2010. Local Government faces a significant challenge as central government resources lessen, demands for efficiency become ever higher and demands for services that much greater. It is inevitable that tougher choices, than have already been made, will have to be made over the future medium term period. On 26th June 2013 the Chancellor of the Exchequer presented the Coalition Government's Spending Review 2013, covering only 2015/16 but setting a framework for the next Parliament. The review established that the Local Government Resource DEL (Departmental Expenditure Limit) will reduce by an overall 10% over in 2015/16. DCLG's consultation on the 2015/16 Local Government Finance Settlement contained illustrative reductions in councils' funding averaging 13.02% (Croydon's was 13.24%) for existing services. The Government's intention is that councils will share an average of 3% to fund Government initiatives and policies, but as the new funding streams will be predominantly bid-based it is likely that the resulting funding distribution will be uneven. The 2013 Autumn Statement saw this reduction increased by a further 2%, falling mainly in 2014/15, due to the Government's deficit reduction target being delayed as a result of sluggish growth experienced by the economy. Government funding for Croydon will have reduced by 32% during CSR2010, increasing to 45% including CSR2013

3.2 The key element of the councils funding for services is the grant received from central government. The Provisional 2015/16 Settlement, which will include any measures introduced in the Autumn Statement, is not expected to be published until 17th/18th December. However in July 2014 the Government published a Consultation on the Draft 2015/16 Local Government Finance Settlement. Exemplifications accompanying the consultation confirmed that:-

- CSR2013 will see Croydon's 2015/16 Settlement Funding Assessment (SFA) reduce to £126.799m a reduction, on 2014/15, of **£19.649m** (13.4%). This 13.4% reduction is the reduction in the funding of existing services. The Government's statement of an overall 10% grant reduction

will be achieved by Croydon receiving additional funding for assuming additional responsibilities (mainly around social care).

- The Chancellor of the Exchequer has stated that he expects Public Sector Expenditure to fall over the next parliament at the same rate as it has fallen over the current parliament. Croydon's budget assumptions therefore are that the Council's 2015/16 SFA reduction of 13.4% will be repeated in both 2016/17 and 2017/18 resulting in cash reductions of **£16.800m** and **£14.600m** respectively (13.4% of an ever-decreasing base).

3.3 Initial allocations of 2015/16 Specific Government Grants include:-

- **New Homes Bonus (NHB)** – NHB rewards local authorities for housing growth within their boundaries. Croydon is assuming increases in the grant of **£0.810m** in 2015/16 and £2.183m in 2016/17. This allows for the impact of the 2013 Autumn Statement whereby London Boroughs will contribute £70m from their 2015/16 NHB towards the London LEP, pro-rated between boroughs. Croydon has successfully bid for our element of the top slice which is being invested in public realm improvements in Thornton Heath.
- **Education Services Grant (ESG)** – ESG funds Councils for the support services that it provides for the schools in its area. Croydon's current assumptions are that ESG will reduce by **£0.950m** in 2015/16 and £1.150m in 2016/17 as schools transfer to Academy status. Academies receive funding that enables them to commission support services outside of their local authority's provision.
- **Council Tax Freeze Grant** – The Government will reimburse councils with a grant equivalent to a 1% council tax increase if councils freeze, or reduce their 2015/16 Council Tax levels compared to their 2014/15 council tax. The commitment is for **no council tax increase for 2015/16** and this will result in a grant of approximately **£1.537m** for Croydon

3.4 The impact of the changes to general grant and specific grant expected shown above are reflected in current forecasts for the 2015/16 budget.

3.5 The **Better Care Fund** is an integrated fund to deliver better integration between the council and the CCG. The total Better Care Fund (BCF) budget for 2015/16 is £23.388m. The NHS funding is £21.498m, of which £6.423m will be from existing s256 NHS funds to support social care for the benefit of health, and £15.075m will be from the baseline 2015/16 budget. The £15.075m is not new funding and is currently fully committed by the CCG in 2014/15 to services for older people. The Council will fund £1.110m from the Disabled Facilities Grant and £0.780m from the Community Capacity capital grant. Both of these funding streams have been part of local authority funding sources for a number of years and have existing commitments. In 2015/16 the Croydon Better Care Fund will be pooled through a joint agreed s75 agreement between Croydon CCG and Croydon Council.

4 Fair Share for Croydon

4.1 Given the impact that grant reductions have had and will have in the future on the council's budget the new administration has identified the need to make the case for Croydon effectively as key. A paper called Fair Share for Croydon was presented to Cabinet in September setting out the key issues where we feel something needs to change.

4.2 These can be summarised into two main themes

1. Greater freedoms and devolutions of power to local authorities – Croydon has been working on the Ask for a Growth zone for central Croydon and the devolution of tax income to fund infrastructure investment required. This has been alongside the GLA and
2. To achieve a fairer share of central government funding allocation focusing on the issues set out below

a) Funding disparities do not reflect changes to population and poverty

- During the decade to 2011 the population of Croydon grew by 10%. The borough has also become more ethnically diverse and has the largest population of 0-16 year olds in London.
- Increasing suburbanisation of poverty i.e. the movement of less affluent households from inner London to outer London areas, is also impacting need in Croydon. Despite these issues Croydon's funding allocation is significantly less than that of other authorities in inner and outer London with similar issues to address.
- Pockets of deprivation persist in areas of the borough, which the Council is committed to tackling.

b) Allocation of formula grant

- Damping was intended to prevent major fluctuations year on year in the final grant settlements for any individual authority. However its continued application prevents the implementation of the redistribution of grant that was meant to be corrected. For 2013/14 the Council's funding was reduced by £10.6m due to the impact of damping.

c) Area cost adjustment (ACA)

- The ACA is intended to reflect geographical variations in the costs of providing local services. For the purposes of ACA, London is divided into four areas. Croydon's ACA is calculated on the basis of outdated boundaries based on the long defunct Inner London Education Authority and that Croydon has been arbitrarily placed in a group that receives the lowest uplift in London. The concentration

of grant funding in inner London and some of the gains made by Croydon's less deprived outer London neighbours through the current funding arrangements defies logic. The additional Council Tax levied to mitigate under-funding by central government is an unfair burden on Croydon's Council Tax payers.

5 Local Taxation / Collection Fund

- 5.1 Alongside grant, local taxation is the other major income stream that impacts on the budget setting of the council. The collection fund accounts for taxation from Council Tax and Business rates.
- 5.2 **Council Tax base:** the number of domestic properties in the borough is described as the Council tax base. An increase in council tax base will enable a higher level of general fund budget to be supported from any given level of Band D equivalent Council Tax. It is anticipated that there will be an increase in the Council tax base of 2.4% compared to the 2014-15 base, which will enable a further £3.125m of expenditure to be supported in the 2015-16 general fund budget. The Council tax base is adjusted for collection rates, which are proposed to remain at 96.7%

Table 2 - increase in Council Tax Base

Year	Council Tax base	Band D equivalent £	Council Tax funding £
2014-15	110,393	1,171.39	129,313,000
2015-16	113,061	1,171.39	132,438,262
Change	2,668	0	3,125,262

- 5.3 **Projected Collection Fund Surplus:** it is anticipated that a surplus of some £3.5m will be available for release into the 2015/16 general fund budget. Following the localisation of business rates in 2013/14, this figure is now a combination of the forecast surplus / deficit position for both Council Tax and business rates. Any difference between the projected surplus and final surplus for 2015-16 will be carried forward within the collection fund, for consideration in 2016-17's general fund budget. There has been a council tax surplus of the last 3 years as the taxbase has grown and collection rates have improved. Business rate localisation has led to some added risks for the council particularly in relation to appeals from businesses that can go back a number of years. The council has to provide for these even though these may go back a long time before the April 2013.

6 Other Growth areas in the 2015/16 budget

- 6.1 The biggest impact on the budget results from changes in grant and council tax on the council's income. There are, however, a number of other changes to expenditure assumptions that have to be factored into the budget assumptions. The major ones are set out below;

- 6.2 **Inflation assumptions** – Specific allowances have been made to meet budget pressures as the result of agreed pay award – In November Local government employer and unions agreed a pay award covering 2014 and 2015 of 2.2% increase affective from January 2015 until April 2016. The cost of this will be met from a 1.2% inflationary increase on pay in addition to a 1.0% increase included in the 2014/15 budget. **This has a cost of £1.133m.**
- 6.3 **Contracts** – A large element of the council spend is through third party providers. Longer term contracts have in-built indices to calculate annual changes whilst other contracts can be negotiated on an annual basis. Appropriate provision has been made based on detailed work on a contract by contract basis. **This has a cost of £3.304m**
- 6.4 **Income** – It has been assumed that where the council has discretion over the level of fees and charges these will increase in 2015/16 by RPI. **This has income of £0.895m**
- 6.5 The current figures for Inflation figures for October were 1.3% for CPI and 2.3% for RPI. Local Government will continue to face pressures on inflation mainly through pay pressures and existing contracts. The management of these inflationary pressures will be a crucial factor in balancing the future budgets of the Council.
- 6.6 **Pensions** – following the tri-annual actuarial review completed for April 2014 the employer's contribution rate was agreed as increasing by 1% from April 2015 which will see it increase from 13.1% to 14.1% of pensionable pay. **This has a cost of £0.984m**
- 6.7 **Interest Payable** – the size of the capital programme drives the changes in the interest budget. The programme is set out in section 8. As a result of the borrowing planned for 2015/16 the interest budget will increase by **£1.2m**
- 6.7 **Concessionary Fares** – London Councils' TEC committee agreed in December 2012 that there should be a transition for the introduction of usage apportionment for the National Rail and London Overground elements of the Freedom Pass settlement from 2014/15 onwards when the 2-years of usage data became available for these journeys. Owing to the significant distributional effects of moving these elements to usage apportionment the approach that was adopted is identical to that of the implementation of the original 2008 Arbitration Award, where it was phased in over three years. The total cost to Croydon of the scheme is £14.642m. **The cost increase expected in 2015/16 is £0.699m**

Departmental Growth

- 6.8 The Council continues to experience budgetary pressures on services, many of the pressures being demand led. On December 15 Cabinet received the Financial Performance Report for Quarter 2 2014/15 which highlighted several areas of forecast departmental overspend, Table 3 gives a summary

Table 3 – Revenue Outturn 2014/15

DEPARTMENT/ Division	Major Variances > £500k	Departmental Forecast	
		Qtr 2 £'000	Qtr 1 £'000
DEPARTMENT OF ADULT SERVICES, HOUSING AND HEALTH			
Housing Needs and Strategy	Housing Solutions - Bed & Breakfast - increase in the numbers of homeless persons and lack of suitable alternative accommodation	1,280	1,077
Commissioning	Mental Health - Staffing and care packages	558	558
Personal Support	Assessment and Case Management and Social Work and Safeguarding Care Packages	1,783	1,103
DASHH Total			2,849
			2,520
CHILDREN FAMILIES AND LEARNING			
Social Care & Family Support	Fostering Placements - demand for placements above budgeted levels	2,172	2,253
	Staffing - Agency Premium to be paid for posts being covered by Agency staff	501	923
Learning & Inclusion	SEN Transport - Increased demand and contract changes	1,758	1,562
CFL Total			4,183
			4,599
DEVELOPMENT AND ENVIRONMENT			
Environment	Parking Services - Additional Suspensions	824	650
	Income due to increase in works		
D&E Total			1,252
			1,531
CHIEF EXECUTIVE'S DEPT.			
Customer Services & Communications	Land Charges - additional income estimate	(500)	(500)
	Housing Benefit Income	(800)	
CED Total			(1,590)
			(786)
CORPORATE ITEMS			
Interest Payable		(2,000)	(2,000)
Use of Contingency		(1,000)	(1,000)
Additional grant income		(2,700)	(2,000)
Agency Staff Contract		(700)	
Corporate Items Total			(6,400)
			(5,000)
TOTAL			294
			2,864

The main areas of overspend are detailed out below:

1) CFL

- a) Placement costs for Looked after Children - the service is currently proving placements for 31 more children than budgeted for, and it is projected that demand for the service will continue to rise through the year and it is projected that there will be 66 placements above the budgeted figure at the end of the year. Work is currently being undertaken to review and negotiate external placement costs.
- b) Increased staff costs due to vacant posts being filled by more costly agency workers - a recruitment exercise is currently taking place and the outturn figure assumes a number of these posts will be filled by December of 2014.
- c) SEN transport costs - due to increased contract costs following the collapse of a provider and an increase in demand for the services provided. The contract will be re-procured later in the financial year and it is anticipated that contract costs will reduce.

2) DASHH

- a) Temporary accommodation costs - whilst there has been no increase in the average number of homeless people, there is a pressure on finding suitable alternative accommodation so people are remaining in expensive temporary accommodation for longer. The number of units required has increased from 467 per night in April to 675 in September.
- b) Care Package costs - due to an increase in demand for these services. Work is under way to negotiate with providers to reduce placement costs.
- c) Deprivation of Liberty Safeguards - In March 2014 the Supreme Court broadened the scope of the application of Deprivation of Liberty Safeguards (DOLS) to include many more people. The DOLS are to be applied when a person, who lacks capacity to agree to the arrangements for their care and support, is deemed to be deprived of their liberty. The new ruling says that anyone lacking capacity to agree to be in a care, nursing home or hospital, or anyone living in a tenancy or the family home and who is subject to 24 hour supervision and control and who would be prevented from leaving if they tried, is deemed to be deprived of their liberty. This is regardless of whether they and other key people such as relatives are happy with the arrangements. In order to make this deprivation lawful, the local authority as the supervisory body for this process has to arrange for an assessment within a strict timescale. This six part assessment needs to be carried out jointly by an s12 doctor and a Best Interest Assessor. Both will have received specialist training to be qualified to do this work.
- d) Ordinary Residence - The Care Act regulations extend the or exemption from April 2015 to include Supported Living. As these changes will *not* be applied retrospectively, it has resulted in a very steep increase in or activity as Councils seek to transfer all possible cases before the deadline. Croydon has lots of Supported Living within the borough and is therefore in an unfortunate position where the additional costs from incoming cases are likely to be substantially

higher than the savings from outgoing cases. Supported Living placements are usually extremely expensive, with average gross weekly costs in excess of £900 per person. There are also staff resource issues with respect of being able to effectively manage the increased workload for both incoming and outgoing cases. We are limited in terms options for how we respond to incoming referrals. However, for outgoing cases this work represents a 'now or never' opportunity and must be prioritised.

3) D&E

- a) Waste - increase in the tonnages of waste going to landfill and a shortfall in Trade Waste income. A review of trade waste is underway and was estimated to reduce this pressure and additionally investigations into the ongoing waste position are underway.
- b) Parking Services Income - there is a shortfall in both Pay and Display and CCTV generated PCN income.

6.9 Appendix 1 sets out the details of the growth included in the 2015/16 budget assumptions. The approach has been to ensure that the significant department pressures in 2014/15 are included as growth in 2015/16 to ensure there is an accurate baseline. There are also some items which reflect the priorities of the administration. **The total funding for 2015/16 department growth is £8.983m.** Table 4 below gives details at a summary level of the growth identified for each Cabinet member/portfolio:-

Table 4 – Summary of Growth Options by Cabinet Member and Portfolio

Councillor and Portfolio	2015/16 £m	2016/17 £m	2017/18 £m	2015/18 Total £m
Cllr Bee - Transport and Environment	0.175	-	-	0.175
Cllr Butler - Home and Regeneration	0.900	-	-	0.900
Cllr Collins - Clean Green Croydon	0.865	-	-	0.865
Cllr Hall - Finance and Treasury	0.136	-	-	0.136
Cllr Letts - Economic Development	-	-	-	-
Cllr Watson - Safety and Justice	0.050	-	-	0.050
Cllr Woodley - People and Communities	2.640	0.976	0.553	4.169
Cllr Flemming - Children and Families and Learning	3.997	0.786	0.917	5.700
Cllr Godfrey - Culture Leisure and Sport	0.220	0.060	(0.040)	0.240
TOTAL	8.983	1.822	1.430	12.235

- 6.10 The 2015/16 budget will also see the continued prioritisation of the reserve set aside to support the new administration's priorities.
- 6.11 To date, some £1.8m of this reserve has been allocated to specific initiatives. In 2015/16 it will continue to support Upper Norwood Joint Library, Festivals and New Addington initiatives alongside those funds already committed and reported to Cabinet.

7. Savings and the Croydon Challenge

7.1 In order to present a balanced budget for 2015/16 significant savings are required as has been set out in the earlier elements of this report. The approach is underpinned by the transformational programme Croydon Challenge.

7.2 The Croydon Challenge is the council's transformation programme comprising of 35 projects which looks at every aspect of the council that focuses on three key strategic objectives

1. Independence
2. Growth
3. Liveability

7.3 The programme has been built on a foundation of outcome thinking, and instead of looking at what services we provide, we have looked at why we provide them and how all our resources contribute to the local area and our community. We have reviewed our service offer against the strategic objectives and understood the level of need and unit costs, as well as how that service contributed to the three objectives. By building the council from the bottom up the Croydon Challenge will contribute significantly to the savings required to deliver a balanced budget over the next 3 financial years. To date significant progress has been made on the Croydon Challenge with over **£14m** of savings identified over the next financial year, and examples of these projects are;-

- a) **Digital by Design and Enabling Core** - The Cabinet on 15 December has the overall plan of how the council intends to develop and apply digital solutions that help reduce the cost and streamline the way in which the Council does business, to both the customer experience and to internal services and processes. The council will further simplify, standardise and share enabling spend in order to provide a more agile and effective support function. Over the period 2015/18 the draft plans that are already in place are expected to deliver savings of **£2.85m**. There will be further opportunities identified as more detailed work is completed.
- b) **Asset Management** - The Cabinet on 17 November agreed the Asset Strategy to support the delivery of the Growth Promise and to support the delivery of our Financial Strategy. Over the period 2015/18 the draft plans in place are expected to deliver savings of **£2.325m**, with further opportunities identified as more detailed work is completed.

- c) **Schools Mutual** - The Cabinet on 30 June agreed to the proposals for the establishment of a Mutual Trading Company for School Support Services. Savings around **£1m** have been identified in the next financial year.
- d) **Improving outcomes for the over 65s** - The Cabinet on 29 September agreed proposals by Croydon Council and Croydon Clinical Commissioning Group to identify how improvements could be achieved by taking a whole systems approach to care and health. Savings of around **£4.5m** have been identified over the next 3 financial years.
- e) **Contract Management Transformation** – Savings of **£2m** have been included in 2015/16 to reflect the new approach to Contract management and commissioning as set out to Cabinet on the 15th December. Over 2015 a number of the other Croydon Challenge projects will be coming to the Cabinet for decision.

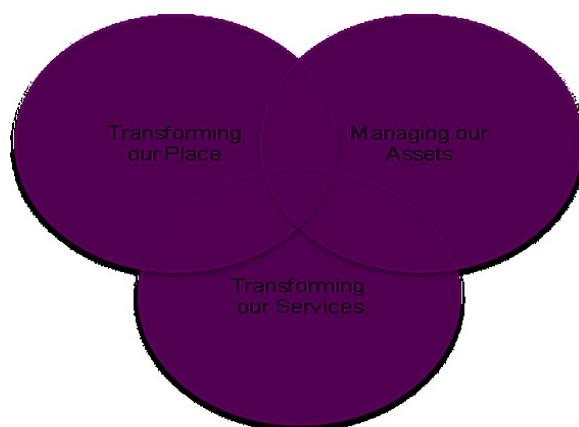
7.4 Alongside the council wide approach from the Croydon Challenge there has been scrutiny of both the budget and net spend at cabinet member portfolio. Table 5 below gives details at a summary level of the savings identified for each Cabinet member/portfolio including Croydon Challenge projects. Appendix 1 provides the detail of the 14/15 budget by service and also narrative on each growth and saving option. The decisions on savings reflect the policy priorities of the administration

Table 5 – Summary of Savings Options by Cabinet Member and Portfolio

Councillor and Portfolio	2015/16 £m	2016/17 £m	2017/18 £m	2015/18 Total £m
Cllr Bee - Transport and Environment	(0.691)	(0.210)	-	(0.901)
Cllr Butler - Home and Regeneration	(1.764)	(0.214)	(0.233)	(2.211)
Cllr Collins - Clean Green Croydon	(0.575)	-	-	(0.575)
Cllr Hall - Finance and Treasury	(12.750)	(4.825)	(1.236)	(18.811)
Cllr Letts - Economic Development	(0.090)	-	-	(0.090)
Cllr Watson - Safety and Justice	(0.795)	(0.140)	(0.113)	(1.048)
Cllr Woodley - People and Communities	(4.314)	(3.342)	(5.684)	(13.340)
Cllr Flemming - Children and Families and Learning	(4.213)	(2.351)	(2.448)	(9.012)
Cllr Godfrey - Culture Leisure and Sport	(0.660)	(0.381)	(0.244)	(1.285)
TOTAL	(25.852)	(11.463)	(9.957)	(47.273)

8. CAPITAL PROGRAMME

8.1 The Capital Investment Programme focuses on three themes;-



8.2 The proposed capital programme for 2015/18 is set out in Appendix 2 and is £327m over that period. Table 6 gives details of the funding of the overall programme.

Table 6 – Funding for the Capital Programme

Funding	Budget 2015/16 £	Budget 2016/17 £	Budget 2017/18 £	Total £
Capital Receipts	10,200,000	7,000,000	-	17,200,000
Department of Education (Targeted Basic Needs)	11,547,982	-	-	11,547,982
Department of Education (Basic Need Funding)	22,939,064	32,982,648	32,000,000	87,921,712
TFL	3,336,000	3,336,000	3,336,000	10,000,008
HRA	34,621,000	34,621,000	34,621,000	103,863,000
NHB	500,000	500,000	500,000	1,500,000
NHB - Top slice	264,000	2,158,000	-	2,422,000
Earmarked reserve contribution	233,000	-	-	233,000
Better Care Fund	900,000	900,000	900,000	2,700,000
GLA	4,353,919	-	-	4,353,919
Borrowing	30,292,481	32,656,876	22,860,000	85,809,357
TOTAL FUNDING	119,187,446	114,154,524	94,217,000	327,558,970

8.3 Some of the key projects supported in the 2015/16 programme are:

- Continued investment in the school estate to provide additional places to meet the growing demand. Including £63.956m on schools expansions.
- Investment in delivery of improvements to Fairfield Halls

- Investment in a new leisure centre in New Addington
 - Further Investment in Public Realm and Highways Infrastructure. This will include investment in West Croydon, Thornton Heath and Norbury
- 8.4 The expected capital receipts in table 5 reflect those decisions already made rather than any future opportunities.
- 8.5 Costs for the provision of school places continue to grow. Construction growth over the twelve months prior to June 2014 saw a 4.6% growth in the sector. Materials and labour costs are increasing significantly. Based on BCIS historic and predicted data in June 2014 it is anticipated that tender price from Q1 2014 to Q1 2018 will be in the region of 32.3% which exceeds previous advice whereby inflation over this period had been predicted to be circa 20%. This area of the programme is currently being reviewed and a paper will be brought to Cabinet in January as part of the Education Estate Strategy to identify these pressures which will then be fed in to the final capital programme to be approved for the Budget 2015/16 in February.
- 8.6 The draft programme outlined above meets the need for current investment in the borough. The level of borrowing for the programme has also considerably reduced and has helped to reduce the pressures on the revenue budget.
- 8.7 In September 2013, the Council was successful in bidding for £20m of funding for energy efficiency and carbon reduction schemes within its capital programme. The funding will be advanced from the European Investment Bank through Amber LEEF Green 2LLP at an agreed rate of 1.80% over a 10 year term. The comparable 10 year PWLB loan rate on the day was 3.55%. The council has also managed to secure a further £100m credit facility to fund capital schemes within the Council's Education Capital Strategy over the next few years. The EIB has indicated that it will endeavour to ensure that interest rates on the loans advanced will be lower than the PWLB certainty rates on the day.

Community Infrastructure Levy (CIL)

- 8.8 The council has other funding streams that will be able to support future infrastructure investment. The Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area. The income can be used to support development, by funding infrastructure that the council, local community and neighbourhoods need.
- 8.9 On 1st April 2013, the Croydon Community Infrastructure Levy came into force. All developments are liable to pay CIL if:-
- They involve a new build; and
 - They result in one or more new dwellings or they have a net additional floor area of over 100 square metres
- CIL may be payable even if the development does not require planning permission (provided it meets the above criteria).
- 8.10 CIL is payable per square metre of the area being developed with the first

£20 per square metre going to the Mayor for London and the remainder being retained by the Council. The amount charged per square metre varies according to the Planning Use categorisation (i.e. development type) and the location of the development within the borough. If the location is within the Croydon Metropolitan Centre a different rate will be used to a development located in the rest of the borough.

- 8.11 There are various exemptions to pay CIL which are principally regarding developments by registered charities or where at least part of the development will be used to provide social housing.
- 8.12 The government believes that CIL has the potential to rise, nationally, an additional £1bn a year of funding for local infrastructure by 2016, and CIL is expected to make an important contribution to the Council's Capital Financing.
- 8.13 In 2013/14 Croydon received £0.401m of CIL. This represents a relatively small proportion of the expected annual yield of the Levy, due to the time lapse between planning applications being approved and the reaching of the stage in development when CIL becomes collectable and it is anticipated that this proportion will grow over the next few years. The quantum of the yield will be largely dependent on the success of the Council's regeneration programme. The priorities for the investment will be reviewed at the end of this financial year.

Section 106

- 8.14 A full review of section 106 agreement is being completed so there is a clear understanding of the opportunities to align the spend with the Council's strategic plans in relation to infrastructure investment. The council currently has over £10m as a balance.

9 Regeneration

- 9.1 As reported to Cabinet earlier this year, the council is looking at a wholly owned development company, which will enable regeneration schemes to be carried out by the Council directly.
- 9.2 In order to support the delivery of the growth plan work is underway on a revolving investment fund (RIF) which will be a key lever for the council to accelerate development. This will initially focus on those schemes within the council's current control and asset base. Initially the feasibility and pre-development work will be funded from the earmarked reserve that has been created for the RIF. A regeneration programme will be brought forward alongside the capital programme in February to Cabinet setting out the priorities from this fund.

10. CONSULTATION

- 10.1 All Departments have been consulted during the preparation of this report.

11 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

11.1 The report is submitted by the Director of Finance and Assets (Section 151 Officer).

12 COMMENTS OF THE COUNCIL SOLICITOR & MONITORING OFFICER

12.1 The Solicitor to the Council comments that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

(Approved by: Julie Belvir, Council Solicitor & Monitoring Officer)

13 HUMAN RESOURCES IMPACT

13.1 There are no direct Human Resources considerations arising from this report as such, but items from savings packages and action plans included in the report or those that need to be developed in response to the report are likely to have significant HR impact. These can vary from posts not being filled or deleted, through to possible redundancies. Where that is the case, the Council's existing policies and procedures must be observed and HR advice must be sought.

(Approved by: Heather Daley, HR Business Partner, Director of Human Resources)

14 EQUALITIES IMPACT

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

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

Serving one of the most diverse boroughs in outer-London the Council's aim is to make the borough a place where people want to live and work - a place where everyone has fair and equal opportunities and life chances.

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

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

The Act lists nine Protected Characteristics as age, disability, race, religion or belief, sex (gender), sexual orientation, gender reassignment, marriage and civil partnership and pregnancy and maternity. However, it is highly unlikely that these “protected characteristics” will all be of relevance in all circumstances.

14.3 Whilst the council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.

14.4 In developing its detailed budget proposals for 2015-16 the Council aims to achieve best practice in equality and inclusion. The Council recognises that it has to make difficult decisions to reduce expenditure to meet Government cuts in grant funding and to deliver a balanced budget that meets the specific needs of all residents, including those groups that share a “protected characteristic”. Through its budget proposals, the Council will also seek to identify opportunities to improve services and the quality of life for all Croydon residents while minimising any adverse impacts of decisions, particularly in regard to protected groups. It will be guided by the broad principles of equality and inclusion that recognise the need to:

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

A detailed analysis will be presented alongside the Cabinet report on the budget in February.

**REPORT AUTHOR AND CONTACT: RICHARD SIMPSON, DIRECTOR OF
FINANCE AND ASSETS AND S151
OFFICER**

