

Mr S Downes

Our ref: CE/KM/0152
Date: 24 February 2015

Dear Mr Downes

Thank you for your recent email following the publication of the blog by our Croydon Central MP Gavin Barwell inviting you to write to me directly and engage in the awareness raising of the challenge Local Government and particularly Croydon Council faces in relation to Government funding. I thought the following would help provide you with further information following the Council budget setting for 2015/16 which took place at the Council meeting on Monday 23rd February.

The following table sets out the reduction in Government grant to Croydon that has taken place under the period of Parliament 2010 to 2015 and the continued projected grant reductions for the next 3 years 2015 to 2018. I have also set out for ease of reference in the Table below what this level of reduction has meant, and is likely to mean, for each council tax paying property in the borough so that you can understand the level of reduction for individual householders and what this might mean for you.

Table 1 – Central Government Grant Reduction for Croydon Residents

Grant Reduction to Croydon Residents	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total £m	2015/16 £m	2016/17 £m	2017/18 £m	Total £m
Reduction in Revenue Support Grant (RSG)	16.406	6.427	4.879	12.532	40.244	21.265	16.800	14.600	52.665
Reduction due to Academisation of Schools				0.623	0.623	0.843	1.150		1.993
Grant loss through Damping	-0.200	7.200	10.600	9.400	27.000	7.900	7.900	7.900	23.700
Reduction in Welfare Support and Discretionary Housing Support						1.300			1.300
Total (cash)	16.206	13.627	15.479	22.555	67.867	31.308	25.850	22.500	79.658
Grant loss inflation	1.734	4.958	4.978	4.487	16.157	4.400	5.800	5.800	16.000
Total (real terms reduction)	17.940	18.585	20.457	27.042	84.024	35.708	31.650	28.300	95.658

Detailed note for the period 2015/18: The Council estimates a loss of at least **£56m** in Government grant over this period this includes loss of RSG, reduction in grant to the Council as our schools move to Academies and reduction in specific grants to support Welfare and Housing needs in our borough. As a result of the damping system Croydon does not receive grant for recognised needs and since 2013/14 this is now a 'frozen' position in the funding from Government (**£24m**). Damping obscures the relationship between what authorities should receive in funding (undamped grant) and what they actually receive in cash terms (damped grant). By freezing damping in 2013/14, this circumvents the gradual, annual correction in funding that would have occurred by now under the previous Government funding system. Grant funding does not reflect price increases and therefore Croydon is underfunded by a further **£16m** in terms of Government funding not keeping pace with inflation. The cost of inflation therefore has to be met locally rather than is provided nationally. The above figures **do not** include funding projections in relation to population growth as these were also 'frozen' in 2013/14. Therefore as our borough's population grows we do not currently receive any additional funding from Government to meet this need and again this demand for our services needs to be met locally.

The services provided to you and your family by the Council are funded through two main sources firstly your council tax and secondly through grant provided by the Government.

As you can see from the above table the total reduction of government grant for the period 2010/15 amounts to £84 million this equates to **£579.27** per household towards the services you receive from the Council. You will also see from the above table the total projected reduction of government grant for the period 2015/18 is nearly £96 million and equates to a further **£659.67** per household in Croydon. This means over the period 2010/18 Croydon has lost and is forecast to lose a total of **£1,238.94** central government funding per household towards Council services.

As Government grant is reduced this places significant pressure on the Council to maintain services at the current level whilst keeping council tax increases to a minimum. It is important to me that as a resident you are fully aware of this and the potential changes to our services which will be required in order to continue to provide services to you and your family within these reducing resources available the Council. This is the prime purpose of the awareness raising and forms part of a programme of engagement which you would have firstly seen in the webcasting of the Scrutiny and Overview Committee in December 2014 where our local politicians considered the Council's budget proposals.

Whilst the final figures have not been announced for the periods 2016/17 and 2017/18, both major political parties have indicated that if in Government there will be no additional monies for local government and that plans for the deficit recovery would continue unaltered. This means that more Government grant reductions for Croydon are likely and therefore more grant reduction per household which support the services you receive from the Council. It is prudent to expect that the reduction of Government grant funding to Croydon will continue as has been the case since 2010. Therefore in order for the Council to plan its financial strategy for the medium term we have based our forecast on this information and assumed any future Government would chose to continue with the plans which have already been publically indicated. On that basis we can then take action to drive out efficiencies in our services to try and close the gap between the actual and projected grant

reductions and the need to raise local taxation to pay for local Council services. As you will appreciate these transformation programmes take time to deliver and implement successfully and therefore a medium term view is always essential. This will mean changes to the services we provide to you and your families over the next three years.

Now turning attention to the specific issue you have raised directly with me. The cost of this awareness raising was £795.68 or £0.005p per household. This is one of the most effective ways of raising awareness so I am encouraged that you have taken the time to write to me and engaged with this campaign. The Council may provide information about Council services pursuant to the Local Government Act 1972.

In Croydon we receive £388.77 per person in Government funding support, this compares to other areas such as Lambeth (£689.98 per person) and Wandsworth (£459.48). This shows you how different our Government funding is compared to other areas in London and why it is so important to us to raise awareness of the changes which have happened to Croydon's level of Government funding and the projected changes which will directly affect funding to support the services we provide to you our council tax payers.

I would encourage you to read the full budget papers presented to the Cabinet on the 17th February which can be found by following this link:-
<https://secure.croydon.gov.uk/akscroydon/users/public/admin/kab14.pl?operation=SUBMIT&meet=33&cmte=CAB&grpid=public&arc=1>

Once again I thank you for your email and I hope my response has given you a greater understanding of the importance of raising awareness of this crucial issue with our residents and for our borough.

Yours sincerely,



Nathan Elvery
Chief Executive