

Scrutiny & Overview Committee Supplementary Agenda



5. Budget Scrutiny 2023-24 (Pages 3 - 12)

This supplement provides a summary of the conclusions reached by the Committee and its Sub-Committees following discussion of budget scrutiny related items.

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Scrutiny & Overview Committee

16th February 2023

Budget Scrutiny 2023-24: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees

Scrutiny & Overview Committee – 6 December 2022

2023-24 Budget Update, Medium Term Financial Strategy and Savings Proposals

1. The Committee was highly concerned that the Council had the potential to become stuck in a 'debt trap' and agreed that it endorsed the efforts of the political and administrative leadership in focussing on reducing the Council's debt with support from national government, as without support in this area it was difficult to envision how the Council could become a sustainable authority in the long term.
2. The Committee was concerned that this year's budget was being drafted on a series of Microsoft Word and Excel documents, and strongly welcomed the Council's intention to move towards a more professional system of budget recording next year, which it believes is imperative.
3. The Committee noted that work continued towards the integration of the full range of functionality within the Fusion finance system, to ensure it was delivering the maximum benefit for the Council.
4. The Committee wanted to see more detail about the transformation projects proposed, as the projects listed often felt more like 'salami slicing' rather than true transformation. The Committee also wanted more reassurance that the Council would be able to meet the scale of transformation needed to achieve financial sustainability with the capacity constraints that it currently has.
5. The Committee agreed that it would look in further detail at one or two of transformation projects proposed in the Cabinet report, at its January meeting to provide reassurance that a robust framework was in place for these projects including ensure they were properly resourced and at their conclusion could provide a definitive evaluation of their success.
6. Although the Committee accepted the rationale for and the explanation of the timeline leading up to the Section 151 Officer issuing the Section 114 notice for 2023-24 budget year, some Members of the Committee felt there could have been additional emphasis placed on highlighting the potential risk of the Council needing to issue another Section 114 earlier in the year as contributory risks materialised.

7. The Committee welcomed confirmation that the Council would be engaging with the Audit Reporting and Governance Authority to provide reassurance that the Council was taking a best practice approach to its financial processes.
8. The Committee also welcomed confirmation that the Council had started to engage with London Councils on using London-wide data to inform modelling of future parking income.

Scrutiny & Overview Committee – 30 January 2023

Voluntary, Community & Faith Sector Support

1. The Committee welcomed confirmation from both the Council and Croydon Voluntary Action of their commitment to building a deeper relationship between the Council and the important voluntary, community and faith sector in our borough.
2. There were serious concerns flagged about the risk that the new ways of working with the voluntary, community and faith sector would be in place in time to support some of the organisations with the transition away from the funding provided by the Community Fund when it ended in March 2023. Given the risk that some community groups may not be able to adapt to the new arrangements in time, the need to implement tangible support plans needed to be a priority and treated with urgency to prevent the risk to services and activities being lost.
3. The Committee welcomed the commitment to looking at creative ways of providing support to the sector, particularly reviewing the use of social value in contract arrangements.

Transformation Project Deep Dives

1. It was accepted that the two projects reviewed by the Committee were still in their infancy and in the process of being mapped out. This meant that any assurance on these projects would need to be reserved until further information was available.
2. The Committee would like to see further evidence of the transformation programmes being mapped out with key milestones and time lines, once available. This will provide reassurance that processes are being followed and enable the Committee to hold people to account through timetabling further scrutiny at the appropriate time.
3. The Committee welcomed confirmation that work was underway to map out the Council's contracts, as this was an area of work that had previously been flagged as a concern by Scrutiny.

4. Confirmation that that the Programme Management Office was leading a project to introduce a new project management system was welcomed, as improved reporting was essential to ensuring there was a robust monitoring system in place.
5. Confirmation was welcomed that the savings targets attributed to the transformation projects in the 7 December 2022 Cabinet report had not been included the 2023-24 budget unless it was clear how it would be delivered.
6. It was agreed that a range of intended outcomes for the transformation projects, beyond purely financial savings, needed to be set out during the mapping phase of each project to ensure clarity of purpose.

Children & Young People Sub-Committee – 17th January 2023

Budget Scrutiny Challenge

1. The Sub-Committee were reassured by the answers provided by officers during the meeting.
2. The Sub-Committee welcomed the possibility of a transformation project looking at expanding the offer at Calleydown Residential Home.
3. The Sub-Committee acknowledged the demand led nature of the services provided by the Children, Young People and Education Directorate and were reassured that officers were managing this well with the information that was available.
4. The Sub-Committee were encouraged by the work being done in the three areas that had been presented but acknowledged that services were in new territory as recovery from COVID continued.
5. The Sub-Committee were hopeful that the departments succeeded in delivering the budget and intended savings for 2022/23 and 2023/24 and were encouraged that this was on track from the discussion in the meeting.

Health & Social Care Sub-Committee – 24 January 2023

Adult Social Care & Health Directorate - Budget & Performance

1. The Sub-Committee were of the view that the Adult Social Care and Health directorate were in a reasonably strong position in managing its budget.
2. The Sub-Committee were of the view that the Corporate Director for Adult Social Care and Health had a good understanding of the risks involved in delivering the 2022/23 and 2023/24 budgets.
3. The Sub-Committee were confident that the Adult Social Care department were on track to deliver the 2022/23 budget.
4. The Sub-Committee were of the view that, as discussions on other options were ongoing, they could not reach a view on whether better options for savings existed.
5. The Sub-Committee were of the view that the Cabinet Member and department understood the impact of savings proposals on service users and the wider community.
6. The Sub-Committee were of the view that proposed budget for 2023/24 appeared to be deliverable, sustainable and did not present an unacceptable risk.

Streets & Environment Sub-Committee – 30th January 2023

Budget Scrutiny Challenge

1. The Sub-Committee thanked officers for the detailed report and responses to Members questions in the meeting.
2. The Sub-Committee acknowledged that adequate staffing and resourcing in all three department areas covered in the report was vital to ensure that there was sufficient capacity to deliver transformation plans alongside statutory duties.
3. The Sub-Committee were of the view that officers and Cabinet Members had a good understanding the risks in delivering the 2023/24 budget and that sufficient mitigations and risk management was in place.
4. The Sub-Committee acknowledged that difficulty in recruiting to posts across all three service areas impacted on service delivery.
5. The Sub-Committee were of the view that they would like to scrutinise how fee income targets were calculated at a future meeting.

Homes Sub-Committee – 6 February 2023

Update on the Housing Revenue Account and Housing General Fund Budget

The conclusions of the Homes Sub-Committee will be reported to the Committee during the meeting on 16 February 2023.

Meeting on 6 February 2023

1. From the meeting on 6 February, the Sub-Committee concluded that there was insufficient budgetary detail provided in the report to enable it to reach a decision on whether it was reassured on the deliverability of the budget.
2. As such, it was agreed that a briefing would be arranged for the Sub-Committee to seek further assurance on the budget. The outcome from this session would be reported to the Scrutiny & Overview Committee on 16 February 2023, to inform its consideration of the wider Council budget.

Briefing – 14 February 2023

3. Although it was noted that there was a current overspend of £4.6m the Housing Revenue Account (HRA) budget, the Sub-Committee agreed that the Service had a good understanding of the reasons for this, which included rising utility costs, increased in legal disrepair costs and void rents.
4. Due to the work on the HRA recharging issue the budget was likely to be balanced at the year end. However, without the recharge correction, it was reasonable to assume that reserves would have been used to cover the overspend. As the current level of reserves held for the HRA are healthy, this could have been managed as a one-off.
5. The Sub-Committee was reassured that most of the above causes of the overspend had been incorporated within the HRA budget over the three year period of the Medium Term Financial Strategy, but there was a concern about the possibly optimistic assumption made for inflation on expenditure from April 2024 being set at 3%, given current levels of inflation exceeded 10%.
6. The Sub-Committee recognised that a significant amount of work had been invested in understanding the full scale of the issues related to the historic recharging to the HRA and the Sub-Committee understood the reasons for the readjustment included rightsizing corporate costs. Further work was required to ensure that costs had been properly recharged from individual services, with a further update requested by the Sub-Committee on this work.
7. The Sub-Committee accepted that the future budgets presented to them adequately accounted for the future needs of the service, including the planned

transformation work. However, there remained a concern about whether there was sufficient capacity within the Service to deliver the scale of transformation planned.

8. The Sub-Committee accepted that while not ideal, the current HRA Business Plan was based on a 5% sample of housing stock as an initial starting point and focussed on clear priorities such as buildings at the end of life, large panel systems and large scale disrepair. Confirmation was welcomed that going forward the Business Plan would be informed by an ongoing programme of stock condition surveys.
9. The Sub-Committee welcomed the approach not to pursue further borrowing over the next couple of years, considering the healthy reserve balance. It was also reassured that the future capital programme included a healthy budget to manage the upcoming legislative building safety changes.
10. The Sub-Committee questioned whether, considering the rising cost of utilities, further resources could have been allocated to the Net Zero workstream beyond the £1m allocated in the capital budget.
11. The Sub-Committee recognised that Housing General Fund activities, mainly homelessness and temporary accommodation services faced significant challenges with demand outweighing supply.
12. The Sub-Committee noted that the Council had been facing a significant reduction in its Homelessness Prevention Grant, but following lobbying from London Councils, this decision had been reversed and an additional winter pressures grant provided, which had helped to minimise the overspend for these services.
13. The Homelessness Prevention Grant was below the needs of the Council and as the Winter Pressures Grant was a one-off, it was agreed that the Council should continue to lobby Government for additional support to manage the homelessness pressures in the borough.
14. The Sub-Committee recognised the placement by other boroughs of people in to temporary accommodation in Croydon created a significant cost pressure for the Council and welcomed confirmation that the Council was actively engaging with these authorities to manage this issue.
15. The Sub-Committee welcomed the strand of the Transformation Programme which aimed to refocus the Service towards homelessness prevention, as this would help to reduce expenditure on temporary accommodation. However, due to the wider issue of poor quality data in the service, which was being addressed, it was recognised that some of the assumptions could not be more robust.

16. The Sub-Committee welcomed confirmation of one-off Public Health funding to allow the service to take a more holistic approach to alcohol and substance abuse issues. Confirmation of a Government grant to support the Council to meet its statutory duties towards domestic abuse victims was also welcomed, particularly as Croydon had one of the highest levels of domestic abuse in London.

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