

# Scrutiny & Overview Committee Supplementary Agenda



**2. Minutes of the Previous Meeting (Pages 3 - 10)**

To approve the minutes of the meeting held on 7 December 2021 as an accurate record.

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# Public Document Pack Agenda Item 2

## Scrutiny & Overview Committee

Meeting held on Tuesday, 7 December 2021 at 6.30 pm

This meeting was held remotely and can be viewed on the Council's website

### MINUTES

**Present:** Councillors Sean Fitzsimons (Chair), Robert Ward (Vice-Chair), Leila Ben-Hassel (Deputy-Chair), Mary Croos (reserve for Mike Bonello). Jade Appleton and Joy Prince

**Also Present:** Councillor Alisa Flemming and Stuart King

**Apologies:** Councillor Mike Bonello

### PART A

#### 88/21 **Minutes of the Previous Meeting**

The minutes of the meeting held on 19 October 2021 were agreed as an accurate record.

#### 89/21 **Disclosure of Interests**

There were no disclosures of interest made at the meeting

#### 90/21 **Urgent Business (if any)**

There were no urgent items of business for consideration by the Scrutiny & Overview Committee at this meeting.

#### 91/21 **Finance Performance Report - Month 7**

The Committee considered the Month 7 Finance Performance Report as set out on pages 15 to 48 of the meeting's agenda. The report had also been considered by the Cabinet on the previous evening, 6 December 2021. The purpose of the report being included on the agenda was to allow the Committee to identify any areas of concern they may wish to scrutinise in more detail later in the year.

An introduction to the report was provided by the Council's Director of Finance, Matthew Davis, who confirmed that the budget position for the 2021-22 budget had improved by approximately £1m, with an underspend forecasted of £400,000 at the end of month 7. There continued to be budgetary pressures that needed to be closely monitored, with a £1.6m

overspend in the budget from the provision of support for unaccompanied asylum seeking children (UASC), a £1.8m overspend on temporary accommodation and a £5.6m shortfall from the Council's Selective Licensing Scheme not proceeding.

There was an underspend in capital budget which included the £50m capitalisation direction that would be transferred at the year end. Another contributor to the under spend in the capital budget was the inclusion of funds for the purchase of housing from Brick by Brick, which had not progressed. The capital budget for 2022-23 was in the process of being prepared and was due to be reviewed through the same Star Chamber process that had been used for the general fund budget.

The Cabinet Member for Croydon Renewal, Councillor Stuart King, supplemented the introduction to the report, highlighting that the Administration had put a lot of effort into working with departments to ensure the Council was living within its means. The Cabinet was confident in the reliability of the forecasted underspend shown in the report, but it was important to continue closely monitoring the potential risks that could have an impact on the final position of the budget.

Following the introduction to the report, the Committee was given the opportunity to question the information provided. The first comment highlighted that it was difficult to identify within the report which services were overspending. It was suggested that for the sake of transparency, future versions of the report should explicitly reference where there were significant overspends within the Council along with commentary to explain the reason for the overspend and how it was being addressed.

There was concern raised about the overspend for UASC and in light of the Government only providing one off additional funding there was concern about whether the risks and costs were fully understood. It was agreed that this would be picked up by the Children & Young People Sub-Committee when it reviewed the budget for Children's Services.

As it had been noted at previous committee meetings that a lack of financial discipline across the organisation had contributed toward the financial challenges which culminated in the Section 114 Notice issued in October 2020, it was questioned whether financial control had improved in the past twelve months. It was advised that the Spend Control Panel had been in place for the majority of the past year and as a result there had been a major decline in the number of requests made for emergency payment. Any emergency payments requested needed to be fully justify before being signed off by the Panel. As such there was a greater degree of reassurance in the financial forecasting, but an absolute guarantee could not be given that there would be no unforeseen costs.

In response to a follow up question about how the financial culture of the Council had changed as a result of the spend control process, it was advised that it was unlikely the Council would revert to its previous way of working once the Panel was discontinued. Emergency payments would continue to

require sign-off by the Director of Finance. There was also work to do with suppliers to communicate the Council's payment process.

It was highlighted that there had been anecdotal reports of social workers needing to obtain authorisation in order to pay for taxi rides for clients, which if true, would raise concern. It was confirmed that the Council had a number of procurement cards that could be used for this type of situation, but there could be issues if staff were not familiar with the process. It was agreed that the Vice-Chair of the Committee would seek further reassurance on the Council's financial systems and provide an update at the next meeting.

The Council's Chief Executive provided reassurance that the Corporate Management Team (CMT) held regular discussions about how to ensure staff followed the financial controls. It was important that the members of CMT modelled these controls and cascaded them down through the organisation.

It was highlighted that the number of senior vacancies within the Housing service was a concern which would need to be monitored, but it was noted that reassurance had been given at the Cabinet meeting that this was in the process of being addressed.

As the release of a covid grant was a significant contributor to the improved budget position, reassurance was sought that this had been allocated correctly and was unlikely to be questioned when the accounts were audited. It was confirmed that the grant had been announced by the Government in December 2020 for covid related costs and to date £3.4m of these costs had been identified. At this stage there had been no further covid related costs identified and any portion of the grant not used would be held in the Council's earmarked reserves for future use. Given the Government had provided the grant without restrictions on how it could be used, there was no risk that it would be found to have been allocated incorrectly.

Given the capital programme was underspent, it was questioned whether this was an ongoing historic issue and whether there were any significant risk from the under spend. It was confirmed that it was not uncommon for Council's to be under spent in their capital programmes as the projects being funded often ran over a number of years. In order to successfully deliver the capital programme the Council needed to have the right structure in place with clear short, medium and long term objectives, and a comprehensive understand of the assets held. A further report on the Capital budget was due to be brought to the next meeting of the Scrutiny and Overview Committee before consideration by Cabinet later in the month.

Further information was requested about how decisions were made on resizing budgets and growth items. It was explained that services had to supply a bid sheet when submitting a growth bid which explained why the growth was needed. The process also required clarification about any underlying pressures to ensure these had been accounted for. There was remained a concern amongst the Committee about process for considering growth item and as such it was agreed that further reassurance would be sought outside the meeting.

Following the Committee's discussion of the information provided it was concluded that the process for delivering the budget had significantly improved from previous years. There was also reasonable reassurance that the budget was on track for delivery and an awareness of the potential risk to that delivery, which were being monitored.

## 92/21 **2022-23 Budget and Three Year Medium Term Financial Strategy**

The Committee considered a report set out on pages 49 to 88 of the agenda which provided an update on the delivery of the 2022-23 Budget and the Three Year Medium Term Financial Strategy. The report had been considered by the Cabinet at its meeting the previous evening, 6 December 2021. The report was included on the agenda as part of the budget scrutiny process which would culminate in a report to Council during its consideration of the budget on 28 February 2022.

The report was introduced by the Council's Interim Corporate Director of Resources & Section 151 Officer, Richard Ennis, who advised that although significant progress had been made with setting the budget for 2022-23 work continued to close the gap, which currently stood at £13m. There was also a need to look at the longer term budget strategy including reducing the level of debt held by the Council through the use of capital receipts. The report outlined potential risks including the ongoing negotiation with the NHS about funding for services and the ongoing underfunding by the Government of the Council's support provided by to UASC.

It was encouraging to note that the budget setting process had placed an emphasis upon requiring evidence to validate that savings were achievable, but further explanation was request to explain how deliverability was being demonstrated. It was confirmed that the aim was to bring the cost for social care service to a level that was more in line with the London average. The Council had been working with the Local Government Association (LGA) and other local authorities to manage this reduction in spend safely.

It was questioned how the Cabinet and Corporate Management Team reassured themselves that vulnerable adults and children were not being placed under increased risk as a result of the savings in social care. It was acknowledged that this was an important point and it was confirmed that the relevant statutory officers had been robustly questioned during the Star Chamber process about the safety of their proposals. The suggestion of including a statement in the final budget report from the Council's other statutory officers to confirm that the proposals did not undermine the Council's duties to children and adults was welcomed by the Committee.

As well as the using the Star Chamber process to obtain assurance on the safety of the savings within social care, further assurance had been sought from other sources such as the Department for Education, Ofsted and the Children's Improvement Board. Work had also been undertaken to ensure that the benchmarking process with other local authorities was sufficiently robust to identify different ways of delivering services safely.

In response to a question about whether external assurance would be sought from either the LGA or CIPFA on the budget proposals as had happened last year it was highlighted that any such reviews would be an unbudgeted cost. The MTFS had recently been reviewed as part of the non-statutory review, with no issues being raised.

It was questioned whether account had been taken of the view of front line staff in developing budget proposals. From a Cabinet perspective, feedback had been sought through the interaction of individual Cabinet Members with officers in their respective services. The Leader and the Chief Executive had also been holding regular staff briefings which provided an indication of staff opinion. Senior management had been open with staff in those services most at risk of change about the possible outcome and given staff the opportunity to highlight potential risks, while also being clear that the service will change.

In light of concerns about the standard of customer service offered by the Council, it was questioned how this was being addressed in the budget. Although it was highlighted that given it was only six months before the next election and as such not the time to revisit the Council's priorities, it was accepted there should be a focus on putting customers first. Growth had been added to the budget to improve customer service through investment in services such as Croydon Digital Service. Overall there was a focus on providing the best possible customer service the Council could afford, with it acknowledged that a lot could be achieved without the need for significant investment.

It was confirmed that the key aim for the budget was to ensure that it was balanced, as without being able to demonstrate this, it was unlikely the Government would permit the capitalisation direction. It was highlighted that the Council was on an improvement journey and it was important to have a balanced budget as a solid foundation for this improvement. However, the budget should not be expected to be covering everything and work did not stop once the budget was agreed.

Although the proposed rebuilding of the Council's earmarked reserves was welcomed, the importance of having the right processes in place to guide the use of these fund was highlighted. Of particular concern was the need to prevent the use of earmarked reserves as a contingency to prop up other parts of the budget. It was agreed that the financial culture of the Council was vitally important and needed to be guided by a set of robust processes.

There was concern that Services had been allowed to identify their own growth pressures, with it questioned how these assumptions had been tested. It was confirmed that a 3% increase in costs had been included as a corporate provision in the budget to account for inflation. Services had to submit separate bids for any growth above the 3%, which was then reviewed as part of the Star Chamber process.

Given there had been a recent census, it was questioned whether there would be an impact upon the budget once the data was released. It was advised that it was known that the population in Croydon was growing, which would be

likely to increase the pressure on Adult Social Care services. There was limited capacity within the Council to bid for external funding, but it was acknowledged that where funding was available that aligned with the Council's own objectives then a bid should be made.

As the Leader had announced at the Cabinet meeting the previous evening that provision for using Community Infrastructure Levy (CIL) funding for the Community Fund would be included in the budget, the Committee wanted further reassurance that this met the criteria for the use of CIL funds. It was agreed that a report providing an overview of the proposal would be prepared for the next meeting of the Committee on 20 January 2022.

At the end of this item, the Chair thanked the officers and the Cabinet Members in attendance at the meeting for their engagement with the questions of the Committee.

### **Conclusions**

Following its discussion on the 2022-23 Budget and Three Year Medium Term Financial Strategy report, the Scrutiny and Overview Committee reached the following conclusions:-

1. It was recognised that the budget would continue to be finalised ahead of the Budget Council meeting at the end of February 2022, but at this stage it was acknowledged that good progress had been made in closing the funding gap.
2. From the responses given to the questions of the Committee, it was accepted that the budget setting process, using a Star Chamber approach, had provided a greater level of rigour than may have been the case in previous years. However, in order to provide an additional level of reassurance, members of the Committee would explore the Star Chamber process and in particular making a growth bid outside of the meeting, before reporting back any findings to the next meeting on 20 January 2022.
3. It was recognised that it was difficult to provide the level of reassurance sought to judge whether the Council's financial monitoring systems were robust enough to deliver the budget within a Committee setting, As such before the next meeting of the Committee, the Deputy and Vice-Chair were tasked with seeking further reassurance from officers. The results of which would be fed back to the next Committee meeting.
4. There was a concern held by some Members of the Committee about whether the Council had the capacity or the structure in place to oversee the delivery of the savings proposals outlined in the report. As such before the next meeting of the Committee, the Chair, Deputy and Vice-Chair were tasked with seeking further reassurance from officers. The results of which would also be fed back at the next Committee meeting.



5. Although delivering a balanced budget was important, it was also essential that any savings could be delivered without compromising the safety of the many vulnerable children and adults supported by the Council. It was agreed that consideration of the budget by the Children & Young People and the Health and Social Care Sub-Committees at their meetings in January should include a focus on maintaining the safety of the vulnerable in the borough, as well as budget deliverability.
6. The Committee suggested it would be helpful for all Members when considering the budget at the Council meeting on 28 February if additional context could be added to the final budget report to outline the priorities it was being delivered against and how the budget would support the delivery of both these priorities and the Renewal Plan.
7. Given the issues earlier in the year relating to council housing on Regina Road, it was also suggested that the final version of the report should reference how the budget would help to address some of the issues raised such a customer service.
8. As the use of Community Infrastructure Levy funds to provide grants to the voluntary sector had been introduced as a late addition to the report, it was agreed that a further report, providing more detail would be requested for the next meeting of the Committee on 20 January 2022.
9. Although it was reassuring to hear that frontline staff have been involved in the budget setting process, the Committee agreed that it would seek further evidence of this through questioning during the remaining budget scrutiny meetings to establish whether it was a systematic approach across the Council.

93/21 **Scrutiny & Overview Work Programme 2021-22**

The Committee considered its work programme as set out on pages 89 to 92 of the meeting agenda. No changes were noted to the information contained in the report.

**Resolved:** That the Scrutiny & Overview Committee Work Programme for 2021-22 be noted.

94/21 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 9.50 pm

**Signed:**

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**Date:**

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