

# Scrutiny & Overview Committee Agenda



To: Councillors Sean Fitzsimons (Chair), Robert Ward (Vice-Chair), Leila Ben-Hassel (Deputy-Chair), Jeet Bains, Jerry Fitzpatrick and Joy Prince

Reserve Members: Robert Canning, Richard Chatterjee, Pat Clouder, Mary Croos, Stuart Millson and Andrew Pelling

A meeting of the **Scrutiny & Overview Committee** which you are hereby summoned to attend, will be held on **Wednesday, 22 July 2020 at 6.30 pm.**  
**This meeting will be held remotely.**

Jacqueline Harris Baker  
Council Solicitor & Monitoring Officer  
London Borough of Croydon  
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Tuesday, 14 July 2020

**PLEASE NOTE:** Members of the public are welcome to remotely attend this meeting via the following web link - <http://webcasting.croydon.gov.uk/meetings/10280>

The agenda papers for all Council meetings are available on the Council website [www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)

If you require any assistance, please contact Simon Trevaskis 0208 7266000 as detailed above.

## **AGENDA – PART A**

**1. Apologies for Absence**

To receive any apologies for absence from any members of the Committee.

**2. Minutes of the Previous Meeting (Pages 5 - 18)**

To approve the minutes of the joint meeting held with the Health & Social Care Sub-Committee on 26 May 2020 as an accurate record.

**3. Disclosure of Interests**

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

**4. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. Update on the Council Response to the Covid-19 Pandemic (Pages 19 - 34)**

The Committee is asked to review the Cabinet report along with any further information provided at their meeting and decide whether they wish to make any recommendations.

**6. Scrutiny Review of Croydon Council Finances (Pages 35 - 68)**

The Committee is asked to review the Cabinet report along with any further information provided at their meeting and decide whether they wish to make any recommendations.

**7. Croydon Economic Recovery**

The Committee is asked to review the report provided along with any additional information supplied at the meeting and decide whether it wishes to make any recommendations.

**8. Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

**PART B**

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## **Joint Meeting of Scrutiny & Overview Committee and the Health & Social Care Sub-Committee**

Meeting held virtually on Tuesday, 26 May 2020 at 6.30 pm via Microsoft Teams

This meeting was webcast and is available to view on the Council's website

### **MINUTES**

**Present:** Scrutiny & Overview Committee

Councillors Sean Fitzsimons (Chair of SOC & HSC), Robert Ward (Vice-Chair), Leila Ben-Hassel (Deputy-Chair), Jeet Bains, Jerry Fitzpatrick and Joy Prince

Health & Social Care Sub-Committee

Councillors Andy Stranack (Vice-Chair), Patsy Cummings, Clive Fraser, Andrew Pelling, Scott Roche and Gordon Kay – Healthwatch Co-optee

**Also Present:** Councillor Tony Newman

### **PART A**

#### **21/20 Minutes of the Previous Meeting**

The minutes of the Scrutiny & Overview Committee meetings held on 10 & 25 February 2020 and Health & Social Care Sub-Committee meeting held on 10 March 2020 were confirmed as a correct record subject to the following amendment to 25 February minutes:-

Item 4: Review of the Safer Croydon Partnership & Violence Reduction Network

Amendment to Recommendation 5 from

‘Consideration should be given to what quantifiable data on outcomes can be provided when the Safer Croydon Partnership is next reviewed by the Committee to allow a judgement to be made on the performance of the Partnership.’

To

‘Consideration should be given to what quantifiable data on outcomes can be provided when the Safer Croydon Partnership and other infrastructure organisations are reviewed by the Committee to allow a judgement to be made on their performance.’

22/20 **Disclosure of Interests**

There were no disclosures of interest made at the meeting.

23/20 **Urgent Business (if any)**

There were no items of urgent business.

24/20 **Covid-19 Update**

In order to gain an overview of the ongoing response to the covid-19 pandemic and the next steps as the response moved into the recovery phase the Committee was provided with a series of presentations from the Council and Health Care partners.

Presentation were provided at the meeting by the following:-

- Councillor Tony Newman – Leader of the Council
- Jo Negrini – Chief Executive
- Guy Van Dichele – Executive Director for Health, Wellbeing & Adults
- Shelley Davies – Director of Education & Youth Engagement
- Rachel Flowers – Director of Public Health
- Matthew Kershaw - Chief Executive of Croydon Health Service NHS Trust and Place Based Leader for Health

Copies of the presentations given at the meeting can be found on the following link:-

<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MId=2297&Ver=4>

During the course of these presentations the following points were noted:

The Leader of the Council

- Since the start of the crisis there had been almost 300 deaths in the borough that could be attributed to covid-19.
- At the time of the meeting there was over 14,000 people in the borough included on the Government's Shielding Programme, which identified vulnerable people who should be self-isolating and as such may require additional support. The Council had been working hard to provide support for these residents and thanks was given to all the community volunteers and partners organisations in helping to coordinate this response.

- The Local Government Association had estimated that there would be a shortfall of £10b in local authority funding as a direct result of the pandemic. The Government had previously provided assurance that local authorities would have their costs reimbursed, but to date there had been no official confirmation on the exact amount of funding or when it would be allocated which was creating financial uncertainty.
- As well as expenditure on the covid-19 response another financial repercussion of the crisis was the loss of income in areas such as parking which would have a significant impact on the Council's budget. A Finance Review Panel had been established to review the Council's budget in light of the covid-19 crisis. The emphasis of any savings plan arising from the work of the Panel would be to protect front line services and to continue to support to the most vulnerable in the borough.

#### Director of Public Health

- There had been a reduction in the number of positive covid-19 tests in the borough with the current average being one to two positive tests each day.
- In the same way as other areas with significant inequality, Croydon had been hit hard by the virus with the infection rate for the borough being the third highest in London.
- There were three separate elements to the pandemic which were hospital cases, community cases and care home cases.
- Since the start of the outbreak weeks 12 to 19 had seen the most excess deaths in the borough, however in week 19 there were fewer deaths attributed to covid-19.
- At this stage it was not possible to determine the exact impact of the virus upon BAME communities in the borough as the data was still being reviewed. However it was evident that the virus had a greater impact upon communities that experienced higher levels of health inequality.

#### Croydon Health Service NHS Trust (CHS) & Croydon Clinical Commissioning Group (CCG)

- It was the responsibility of the Healthcare system to provide health care across the borough through the Croydon University Hospital, primary care and within the community
- The existing close working relationship between health and social care partners in the borough had benefited the delivery of the response to covid-19.

- Croydon Health Service NHS Trust had treated more than 1,100 patient with Covid-19. 770 had been treated and discharged and sadly just under 300 had died.
- At present there were 8 people in intensive care as a result of covid-19 which indicated that the situation was improving as this was significantly lower than at the height of the outbreak.
- CHS had tried to maintain service provision where possible throughout the crisis including maintaining full emergency care. Four out of five outpatient visits had been kept through the use of technology, but there had been a reduction in planned care.
- The staff working within the healthcare system were key to the ongoing delivery of services and CHS had worked hard to maintain safe staffing levels. At one point during the height of the crisis 15% of staff were self-isolating which meant that a high degree of flexibility had been required in order to maintain services.
- Some routine appointments and non-urgent operations had been delayed in line with national guidance. Routine appointments were now being rescheduled and plans were being made to resume non-urgent operations from July. Patients undergoing planned surgery would be required to self-isolate for 14 days before and after their operation.
- CHS had maintained good stocks of PPE throughout the crisis and was providing mental health support for its staff.

#### Chief Executive of Croydon Council

- The Council had an emergency gold structure in place to manage the response to the crisis.
- Key areas of work included providing support for vulnerable residents identified through the Government's Shielding Programme, with over 14,000 people in the borough currently included on this list.
- The provision of support for care homes was another priority with the borough having the largest care home market in London. 63 care homes were being provided with active support and the Council had recently taken on new responsibilities for testing care home staff and residents.
- It had been confirmed that the Council would be leading on the contact tracing process which was being developed by the Government.
- It was highlighted that although the situation was improving, the emergency was ongoing with the Council delivering an extensive amount of additional services. However it would not be possible to provide the level of support delivered without working closely with partners.



- Work was underway to prepare Bernard Weatherall House for the return of staff. The reopening of the office would be based on social distancing guidelines including cleaning regimes and systems for the use of the lifts.
- In preparation for the reopening of Bernard Weatherill House risk assessments would be undertaken with all staff to gain an understanding of individual requirements. The risk assessments would also provide an indication of the number of staff who would like to return to the office as based on current guidelines only 20% of the usual number of staff could work in the building. It was likely that the first staff would return to the office from early July.
- An extensive staff survey had been undertaken during the lockdown which had found that 67% of staff found agile working helpful, but this also meant that there was still a significant portion who had not for a variety of reasons.
- The financial cost of responding to the covid-19 crisis was likely to have a significant impact on the Council's finances. To date £19.9m in funding had been received from the Government, but this was not enough to cover the estimated over spend which was projected to be £62.7m. The shortfall across London was estimated at £1.8b.
- As well as direct expenditure other factors such as loss of income from areas including parking and rental income were also exacerbating the financial challenge facing the Council.
- In light of these challenges it had been decided to take a proactive approach, working on the assumption that funding from the Government would not cover the total shortfall. As such both a recruitment and spending freeze had been implemented and a Finance Review Panel, with an independent Chair, had been set up to undertake a comprehensive review of the Council's finances.

#### Director of Education and Youth Engagement

- It was confirmed that schools had remained open throughout the lockdown for both vulnerable students and children of key worker families and would continue to do so.
- All primary schools in the borough were undertaking risk assessments ahead of reopening on 1 June, with the key driver being the ongoing safety of pupils, their families and the staff.
- Secondary schools would begin moving towards a wider reopening from 15 June.
- The reopening of schools would use a phased approach and would vary depending on the context of individual schools.

## Director of Health, Wellbeing & Adults

- Covid-19 had created a huge challenge for social care.
- On a national level it appeared that care homes had been forgotten during the early stages of the crisis with the primary focus on hospitals.
- The Council had been in regular contact with care homes since the early stages of the crisis about the supply of PPE and had provided assistance with the acquisition of PPE where needed.
- In Croydon there was both a lead pharmacist and clinician supporting care homes which helped with the coordination of the care provided.
- Moving forward the pandemic continued to present a high risk for care homes with the potential for a second spike if the easing of the lockdown was not managed correctly.
- Work was underway to identify how best the Council could continue to provide support for care providers including how to safely manage residents being able to receive visits from their families.
- It was currently week 8 of the 12 week Shielding Programme set up by the Government to minimise the risk of infection for vulnerable people. The support provided by partners working across the sector including voluntary organisations had been excellent.
- There was currently over 14,000 vulnerable people identified on the shielding list with work underway to establish the level of support required going forward should the Government stop providing food parcels at the end of week 12.

## Steve Phaure – Chief Executive of Croydon Voluntary Action (CVA)

- Although the last two months had been testing for Croydon, it had been impressive to see the number of people in local communities volunteering to help support vulnerable residents. The mutual aid movement in the borough was as strong as anywhere in the country with over 70 groups.
- The last couple of months had seen the recruitment of 500 fully checked volunteers. A key challenge going forward would be to retain these volunteers for the long term as the crisis began to ease.
- The number of food banks in the borough had increased from less than 10 before the crisis to 38 in the past couple of months. In normal circumstances this level of provision would not be required, but it was a good reflection of the community support within the borough.

- A scheme in Coulsdon which provided hot meals for vulnerable families was highlighted as an example of the successful partnership work in the borough.
- As well as support with the provision of food the voluntary sector had also provided befriending support to check in with vulnerable residents.
- In light of the possibility of further waves of the virus, plans were being made to record all the positive learning over the past couple of months to drive improvement going forward.

Following the presentations the Committee was given the opportunity to question the attendees on the information provided and any other areas of the Covid-19 response not already mentioned. The first question praised the significant level of community spirit that had been witnessed throughout the crisis and asked what could be done to encourage volunteers to continue in the longer term. In response it was advised that the retention of volunteers for the recovery and beyond would be very much welcomed. As many of those who had volunteered were furloughed workers the possibility of promoting corporate responsibility should be explored to encourage businesses to provide their staff with additional opportunities to volunteer.

In response to a question about improving the access to funding for smaller grassroots organisations it was advised that a creative approach using partnership bidding was required. This approach was encouraged by the CVA with recent funding bids involving up to 50 community partners. In many instances funders also favoured partnership bidding.

The Healthwatch Croydon Co-optee on the Health and Social Care Sub-Committee, Gordon Kay, highlighted that throughout the crisis his organisation had focussed on their key priorities. One priority was improving signposting for patients which had resulted in the creation of an FAQ document for residents. Another priority was consulting with residents on the healthcare response to covid-19 with a survey launched on 3 April 2020. As a result two reports had been produced summarising the 260 responses that had been received which indicated that there was a need for more information on testing at a local level.

The results of the survey had also indicated that there would be an increased demand for mental health services going forward due in part to the effects of social isolation during the lockdown and the fear of contracting covid-19. As such it was questioned whether plans were being made to manage a surge in mental health patients. In response it was confirmed that CHS was working with the South London and Maudsley NHS Foundation Trust (SLaM) to put in place a range of mental health support for their staff. It was highlighted that SLaM would be best placed to provide more information on wider mental health provision, but it was confirmed that a major response was being planned. It was noted that as GPs were seeing an increase in mental health issues associated with the lockdown and bereavement extra services were being commissioned to provide additional capacity.

It was confirmed that there was always more that could be done to ensure that people adhered to social distancing guidance, but at present within Croydon the number of covid-19 cases was declining. The Government was developing a national system to contain the virus using a test and trace approach that would be managed on a local level by the Council. The full details of the test and trace process were likely to be confirmed in the coming weeks.

In response to a question about how the Council was monitoring the financial stability of care homes and whether there were contingency plans in place should a home close it was advised that the Council was in contact with care providers on a weekly basis. The Government had provided £600m funding nationally (£4m for Croydon) to support care homes during the crisis with £1m already distributed. The Council already had contingency plans in place that would ensure residents continued to receive care in the event of a home closure. Although all homes in the borough were receiving support from the Council, at present 63 had additional needs that were being addressed. Only one home had indicated that they did not wish to continue in the care market.

It was confirmed that Croydon University Hospital had worked well with the care sector to coordinate the return of patients from hospital to their care homes. Testing of patients had been in place since the start of the crisis with results received quickly within 24 to 48 hours of testing and although patients had been released before receiving the results they had been discharged to a safe environment. Ongoing support and training had also been put in place for care home staff. The Committee agreed that given the vulnerability of residents in the care sector it would be important to carry out a review of testing prior to release from hospital to identify lesson learnt in the event of further waves of covid-19.

Concern was raised about the monitoring of care packages by the Council and how cases where people had accepted reduced care packages during the crisis had been managed. In response it was advised that contingency planning had taken place in the early stages of the crisis to understand how potential staff shortages would be managed, but there had not been any influence placed upon clients to accept reduced packages. As a result of the crisis some people were receiving a reduced care package while others had an increased package. Although the Committee acknowledged that contingency plans were required given the scale of the crisis, there was also concern that some people could have accepted a reduced care package from a sense of community obligation which may have been to their own detriment.

It was confirmed that although there was a range of different guidance available on the use of PPE that could be interpreted differently, both the Council and CHS had tried to provide a consistent approach in their guidance to staff. The supply of PPE for staff at the hospital had been maintained with support also being provided to primary care and care homes.

Regarding the Government's Shielding Programme, concern was raised about feedback received locally from vulnerable people who had struggled to register for the programme and as such it was questioned what the Council

could do to prepare in the event of further waves of covid-19. It was acknowledged that in the early stages of the Shielding Programme there was a lack of integration between the different data sets used, but this had quickly been addressed with over 14,000 vulnerable people on the current list. The process had highlighted vulnerable people living within the borough who would not normally have come into contact with the Council. This information was being used to inform future support.

There was concern about the potential shortfall in the Council budget as a result of expenditure on the response to covid-19. It was highlighted that at present, apart from assurances early in the lockdown that funding would be provided to cover covid-19 related expenses, there had been no confirmation from the Government on how much would be paid or when. As a result this had created uncertainty for local authorities across the country and in Croydon it had been decided that it would be prudent to take action to address the potential shortfall. This had included both a recruitment and spending freeze, and establishing a Financial Review Panel to undertake a thorough review of the Council's finances to reduce the shortfall

As a follow up officers were asked to confirm the level of short term borrowing held by the Council. It was advised that the Council had a temporary debt portfolio of £440m of which £140m had been borrowed from other local authorities to refinance a proportion of this debt. It was highlighted that there was currently no restrictions on the Council's borrowing.

It was questioned whether the Financial Review would result in restructuring and how this would get the buy in from the public. It was advised that further locality working and integration with partners would increasingly become the focus of the delivery of services to the public with care being taken to ensure that the services provided in specific localities met local need.

Given the importance of the financial challenge facing the Council the Committee agreed that it would have a more detailed review of the Council's finances at their next meeting in July.

Concern was raised about the risk that those most in need of education were losing out the most from not attending school and as such an update was requested on the support provided to vulnerable children during the lockdown. Assurance was given that the primary focus had been on the most vulnerable children throughout the lockdown, with significant effort made to ensure they were safe. The Council had a strong relationship with schools and was confident that schools were in regular contact with their most vulnerable pupils. Vulnerable children were prioritised into three categories with virtual meetings being maintained with those in the lower risk categories two and three and actual meetings being held with the most at risk children in category one on a fortnightly basis.

Schools were engaging with vulnerable students in a range of different ways including online learning and where access to the internet was not available arrangements had been made to deliver learning packs. The Government scheme to identify children who needed access to the internet had also been

used to provide laptops. In advance of schools starting to reopen from June preparations were underway to ensure that online learning continued to be maintained for those who would not be able to return immediately. As mentioned previously there was also a focus on the provision of mental health support as it was recognised there would be an increased demand in this area as a result of the lockdown.

As a follow up it was questioned how many children were considered not to be safe, how many it had not been possible to contact and what action was taken in these instances. In response it was confirmed that contact and visits with the most vulnerable children had been at a minimum maintained at their pre-covid-19 level, using virtual and telephone meetings as well as direct contact. Schools were also being proactive in ensuring they were having regular conversations with their most at risk pupils about their learning and mental health needs. It was highlighted that it was possible that some children would become at more risk during the lockdown which would not necessarily be picked up by either the Council or their school until they returned.

It was highlighted that there had been reports indicating that covid-19 had a disproportionate impact upon people from BAME communities and whether there was data to show the specific impact upon communities in Croydon. It was confirmed that it was likely that some communities in the borough had been disproportionately affected with health inequalities being one of the main contributory factors. Work to analysis the data on the impact of covid-19 from both a national and local level was underway and would be shared with the Committee once available. It was confirmed that ahead of reopening the Council offices a risk assessment would be undertaken with all staff.

Although there had been many reports in the media about the significant impact of covid-19 upon care homes providing support for the elderly, an update was requested on the impact on care homes providing support for other vulnerable residents such as people with learning disabilities. It was confirmed that the numbers were likely to be lower than those for elderly care, but work was ongoing to understand the full impact. Where possible services had been redistributed to try to ensure that people remained safe and contact had continued to vulnerable residents in the community through phone and digital means.

It was acknowledged that there was likely to be an economic crisis as a result of covid-19 and as such it was questioned whether there could be opportunities for local businesses and what strategy was being used to guide the support provided by the Council. It was highlighted that it was important to have a positive mindset for the future of business in Croydon, although the extreme vulnerabilities should not be underestimated. The Council continued to work closely with local businesses and had recently received confirmation that the Whitgift and Centrale shopping centres would be open from the start of June. There were opportunities for Croydon as a secondary office location which would also serve to increase the footfall for local shops and the focus on localities work across the borough would help to increase the footfall in the district centres.

In response it was highlighted that in recent years Croydon had lost a substantial proportion of its office stock due to redevelopment for residential use which may impact upon the opportunities to become a secondary office locations. In response it was highlighted that it was likely that much of the office stock lost would not have provided the right facilities for the future of work. Other councils had tried to introduce an Article 4 notice across their boroughs to prevent the conversion of offices for other uses, but had been turned down. It would be important to ensure that any new development took account future town centre uses and alternative types of office provision.

Given that the lockdown could potentially lead to an increase in domestic abuse an update was requested on the Council's response. It was confirmed that tackling domestic abuse remained one of the top three priorities for the Administration. During the lockdown the Council had conducted an extensive campaign in conjunction with the Police and the Family Justice Centre with posters to raise awareness in all off-licenses and supermarkets across the borough. The Family Justice Centre had also increased its opening hours to seven days a week along with the provision of a 24 hour support line. It was agreed that a detailed briefing would be provided to the Committee on domestic violence during the lockdown.

As there was a risk that there could be an increase in youth violence once the lockdown was relaxed, it was questioned what action the Council was taking to mitigate against this. It was highlighted that data showed that instances of serious youth crime, burglary and robbery had all decreased during the lockdown. The number of missing children had been reduced by a third and county lines activity had also decreased. Plans were being made to address the risk that these levels could increase once the lockdown was relaxed with a number of Panels in place to analysis the activity of young people.

At the conclusion of the meeting the Chair thanked the attendees for their participation at the meeting. It was noted that the Committee would be likely to want a further update on the Council's response to covid-19 at their next meeting on 22 July 2020.

### **Information Requests**

The Committee agreed to request the following information:-

1. Detailed data on Covid-19 related deaths in the borough.
2. Confirmation on the number of people who had accepted reduced care packages and the date when the reduced package ends.
3. Data demonstrating the economic impact of the pandemic on the borough.
4. A briefing on domestic violence during the lockdown.

### **CONCLUSIONS**

Following discussion of the report, the Committee reached the following conclusions:-

1. The Committee recognised that the potential shortfall in Government funding for Covid-19 expenses represented an area of extreme uncertainty for the Council and agreed that all avenues should be explored to lobby the Government to provide clarity over funding. The Committee agreed that it would write to the local MPs and the Government outlining concerns about the uncertainty over funding.
2. The Committee commended the proactive response taken by the Council to address the financial uncertainty including undertaking a financial review. It was agreed that the review should be as transparent as possible, with any savings identified as part of the review accompanied by a thorough impact assessment and risk analysis proportionate to the size of the saving. Any significant change to service provision should also be subject to extensive consultation prior to implementation.
3. It was agreed that a report would be requested for the next meeting of the Scrutiny and Overview Committee in July to focus in greater detail on financial position of the Council as a result of the Covid-19 crisis, including how potential savings would deliver service improvement and how any risks would be managed.
4. The partnership work between the Community & Voluntary Sector and the Council in supporting the most vulnerable sections of the community during the Covid-19 crisis was commended. It was recognised that there was an opportunity to learn from the partnership work during the crisis to inform the future relationship between the Council and the Community & Voluntary Sector, particularly in providing support for smaller grassroots organisations through encouraging partnership funding bids and the sharing of resources.
5. The Committee welcomed the reassurance given by Healthcare colleagues that they were aware of and making plans to manage a significant rise in mental health issues as the borough moved to the recovery stage of the crisis. The Committee agreed to recommend that mental health services should be one of the priorities for the Council as well moving forward.
6. The Committee recognised that there had been a need to proactively prepare contingency plans for potential staff shortages during the crisis. However there was unease that this had included contacting vulnerable residents to discuss reducing care packages as any such request may have been agreed by a resident from a sense of community obligation and to their own detriment.
7. As the existing data indicated that Covid-19 had disproportionately affected certain socio-economic and ethnic groups in the borough, the



Committee agreed that a greater level of granularity in the data was needed to gain an exact understanding of the impact of the virus.

8. The level of support provided by the Council and its partners to the vulnerable residents included in the Shielding programme was commended and it was agreed that a review to capture any lessons learnt from process should be undertaken to inform any future shielding should there be further waves of the virus.
9. Although the Committee was reassured that a thorough system of testing was now in place for care home residents being released from hospital back to their homes, it was agreed that a review should be undertaken of hospital discharge throughout the crisis to capture any lessons learnt.
10. The Committee remained concerned about the tracking of vulnerable young people who did not respond to contact from the Social Care team and agreed that this item would be referred to the Children & Young People Sub-Committee to scrutinise in greater detail at their meeting on 23 June 2020.
11. The Committee recognised that significant thought had been given to the support that could be provided to the Croydon economy in the face of a number of significant threats. In particular the recognition of the potential opportunities for the district centres was welcomed. However it was recognised that there was a large amount of uncertainty at the present time and as such it was agreed that the economic wellbeing of the borough would be included in the Committee's work programme for 2020-21.

## **RECOMMENDATIONS**

The Committee **RESOLVED** to recommend to the Cabinet that all avenues to lobby the Government to meet its funding promises on Covid-19 are explored.

The Committee **RESOLVED** to recommend to the Cabinet Member for Finance & Resources that the review of the Council's finances be undertaken transparently with:-

- a. All savings accompanied by thorough impact and risk assessments, proportionate to the size of the saving.
- b. That any significant changes to service provision are subject to extensive consultation.

The Committee **RESOLVED** to recommend to the Cabinet Member for Safer Croydon and Communities that the lesson learnt from working in partnership with the Community and Voluntary Sector during the Covid-19 crisis be used to inform the Council's future relationship with the sector.

The Committee **RESOLVED** to recommend to the Cabinet Member for Families, Health & Social Care and the Cabinet Member for Children, Young

People and Learning that support for mental health provision be a priority as the borough moved into the recovery phase of the Covid-19 crisis.

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The Committee **RESOLVED** to recommend to the Cabinet Member for Families, Health & Social Care that:-

1. A response be provided to the Health & Social Care Sub-Committee to confirm how many people accepted reduced care packages, how many reductions were actually implemented, the end date of any reduced packages and what measures were put in place to safeguard the individuals who accept a reduced care package.
2. Work be undertaken to obtain data on a granular level of the impact from Covid-19 on communities across the borough.
3. A review be undertaken of the Shielding Programme to ensure that any lessons learnt are captured in the event of any future need for the programme.

The Committee **RESOLVED** to recommend to the Cabinet Member for Families, Health & Social Care, Croydon Health Service NHS Trust and the Croydon CCG that a review be undertaken of the hospital discharge of care home residents throughout the Covid-19 crisis to capture lessons learnt.

25/20 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 10.10 pm

**Signed:**

**Date:** .....

For general release

<b>REPORT TO:</b>	<b>SCRUTINY &amp; OVERVIEW COMMITTEE</b> 22 July 2020
<b>SUBJECT:</b>	<b>Update on the Council Response to the Covid-19 Pandemic</b>

<b>ORIGIN OF ITEM:</b>	<b>The Committee originally received an update on the Council's response to Covid-19 at a joint meeting with Health &amp; Social Care Sub-Committee held on 26 May 2020. Given the scale of the crisis it was agreed that a further update was required to cover the period since the previous meeting.</b>
<b>BRIEF FOR THE COMMITTEE:</b>	<b>The Committee is provided with a report due to be considered by the Cabinet on 20 July 2020 for its information.</b> <b>The Committee is asked to review the report along with any further information provided at their meeting and decide whether they wish to make any recommendations.</b>

## 1. COVID-19 UPDATE

- 1.1 The Scrutiny & Overview Committee is provided with an update on the Council's response to the Covid-19 crisis. The Cabinet report is set out in Appendix A.
- 1.2 The report is provided to update the Committee on the Council's response to date.

### Appendices

*Appendix A: Cabinet Report – 20 July 2020: Croydon Together – Update on our ongoing response to Covid-19*

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### CONTACT OFFICER:

*Simon Trevaskis: Senior Democratic Service & Governance Officer – Scrutiny*

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## For General Release

<b>REPORT TO:</b>	<b>CABINET – 20 JULY 2020</b>
<b>SUBJECT:</b>	<b>Croydon Together: Update on our ongoing response to Covid-19</b>
<b>LEAD OFFICER:</b>	<b>Jo Negrini, Head of Paid Service</b>
<b>CABINET MEMBER:</b>	<b>Councillor Tony Newman, Leader of the Council</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b> Covid-19 has had an unprecedented impact on a global scale, including the UK and Croydon. Our response has been wide ranging, as will the recovery, covering all aspects of the Corporate Plan, including: <ul style="list-style-type: none"><li>• People live long, healthy, happy and independent lives: through our public health messaging, adult social care and support for vulnerable residents</li><li>• Our children and young people thrive and reach their full potential: through our support for schools and families, particularly the most vulnerable</li><li>• Business moves here and invests, our existing businesses grow: by paying government grants and support with business rates</li></ul>	
<b>FINANCIAL IMPACT:</b> There are no direct financial impacts arising from this report, which is for information. However, as previously reported and covered in separate reports on this agenda, Covid-19 has had a significant impact on the Council's financial position.	
<b>KEY DECISION REFERENCE NO.:</b> N/A	
<b>1. RECOMMENDATIONS</b>  1.1. That the Cabinet note the report and the activities of the Council working with partners to respond to the impacts of Covid-19 across Croydon	

## 2. EXECUTIVE SUMMARY

- 2.1 This report follows previous reports to Cabinet on 11 May and 8 June, detailing the impact that the Covid-19 pandemic was having in Croydon, and how the Council and our partners were responding to support residents and businesses across the borough.
- 2.2 Since the previous report, it is positive to note that the infection rate has reduced significantly. Focus has therefore shifted in earnest to supporting Croydon to reopen safely as part of the national roadmap, and to ensure that effective control plans are in place should there be any localised outbreak.

- 2.3 This report provides updates on key activities, including support for town and district centres to reopen safely, advice and guidance for businesses to operate safely. The report also provides an update on support for vulnerable people, following the government announcement that shielding will stop at the end of July.
- 2.4 Local authorities are required to develop local outbreak control plans and this report provides a summary of the approach at Croydon.
- 2.5 Covid-19 has had a significant financial impact on local government. Whilst this report makes reference to this issue, it is covered by a separate report on this agenda.

### **3. LOCAL CONTEXT**

- 3.1 The Cabinet meeting has received regular comprehensive reports providing updates on the response to the Covid-19 virus. These reports provided background information on the pandemic, including the latest information on infections across the UK and locally in Croydon.
- 3.2 The June report outlined that national data appeared to suggest that the country had passed the 'peak' of the pandemic, with infection levels and deaths reducing consistently. This downward trend has continued throughout June.
- 3.3 In the two week period from 15-28 June, there were only 16 new cases of Covid-19 reported in Croydon. None of these cases were in Croydon Hospital and none were classified as new outbreaks (where there is a case in a care home, schools, workplace or homeless accommodation).
- 3.4 However, as the Director of Public Health has advised, this is a very dangerous stage of the pandemic. The virus is still circulating, but through social distancing we have reduced the infection levels. It is vital that residents and businesses continue to follow guidance carefully and protect themselves and others.

### **4. CROYDON RESPONSE - UPDATE**

- 4.1 This section of the report provides brief updates on the key elements of the Croydon response. Croydon Council and partners within the Local Strategic Partnership (which is chaired by the Leader of the Council), have worked together to respond to the impact of Covid-19 in Croydon.
- 4.2 The Council's emergency response structure remain in place, including Gold and Coordination and Contingency Planning groups. The Borough Emergency Control Centre continues to support these structures, collecting, collating and disseminating information to support quick and informed decisions and to / from London structures. Dashboards are produced on a daily basis within the latest information across a range of indicators.

- 4.3 The Leader of the Council has continued to chair the Local Strategic Partnership, which as the infection levels have reduced has moved to fortnightly meetings.
- 4.4 As the government has eased lockdown restrictions, we are moving from the emergency response to the recovery phase (whilst still ensuring that vulnerable residents are fully supported). This has included a strong focus on reopening our town and district centres safely, and supporting those that have been financially impacted by Covid-19.

### **Supporting the safe reopening of our town and district centres**

- 4.5 In line with Government guidelines, a number of non-essential retail outlets began opening from the 15 June with a further wave of openings of food service providers, pubs, bars and hotels opening from the 4 July. To prepare for this, Croydon Council worked in a cross-disciplinary way with a range of external partners to ensure the town and district centres are prepared and ready to welcome this reactivation in a safe and managed way.
- 4.6 For the town centre, weekly coordination meetings are held between key Council officers, the local Business Improvement District and the Police. Reporting into this group are wider meetings held with key stakeholders and partners, including Transport for London, Govia Thameslink Railways and other members of the Police.
- 4.7 Weekly coordination meetings are also held for the borough's district centres and high streets. As this area coverage is so wide, external partners are not invited to this meeting at the current time but meetings held with the BIDs, business and community networks and groups and ward members are fed into the discussions.
- 4.8 A weekly meeting focussed on licensing and enforcement also takes place to review the specific issues around supporting and enforcing businesses to follow the government's guidance; and to operate in a safe way, advised by the Police.
- 4.9 Updates on these activation plans are provided to the Council's Senior Leadership Team on a weekly basis with escalation of any key issues to the Council's Gold Coordination Group.
- 4.10 Through early consultation with our partners, the key themes for the activation plan were agreed as follows:
- Intelligence Gathering
  - Travel & Transport
  - Social Distancing Arrangements
  - Communications & Signage
  - PPE
  - Business Support
  - Street Cleansing & Waste Removal
  - Culture, Museum & Libraries
  - Community Safety

- 4.11 A number of work streams sit underneath these themes with clear ownership and timelines of each action established. A number of key activities have been undertaken to prepare for each stage of the re-openings, including analysis of the town centre and each district centre to identify key areas of concern or issues to be addressed.
- 4.12 We continue to work with the BIDs, local business networks and ward members to liaise with the stores open and planning to reopen to advise them on their roles and responsibilities with managing the government guidance on social distancing.
- 4.13 Meetings were held with transport providers (Transport for London; Govia Thameslink) to map out the measures needed to manage ingress and egress points to the town centre and district centres. This included looking at: potential re-routing of buses/trams around and within the town/district centre areas; possible closure of bus stops where social distancing will be challenging; speaking to GTR to understand the management of the pedestrian movements coming from/to East Croydon station; speaking to TfL about the management of the pedestrian movements coming from/to West Croydon Overground station; closure of some traffic lanes and movement of bus lanes to accommodate pavement widening. We are coordinating a communications campaign to share the key messages around social distancing with the messaging coming from TfL which will include a focus around our public transport nodes.
- 4.14 We have mapped the pedestrian routes between public transport nodes and 'anchor' stores to develop a routing and signposting strategy to manage pedestrian flow. This included understanding where ASB hotspots currently are/have the potential to be to ensure we can route pedestrian flows to avoid these.
- 4.15 The government guidance encourages people to walk or cycle wherever possible. This reduces the pressure on public transport and traffic, whilst also offering health benefits from exercise. We are therefore ensuring there is sufficient cycling access and cycle parking within and around the town centre to encourage more cycle access.
- 4.16 We know that some people will still travel by car, and we have therefore modelled traffic flow and potential congestion hotspots to consider traffic management interventions. This includes working with our construction logistics traffic management process to monitor vehicle access to construction sites and key gateway entry /exit points within the town centre at times of heavy traffic. We are reviewing parking capacity across the town centre in light of the need to reduce some on-street parking to make room for pedestrians.
- 4.17 We are working with Croydon BID and Croydon Voluntary Action to explore the opportunity to mobilise a team of volunteers to act as 'hosts' in the town centre (following the Olympic games makers model) to support the social distancing messages. This will give added assurance that people can visit the town centre safely.
- 4.18 Strong communications and engagement with businesses has been, and continues to be, critical. We have utilised regular Business newsletters to communicate and signpost to emerging government guidance and help



businesses understand what changes they need to implement for safe opening and operation. In relation to licensed premises, Pubwatch meetings were held to explore specific issues for public houses reopening safely.

- 4.19 With the Covid-19 situation still unfolding, weekly monitoring of these action plans takes place through the Coordination Group to ensure flexibility and adaptability of the key work streams should government guidance change over the weeks to come. Feedback will be used to identify any critical areas where levels of support may need to be reviewed

### **Adult services and care homes**

- 4.20 Care homes remain a key focus in our pandemic response, whose vulnerable residents are at greater risk if they contract Covid-19. Croydon has the largest care home market in London, with 230 care providers, 126 care homes (63 of whom support older people).

- 4.21 Croydon's care homes, while under significant pressure are responding well in partnership with the council and health. Gold has received daily updates on the demand for beds, the capacity within the sector and the impact of Covid-19 on care homes (including numbers of suspected cases). Whilst it is positive that many care homes have told us that they have felt supported by the council, the scale of difficulties our care homes continue to face cannot be underestimated, particularly the emotional impact on families and care home staff where residents have lost their lives.

- 4.22 The council continues to support care homes closely to reduce infection rates and help them cope with the impact of the pandemic. This involves daily monitoring of key data reported by homes and regular calls to homes to see where extra support may be needed.

- 4.23 It is positive that throughout June we have seen a continued decline in both the number of homes reporting Covid-19 and the number of residents reported to have Covid-19 symptoms. This continues to be monitored closely, alongside new data around testing.

- 4.24 Croydon's system wide care homes support plan (linked to below) was submitted to central government on 29 May and outlines all the actions we have been taking across the partnership in Croydon to support our care homes.

<https://lbc-app-w-corpwebsite-p.azurewebsites.net/adult-health-and-social-care/care-homes-and-housing/care-homes-support-plan>

- 4.25 Two representatives from Croydon's care homes attend a weekly strategy group with council and health leads to provide helpful feedback challenge on the impact our support is having, and what more we need to do.

- 4.26 In order to support providers with the financial impact of the pandemic the Council has moved to paying 4 weeks in advance and given significant provider sustainability payment as upfront support to help care homes with Covid-19 related costs. In addition to this, the commissioning team have distributed over £2m of funding to our social care providers from central government (the Infection Control Fund).

- 4.27 A key area of work during the pandemic has been supporting our most vulnerable residents, including those that have been encouraged to shield and stay home at all times. The number of shielded residents in Croydon has increased from 11,616 in May to 14,814 as of 26 June (a 27.5% increase). The Council has used a variety of communication tools to contact them, including letters and written advice sent directly, telephone and text to contact everyone that is identified as needing to shield to confirm what support they require.
- 4.28 Support for vulnerable residents has been a partnership activity, with a network of voluntary and community groups across Croydon providing food, other essential supplies, shopping and befriending. The latter has been particularly important for residents that whose independence has been impacted by the pandemic.
- 4.29 The Government is providing food parcels to shielded residents direct from wholesalers. As of 26 June, there were 2,518 residents in Croydon that were registered as shielding and were unable to access supplies.
- 4.30 The Government has announced that shielding will end on 31 July and with it the food parcel service. At this point residents will be free to leave their homes and therefore secure their own supplies. Many residents, however, will be fearful having shielded for such a long time. We are therefore working closely with voluntary and community sector to prepare for this change, and prioritise support to the most vulnerable. Referrals will be made to Gateway services to ensure that residents have the full financial support they are entitled to as well, so that they can maintain their independence.

### **Gateway Services**

- 4.31 All three existing Food Stops, a partnership between the Council, VCS and faith sector organisations, have continued to operate throughout Covid-19; at The Family Centre in New Addington, St Francis Church in Selsdon and Parchmore Methodist Church and Community Centre in Thornton Heath. A new Food Stop was launched in April at Old Lodge Lane Baptist Church (OLLBC) and they have each tweaked their service delivery in line with guidance such as implementing social distancing measures or introducing a delivery service. All Food Stops are going over and above, supporting over 240 households per week during the pandemic, and our thanks go to all the staff and volunteers providing these services.
- 4.32 The Council continues to coordinate food deliveries from FareShare. We have scaled up from our pre-Covid-19 service of 2.3 tonnes of food coming in to Croydon per week via two existing Local Collection Points to 6.3 tonnes of food coming in each week via four Local Collection Points.

### **Registrars and bereavement services.**

- 4.33 The number of funerals has reduced significantly from the peak week of 11 May where the crematorium was operating at 97%. We are currently operating at 44% capacity which is slightly higher than usual for the time of year.
- 4.34 Both Local Mortality Group and Coronial Mortality Group have changed

frequency to fortnightly in line with the Excess Deaths Management Groups. Again frequency can be increased immediately as and when the need arises.

- 4.35 Risk assessments and plan has been agreed to make the Registrars section of the Town Hall safe and operate in accordance with government guidelines for the recommencement of birth registrations and notices of marriage. These resumed from 6 July and plans are in place to clear the backlog of approximately 1,200 unregistered births within the Borough over a 12 week period. The same approach is being undertaken to prepare for wedding ceremonies and to increase the number of mourners at funerals.

### **Access Croydon and Contact Centre**

- 4.36 Access Croydon staff have been redeployed, including to the contact centre, where improved technology has enabled staff to receive calls whilst working from home seven days a week.
- 4.37 A dedicated Covid hotline and email contact has been established to assist with urgent enquiries. Over 3,800 contacts from have been received with an average waiting time of only 13 seconds, and 99% of calls answered. Calls to the general contact centre for June are at the same levels as the previous year.

### **Updated figures for Enablement:**

- 4.38 In response to these areas of demand we have refocused our resources to offer fast turnaround on the impacts of Covid-19 on residents. From 23 March to 24 June, we have:
- Tripled our resource to meet new requests for free school meals. (3,200 assessments in April & May 2020, compared to 502 in same period last year)
  - Doubled our resource to meet the quadrupled demand for food vouchers and amenities. We have provided £47,392 in food vouchers, £8,974 emergency amenities funding, and £99,478 to facilities moves and furniture in new homes.
  - Opened our welfare rights hotline from 3 part days to 5 full days a week. Since doing this they have received 1,043 requests for support.
  - Provided advice and guidance to residents on the options available to them to protect their jobs/income/homes during lockdown. Our discretionary support team have received 2,826 phones calls and emails from residents in need.

### **Personal Protective Equipment (PPE)**

- 4.39 The supply of PPE has been a global issue during the pandemic, and subject to significant media coverage. The increased demand for key items such as gloves, face masks and aprons has created problems for suppliers and providers.
- 4.40 The Council has provided advice and guidance on the use of PPE, in accordance with the government guidelines. This has included guidance for our own staff who continue to operate front line services, and key partners and providers (e.g. care homes).

- 4.41 A dedicated PPE team is in place to coordinate orders, secure PPE supplies and distribute stock. The team are also responding to enquiries, offers of donations (e.g. from local businesses) and requests for emergency supplies from providers such as care homes via a dedicated inbox.
- 4.42 The council continues to have sufficient PPE stocks to meet the needs of council staff and despite significant demand at no stage have services been impacted by a lack of PPE. Additional stocks of face masks have also been sourced for staff who are returning to work and planning to commute using public transport.
- 4.43 In addition, and where required, emergency PPE supplies have also been provided 7 days a week to suppliers at no cost (including care homes, home care providers, children's residential providers & supported living providers), particularly in adult services. As at 22 June, 307 emergency PPE supply packs had been given to providers (129 providers in total).
- 4.44 We have also supported over 100 providers to purchase larger stocks of PPE through a pan London procurement route.
- 4.45 In preparation for schools opening more widely in June the council also provided schools with packs of PPE essentials, to use in line with government guidance for education settings.

### **Business and supplier support**

- 4.46 The Council has been working with our contracted suppliers during the Covid-19 outbreak to ensure services and supplies to the Council and people of Croydon are maintained, and that provider failure is avoided where possible. We established a Supplier Relief Framework to respond to requests from providers and to identify the support available according to the individual circumstances of the provider and nature of the service. In total we have supported 51 providers through the Framework, and continue to work with those providers to transition out of the emergency response phase and review service delivery over the coming year.
- 4.47 As the lock-down restrictions have started to ease, we have been supporting local businesses by providing information and guidance on sourcing PPE on our Value Croydon website, including tips on what to look out for when buying PPE, and how to assess their requirements

### **COVID-19 Outbreak Control Plans**

- 4.48 With the relaxation of national lockdown restrictions and the implementation of the Government Test and Trace Programme, councils are required to implement measures to prevent, identify and contain COVID-19 outbreaks.
- 4.49 These local measures will build on existing local health protection plans and governance arrangements. The Director of Public Health is responsible for defining the measures and producing Outbreak Control plans but the formulation and delivery of these plans requires effective partnership work and stakeholder engagement.

- 4.50 The Test and Trace Programme is based on the premise that with lower infection rates and increased testing capacity, testing people with symptoms and tracing their contacts is an appropriate way to contain coronavirus without the need for such stringent population wide lockdown restrictions
- 4.51 The Test and Trace service includes four functions to control the virus: test, trace, contain and enable. People with symptoms will be encouraged to contact the NHS Track and Trace Service and will be sent a home test kit. If the test is positive, they will be required to self-isolate for 7 days. They will also be asked to provide details of significant contacts they have had; these contacts will also be required to self-isolate for 14 days. Local outbreaks will be managed by Public Health England in partnership with Local Authorities.

### **Croydon's Local Outbreak Control Plan**

- 4.52 The purpose of Croydon's Outbreak Control plan is to save lives and reduce health inequalities by limiting the spread of infection in people living and working in Croydon from COVID-19.
- 4.53 The specific objectives of the Croydon Outbreak Control Plan are:
- **Governance:** Provide multi-agency oversight and accountability across Croydon through the appropriate governance structure for the development and delivery of this Outbreak plan.
  - **Outbreak management:** Support settings including care homes, schools and high-risk locations to prevent infection and to manage an outbreak to stop onward spread and to mitigate the consequences
  - **Vulnerable people:** To help people in our communities who are most vulnerable to protect themselves from infection and to enabling them self-isolation when required.
  - **Communications and engagement:** Build public confidence and trust in the track and trace approach and the system's ability to respond appropriately and respectfully to outbreaks of Covid-19.
  - **Data and intelligence.** To provide assurance that we can identify cases, outbreaks and hotspots rapidly, monitor their management, evaluate the effectiveness of interventions and meet local, regional and national reporting requirements. Further to understand the impact on different communities especially those who are at higher risk.
  - **Testing** – To enable those that most need it to access testing through the national offer and the development of a local approach that complements this.
  - **Contact tracing** – to supplement the national contact tracing system with local support and capacity drawing on knowledge of our local population.
- 4.54 A local multi-agency Covid-19 Health Protection Board and a public facing Covid-19 Engagement Board have been established to oversee the delivery of the Local Authority Outbreak Control responsibilities.
- 4.55 In order to ensure the Council and its partners are prepared to manage any local outbreaks, they have been involved in scenario planning exercises. These have initially focused on outbreaks in Care Homes and Schools and in subsequent weeks will focus on other high risk locations. The aim of scenario planning is to identify the key steps, actions, roles and responsibilities in preventing and managing an outbreak.

- 4.56 This has led to the development of locally agreed Standard Operating Procedures (SOP) and flowcharts detailing the steps that will be taken in an outbreak situation.
- 4.57 The key message from the Director of Public Health continues to the importance of good hygiene practices to continue to minimise the risk of Covid-19. Hand washing and social distancing remain key tools in tackling the pandemic.

## Travel and transport

- 4.58 Croydon Council responded quickly to the Covid-19 Pandemic with an initial programme of measures implemented on streets in Croydon which included:
- **Low Traffic Streets:** Creating low traffic streets by stopping through traffic on some roads. Access is maintained for residents, deliveries and other essential journeys. This is designed to reduce traffic making it safer for residents to use the road near their homes while maintaining social distancing. Cyclists are exempt from the temporary closures giving them access to quieter streets.
  - **Expanded footways:** Creating more temporary footway space at narrow pinch points giving pedestrians and cyclists more space to help keep a social distance. This involves sections of the carriageway or on-street parking bays being cordoned off to provide more space for pedestrians and or cyclists.
  - **Speed awareness:** New signs reminding drivers to watch their speed put up in streets across the Borough.
- 4.59 At the same time a larger programme was developed (building on the first and responding to TfL's Streetspace Plan for London). The urgency associated with the bidding process for the TfL scheme meant that the Croydon bids totalling £1,720,000 had to be agreed under authority delegated to the Executive Director, Place.
- 4.60 The resulting programme looked to create cycling and walking routes away from the busiest street corridors, where possible. On these busy corridors, the competition for space is greatest. It is also where our district and local centres tend to sit and where space to facilitate social distancing within these centres is a priority. The resulting Programme includes:
- Semi-segregated cycle lanes on the London Road from Thornton Heath Pond to Handcroft Road (supported by a 20mph limit), with a cycle and pedestrian 'bypass' of the very busy southern end of London Road via a Low Traffic Neighbourhood to be achieved by closures (allowing cycle permeability) of Handcroft Road and Parsons Mead.
  - Linked Low Traffic Neighbourhoods from the north east of the Borough (Crystal Palace and South Norwood) to create quieter walking and cycling corridors into the Town Centre. These are to be largely created by means of street closures which allow cycle permeability, but at Auckland Road and Davidson Road they would also permit buses to pass.
  - Semi segregated cycle lanes along much of the Brighton Road from Purley towards the Croydon Town Centre. The proposals include retaining the bus lanes but these operating 24/7, and the introduction of a 20mph speed limit.

- More social distancing space at local shopping parades

4.61 At the time of drafting this £310,000 and had been awarded to Croydon for the majority of the first phase programme and a decision is still awaited regarding the larger second programme and funding request.

## **5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

5.1 Covid-19 has created significant financial pressures for local government, with increased expenditure and reduction in income. The resources required to support our pandemic response has also caused delay in delivering savings within the 2020/21 budget.

5.2 Whilst the Government has provided additional grant funding to local authorities, the LGA has indicated that, nationally, the estimated financial impact is four or five times the amounts committed by government so far. As such, Croydon's allocation within this does not cover the anticipated financial impact on the Council.

5.3 The financial impact of Covid-19 is set out fully in a separate report to this meeting.

5.4 The Council continues to maintain and manage a dedicated Covid-19 risk register, with regular reports to Gold to ensure the risks are well managed and mitigating actions is taken

Approved by: Lisa Taylor, Director of Finance, Investment and Risk

## **6. LEGAL CONSIDERATIONS**

6.1 The Head of Litigation and Corporate Law makes the following comments on behalf of the Director of Law and Governance.

6.2 The Coronavirus Act 2020 is the government's main legislative change in response to the pandemic. Most of its provisions came into effect on 25 March 2020 but detailed further legislation in the form of statutory instruments and government guidance have been issued since that date and continue to be published. The Act has temporarily modified duties and powers relating to social care, mental health, registration of deaths, inquests, the regulation of investigatory powers, gatherings events and premises, the postponement of elections, virtual local authority meetings and protection from eviction. Other changes to existing legislation and statutory guidance continue to be monitored by the legal service as the lock down is eased and businesses begin to re-open.

Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 Covid-19 has had a very direct impact on people across Croydon, including staff.
- 7.2 As well as our responsibilities to residents, we have a duty of care to all staff. The Council has continued to ensure that staff have the guidance and equipment they need to carry out their work safely. This includes PPE.
- 7.3 Since 1 July, the Council has increased the staff operating from Bernard Wetherill House. Every member of staff completed a risk assessment with their line manager to identify those that needed, or would benefit from, returning to the office for work. The building has been redesigned with social distancing, enhanced cleaning and one way systems to minimize risks and support staff safety and wellbeing.
- 7.4 It is anticipated, however, that most staff will continue to work remotely wherever they can, and in line with Government guidance.

Approved by: Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

- 8.1 The Equality Act 2010 requires the Council to have due regard to the aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services.
- 8.2 The three aims of the Equality Duty are to:
- Eliminate unlawful discrimination, harassment and victimization
  - Advance equality of opportunity
  - Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.
- 8.3 Whilst there is direct and some indirect inequalities emerging in the wider community because of Covid-19, there are none arising from the content of this update report.
- 8.4 As set out in the previous Cabinet reports, the impact of the virus is far reaching. The combined and unprecedented impact on the local economy, on both businesses and the workforce, will continue to exacerbate inequalities in some areas, with some groups disproportionately impacted for the short, medium and long term. Data is increasingly emerging highlighting that younger people are more likely to experience reduced earnings or increased unemployment and furlough due to Covid-19.
- 8.5 Significant actions have been taken to safeguard vulnerable residents and certain population groups. In addition, the new Sustainable Croydon Economic Renewal Board has equality and inclusion as a core element of its remit.
- 8.6 The Government commissioned a review, led by the NHS and Public Health England regarding the disproportionate impact on BAME residents. It is apparent that the reason for the disproportionate impact of Covid-19 on BAME



residents is the underlying inequalities within our communities. The Council remains committed to tackling inequality. We are in the process of undertaking public engagement and consultation to agree renewed equality objectives for Croydon. We are also working with partners, with a joint equality and inclusion group being established by the Local Strategic Partnership.

Approved by Barbara Grant on behalf of Yvonne Okiyo, Equalities Manager

## **9. ENVIRONMENTAL IMPACT**

- 9.1 There has been a noticeable improvement in air quality and pollution levels across Croydon (as well as London, UK and globally). This provides an opportunity to take action in order to maintain the improved environment.
- 9.2 The Council has introduced several low traffic initiatives that temporarily reallocate road space to better reflect the current use patterns and to create safer spaces for walking and cycling. These initiatives included Healthy streets, which closed streets prone to rat running and excessive speeds, and Exercise zones, with closures for part of the day to help residents enjoy traffic free environments. Further details are set out in the report.
- 9.3 The Croydon Commission for Climate Change has held its first meeting and at the request of the Leader of the Council, will focus its attention on short and medium term actions over the next 3 years.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

- 10.1 The police have continued to report a reduction in many crime rates during the Covid-19 pandemic.
- 10.2 Domestic abuse (physical and non-physical) and sexual violence has remained a key concern during the pandemic. The lockdown restrictions, limiting opportunities for people to leave their home also increased the risk that it is harder for victims to report crimes or request help.
- 10.3 The FJC service has continued to be delivered throughout the lockdown. The service expanded to offer 7 days a week provision, to maximize the opportunity for anyone to contact them for support.
- 10.3 The Council has worked with partners and issued regular communications to raise awareness of the services available.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 11.1 This report is for information only.

## **12. OPTIONS CONSIDERED AND REJECTED**

- 12.1 This report is for information only. Therefore there are no options to consider.

**13. DATA PROTECTION IMPLICATIONS**

**13.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

**NO**

15.2 The Director of Policy & Partnership advises that this report provides updates only, with no decisions that impact on data.

Approved by: Gavin Handford, Director of Policy & Partnership

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**CONTACT OFFICER:** Gavin Handford, Director of Policy & Partnership

**APPENDICES TO THIS REPORT:** None

**BACKGROUND PAPERS:** None

For general release

<b>REPORT TO:</b>	<b>SCRUTINY &amp; OVERVIEW COMMITTEE</b> 22 July 2020
<b>SUBJECT:</b>	<b>Scrutiny Review of Croydon Council Finances</b>

<b>ORIGIN OF ITEM:</b>	As the Council is in the process of managing its challenging financial situation, the Committee has requested an overview of the plans to address these challenges.
<b>BRIEF FOR THE COMMITTEE:</b>	The Committee is provided with a report due to be considered by the Cabinet on 20 July 2020 for its information.  The Committee is asked to review the report along with any further information provided at their meeting and decide whether they wish to make any recommendations.

## 1. SCRUTINY REVIEW OF CROYDON COUNCIL FINANCES

- 1.1 The Scrutiny & Overview Committee is provided with the July Financial Review report due to be considered by the Cabinet on 20 July 2020. The Cabinet report is set out in Appendix A.
- 1.2 The report is provided to give the Committee an overview of the current financial situation and the plans being developed to address the predicted budget shortfall.

### Appendices

*Appendix A: Cabinet Report – 20 July 2020: July Financial Review.*

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### CONTACT OFFICER:

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<b>REPORT TO:</b>	<b>CABINET 20th JULY 2020</b>
<b>SUBJECT:</b>	<b>JULY FINANCIAL REVIEW</b>
<b>LEAD OFFICER:</b>	<p><b>Lisa Taylor, Director of Finance, Investment And Risk (Section 151 Officer)</b></p> <p><b>Jacqueline Harris Baker, Executive Director Resources</b></p>
<b>CABINET MEMBER:</b>	<p><b>Councillor Tony Newman The Leader</b></p> <p><b>Councillor Simon Hall</b></p> <p><b>Cabinet Member For Finance And Resources</b></p>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>A regular review of the Council’s Financial plan enables a balanced budget target to be established with a focus on an affordable level of council tax, delivery of the corporate priorities and policies of the Council and the continued enhancement of value for money and satisfaction with services for the residents of our borough.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>This report sets out the financial outturn for 2019/20 for revenue, capital and the Housing Revenue Account. It updates on the current position of the council’s Revolving Investment Fund (RIF) and the overall financial standing of the council.</p> <p>The report also provides detail of the financial impact of the Covid19 pandemic, the returns to MHCLG and funding that has received to date. As well as the work being undertaken to ensure the budget is managed.</p> <p>Due to the ongoing nature of the pandemic and the current uncertainty surrounding government funding and future costs the forecast will be subject to change and regular update reports will be provided to the Cabinet.</p> <p>The report also considers the council’s approach to medium term financial planning and annual budget setting and the forecast budget pressures in the current financial year due to the impact of Covid19, which have occurred due to a significantly reduced level of income, increased costs, and the inability to deliver a large number of the savings that were approved in the 2020/21 budget.</p>	

## **FORWARD PLAN KEY DECISION REFERENCE NO. 2220CAB**

The decision may be implemented from 1300 hours on the 6th working day after the decision is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

### **1. RECOMMENDATIONS**

It is recommended that Cabinet approves:

- 1.1 The approach to ensuring the financial challenge of the financial year 2020/21 is managed efficiently and effectively including delegation of decisions on measures to deliver the 2020/21 budget to the Cabinet Member for Finance and Resources in consultation with the relevant Cabinet member.
- 1.2 The amendment to the capital programme as detailed in section 8.
- 1.3 The continued use of capital receipts for funding transformation as detailed in section 9.
- 1.4 The approach to dealing with the financial impact of Covid19, including the financial returns to MHCLG and the discussions with them.
- 1.5 The principle of the agreement to enter into a loan with M&G for investment in affordable housing as set out in section 11.

That Cabinet Notes :

- 1.6 Final outturn of the 2019/20 revenue budget as detailed in section 3.
- 1.7 The final outturn of the capital programme for 2019/20 as detailed in section 3.
- 1.8 The slippage within the capital programme from 2019/20 into 2020/21 is under review. Approvals being sought will be presented to Cabinet as part of the Q1 financial monitoring report. The current agreed capital programme is detailed in Section 8.
- 1.9 The update on the Revolving Investment fund as detailed in section 3.15.
- 1.10 The changes being proposed for the budget setting process and Medium Term Financial Strategy (MTFS), and that more details will be presented to the cabinet in September 2020.

### **2. EXECUTIVE SUMMARY**

- 2.1 The Council's budget for 2020/21 was approved by Full Council on the

2nd March 2020 (Minute A86/20), as part of the annual budget setting cycle of the Council. The Covid19 pandemic which started to take effect just before the beginning of the new financial year has had a considerable impact on all services of the Council and the national and local economy.

2.2 This report provides an update of progress towards ensuring the financial challenges are managed in the most effective way possible and provides an update on the:

- Council funding.
- The Council's overall financial position including the 2019/20 outturn position;
- The Council's strategy and planning for delivering the 2020/21 budget in light of COVID19 and any resultant impact of this on future years together with the series of projects being developed and implemented to reduce the financial pressures the council faces.
- The proposals around the annual review and refresh of the MTFs and the timetable for implementation of the MTFs and future budget setting.
- Capital Programme and use of capital receipts to fund transformation.
- Details around the agreement being put into place to enter into a loan for investment in affordable homes.

2.3 Croydon is one of the capital's largest boroughs by population and, although situated in outer London, it is inheriting a raft of traditionally Inner London issues that impact the budget. The effects of welfare reform, Universal Credit and the rising cost of poor quality rental property have seen large numbers of people move from central London to Croydon in search of cheaper accommodation, care and living costs. Subsequently poverty and homelessness are rising, need is becoming more complex and there is an increasing demand for, and strain on, public services and housing.

2.4 Since 2011/12 and the start of austerity grant funding for Croydon has reduced by 75, which is £105m. The 2020/21 settlement showed an increase in Core Spending Power of 7.2%, mainly due to the development in the borough and the assumed council tax increases, and an increase in Settlement Funding Assessment (SFA) of £1.4m or 1.6%. This is however a real terms cut, although it compares favourably with 2019/20 when the SFA was reduced by £7.8m or 8.2%.

2.5 Croydon is ranked at number 20 in the funding table per head of London, receiving £220 per head in 2020/21, whereas neighbouring Lambeth received £430 per head. If Croydon were funded at the London average of £297 per head for 2020/21 it would receive an additional £32m. And if Croydon were funded at Lambeth's levels, it would receive over £80m extra,

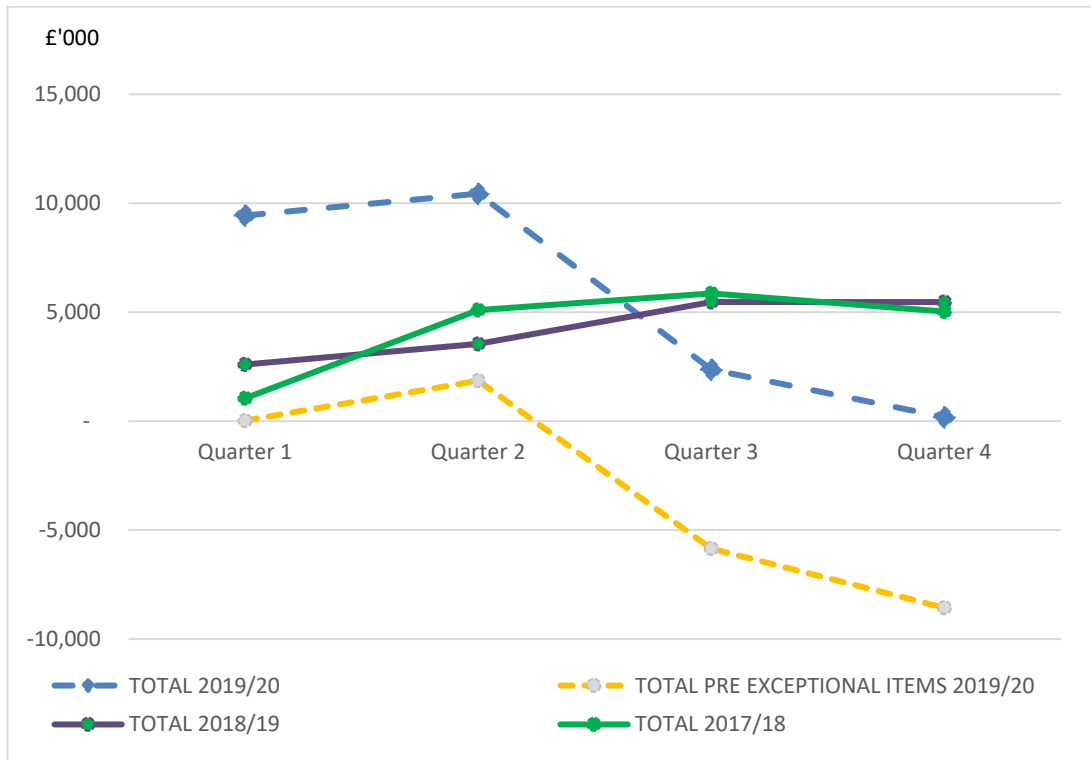
2.6 Croydon has received an average funding amount of £247 per head over the five year period; this compares to the London average of £326. It is

clear from these funding figures that we are inadequately funded for a borough of our size and with our complexities. This underfunding puts enormous pressure on our ability to deliver services and has resulted in the need to undertake significant savings programmes annually.

- 2.7 Throughout 2019/20 the Cabinet have been kept informed of the Council's budget position and forecast outturn with regular reports presented to Cabinet. The Cabinet have been informed through these reports of the financial and service pressures that we have been facing and managing. The main areas of service demand pressure and therefore financial pressure continue to be Adult Social Care, Children's Social Care, Unaccompanied Asylum Seekers (UASC) and Housing in relation to Emergency and Temporary accommodation.
- 2.8 The revenue outturn for 2019/20 is an underspend before exceptional items of £8.563m (less than 0.1% of gross departmental expenditure), there are exceptional items of £8.749m, leading to an overall overspend of **£0.186m**. Exceptional items are UASC costs and are shown in this way as we continue to believe that these should be fully funded by the Home Office as they represent a national duty and should not be a cost to the Croydon tax payer.
- 2.9 This final outturn is lower than that forecast at quarter 3. The main reasons for the variations compared to quarter 3 are around an improvement to below the line items and a significant adverse movement in Children's Families and Education. The 2019/20 outturn is detailed in graph 1 below and section 3 of this report. Cabinet should note that the overspend has been funded by drawing down from general fund balances 2019/20.



**Graph 1 – Forecast Revenue outturn for 2017/18 – 2019/20 by quarter.**



2.10 It can be seen from graph 1 that work has been ongoing to try and reduce the impact of the pressures through the year, which includes:

- Continued lobbying of government to fund Croydon adequately for services provided including High Needs DSG and UASC costs.
- Review of Adult Social Care to ensure services are delivered efficiently and effectively.
- Review of all high cost placements – adults and children’s social care.
- Continuation of the Gateway service and the move towards delivering services in localities.
- Continuation of the Think Family Programme, focusing on the cohort of most expensive households who use multiple council services, to make efficiencies through a joined up approach.
- Review of capitalisation and use of transformation funds.
- Establishment of a High Needs Cost Panel to review all out of borough placements and bringing them in house

- Optimisation of use of in-house foster carers and in sourcing of our fostering recruitment to provide more and higher quality local placements
  - Implementation of the High Needs strategy which sets out a five year plan to address the current overspend and supports delivery of improvements and planning for resources to meet identified needs
  - Review of services provided by external contractors.
  - Increased controls on recruitment and agency staff.
  - Reduction in the use of agency staff in all departments.
- 2.11 We have also continued to make a concerted drive for fairer funding for Croydon. As previously reported to this Cabinet we have continued to engage in all consultations with the government and will continue to do so to ensure Croydon's views are represented. This ongoing communication has resulted in the Home Office recognising that local authorities have been underfunded for UASC and have recently announced an increase in funding rates from 1<sup>st</sup> April 2020. It is estimated that this will result in an additional £4m of funding for Croydon in 2020/21. Whilst this is very welcome news it will still leave a shortfall on UASC costs incurred in Croydon of some £5m (as well as increasing our NRPF costs) and we will continue to lobby for all costs to be funded.
- 2.12 As reported to this cabinet in February 2019, 2019/20 was the last year of the four year government funding agreement. The settlement for 2020/21 was disappointingly only a one year settlement. With the final Local Government Finance Settlement being published on 6<sup>th</sup> February 2020. It was based on the Spending Round 2019 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements. One year funding settlements make it incredibly difficult to accurately plan ahead for the medium term. At the time of writing this report the funding settlement for 2021/22 is unknown.
- 2.13 As detailed in the budget report presented to Cabinet in February 2020, to set the balanced budget for 2020/21 we had to make a number of key assumptions around the level of growth for areas where demand and cost have increased, alongside an extensive savings programme and increases in income to offset this increased growth. These are detailed in table 6 below. The impact of the Covid19 pandemic has put significant pressure on these plans, and it is forecast that we have a £65.4m budget gap this year. The funding gap for London is estimated at £1.9bn, and nationally it is estimated to be £7.2bn. Some 80% of councils are saying that they are unlikely to be able to manage and are close to issuing a S114 notice.
- 2.14 Very early on in the pandemic we recognised that its impact was going to be extremely significant on the delivery of services and the budget and so

as detailed in the report called Responding to the Local Government Financial Challenge on this agenda we established a finance review panel to undertake a root and branch review of all elements of the council's finances.

### **3. FINANCIAL PERFORMANCE 2019/20**

#### **Revenue position**

- 3.1 2019/20 continued to be a very challenging year and was the ninth successive challenging financial year of austerity. The magnitude of government grant cuts resulting again in a high level of savings needing to be achieved to balance the budget. The outturn position through a number of in year interventions to reduce costs and increase income, and despite the exceptional costs in respect of Unaccompanied Asylum Seeking children the year end revenue position for the Council was an overspend of £0.186m. This is lower than our predicted projections reported to Cabinet at quarter 3 as shown in graph 1 of this report.
- 3.2 The measures detailed in the Executive Summary have played an important part in controlling the Council's expenditure during 2019/20, with the final outturn position being £0.186m overspent, an improvement compared to the forecast as at quarter 3. This small overspend has been funded from our general fund balances, bringing these down only slightly from £10.4m to £10.2m at the end for 2019/20. Earmarked reserves have increased by £6.9m to £21.1m. A number of targeted funding streams have continued to be drawn out of reserves in 2019/20 to support delivery mainly around the transformation agenda and the first tranche of funding from the government to support the COVID19 crisis has been received and accounted for in the 2019/20 accounts. The second tranche was received in April.
- 3.3 The long term target set out in the Financial Strategy is to hold General Fund balances of 5% of the council's net budget requirement. At the time of setting the budget for 2020/21 provision was made to increase the budget by £5m to take our general fund balances to £15m which equates to 5.4%.
- 3.4 Details of the final revenue year end position are provided in Table 1 below grouped in the management structure of the Council. Further details of the Council's Financial Performance for 2019/20 will be reported to the General Purpose and Audit Committee meeting which is now scheduled for October as part of the Annual Accounts report. As a result of Covid19 CIPFA have announced that the publication date for audited accounts has been extended from 31 July to 30 November 2020 for all local authorities to enable finance teams to be able to support the pandemic and in recognition that the new remote working regime we all face will add some delay.

**Table 1 - Revenue Outturn Summary for 2019/20**

Quarter 3 Forecast				
Outturn	Department	Revised Budget	Outturn	Variation from Revised Budget
Variance £'000		£'000	2019/20 £'000	£'000
9,891	Health, Wellbeing and Adults	95,114	103,689	8,575
875	Children, Families and Education	96,596	105,027	8,431
-2,500	Place	106,480	101,721	-4,759
964	Gateway, Strategy and Engagement	36,386	36,980	594
-4,449	Resources and Chief Executive	-4,680	-14,022	-9,342
<b>4,781</b>	<b>Departmental Total</b>	<b>329,896</b>	<b>333,395</b>	<b>3,499</b>
-10,629	Non-Departmental Items	7,382	-4,681	-12,063
-5,848	<b>Revenue Total before Exceptional Items</b>	<b>337,278</b>	<b>328,714</b>	<b>-8,564</b>
8,219	Exceptional items	0	8,749	8,749
<b>2,371</b>	<b>Total transfer from balances</b>	<b>337,278</b>	<b>337,463</b>	<b>186</b>

### Capital Programme

3.5 The original approved capital programme for 2019/20 totalled £222m, which was increased during the year to £439m to reflect both programme slippage and re-profiling of schemes. Actual capital spend in 2019/20 was £232m, with the resultant underspend of £207m (47%) mainly attributable to slippage in the delivery of schemes. Table 2 below, shows spending against budget by Department in 2019/20 and Appendix 1 provides a detailed breakdown of spend against budget for the capital programme. Appendix 2 details the funding sources for the programme.

**Table 2 – Capital Outturn Variances for 2019/20**

Department	Original Budget £'000s	Budget Adjustments £'000s	Revised Budget £'000s	Outturn £'000s	Outturn Variance £'000s
Health, Wellbeing and Adults	9,673	2,360	12,033	5,754	- 6,279
Children, Families and Education	35,638	- 3,001	32,637	16,434	- 16,203
Place	77,790	86,971	164,761	118,769	- 45,992
Resources	60,373	117,022	177,395	39,425	- 137,970
<b>General Fund</b>	<b>183,474</b>	<b>203,352</b>	<b>386,826</b>	<b>180,382</b>	<b>- 206,444</b>
Housing Revenue Account	38,451	13,792	52,243	51,375	- 868
<b>Total Capital</b>	<b>221,925</b>	<b>217,144</b>	<b>439,069</b>	<b>231,757</b>	<b>- 207,312</b>

**Housing Revenue Account (HRA)**

3.6 The departmental variances of HRA revenue spend against budget are set out in Table 3 below. Table 4 gives details of the movement in the HRA Reserve.

**Table 3- Analysis of Housing Revenue Account Variances 2019/20**

Division	Variance £'000s	Detailed explanation
<b>HRA – Housing Assessment and Solutions</b>	2,360	Overspend on utilities costs including the loss of water rates collection (£0.929m); Overspend on staffing costs due to fire safety requirements (£0.214m); Under-recovery of garage income as stock has reduced (£0.277m); Additional recharges (£0.248m); Tenancy staffing (£0.272m).
<b>HRA – Council Homes, Districts &amp; Regeneration</b>	(428)	Underspends due to vacancies within the team.
<b>Total HRA Overspend</b>	1,932	

**Table 4- Analysis of Housing Revenue Account Variances 2019/20**

HRA	Balance at 01-Apr-19 £'000	HRA Outturn 2019/20 £'000	Balance at 31-Mar-20 £'000
<b>Reserves</b>	<b>(15,271)</b>	<b>1,932</b>	<b>(13,339)</b>

- 3.7 HRA Capital expenditure totalled £51.375m, including £11.073m of acquisition costs for 49 Brick by Brick built properties. Expenditure was less than the revised budget of £52.243m by £0.868m due to a corresponding overspend on the acquisition costs against an underspend on the fire safety programme.
- 3.8 There is an increased demand for housing, which places pressure on HRA waiting lists and the budgets for Emergency and Temporary Accommodation. Subject to levels of demand, more HRA stock will reduce the need for temporary housing and therefore enable savings to be made through reducing the need for more expensive private emergency and temporary accommodation solutions.
- 3.9 Impacting on the HRA, the long term financial implications of obtaining properties can be managed by minimising borrowing costs where possible, using funding from the GLA alongside RTB receipts and more favourable borrowing rates offered for housing by central government or other private sector sources. These long-term costs will be offset by the rental income on properties and, by purchasing new build properties, future maintenance costs should also be more favourable. More details of the programme to purchase housing is detailed in the Housing Supply report on this agenda.

### **Balance Sheet and Financial Strategy**

- 3.10 Table 5 below shows the position on the Council's balances, reserves and provisions as at 31 March 2020, compared with previous years. This table excludes Locally Managed Schools reserves, as they are managed by Schools. The overall value of school reserves have decreased by £3.148m to £0.584m. This includes a decrease in revenue reserves £2.620m to a deficit of £0.04m and a decrease in capital reserves by £0.528m to £0.588m.

**Table 5- Analysis of Movement in Reserves and Balances**

<b>Balances and Reserves</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
General Fund Balances	10.4	10.4	10.2
Earmarked Reserves excluding Schools	15.7	14.2	21.3
General Fund Provisions	41.2	41.5	43.8
<b>Total</b>	<b>67.3</b>	<b>66.1</b>	<b>75.3</b>

- 3.11 The Council's General Fund Provisions have increased from £41.5m to £43.8m as at 31<sup>st</sup> March 2020.

- 3.12 The Collection Fund has an overall deficit of £5.790m which has been carried forward in to 2020/21. Croydon's share of this is a deficit of £2.73m. Croydon's share is comprised of a Council Tax surplus of £0.657m and a Business Rates deficit of £3.387m.
- 3.13 The Council also has both S106 and CIL reserves of £9.4m and £10.9m respectively for investment in the borough on schemes that meet the criteria. Commitments have been made against these reserves and investment will be made in the year ahead.

### **Revolving Investment Fund (RIF)**

- 3.14 This Cabinet has previously agreed to set up a Revolving Investment Fund (RIF) to support the delivery of Growth within the Borough. As previously reported the RIF acts as funder to the development company Brick by Brick, the Housing LLP Croydon Affordable Homes and Box Park.
- 3.15 The RIF lends at commercial rates whilst borrowing at the lower rates which are available to the Council. The net returns estimated over the next 3 years are in the region of around £10m per annum, and are included in the revenue budget. Table 6 below details the loans, interest arrangements and payment dates.

**Table 6 –Loans made from the RIF still outstanding at 31.3.2020**

	<b>Loan amount</b>	<b>Interest</b>	<b>Net interest earned in 2019-20</b>	<b>Repayment Date</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	
Box Park	1.958	10.90%	0.185	October 2021 (loan term 5 years)
Brick by Brick (Croydon)	208.354	5% - 6.25%	9.543	5th anniversary of the relevant loan, unless otherwise agreed
Croydon Affordable Housing LLP	8.392	3.25%	0.194	November 2058 (loan term 41 years)
<b>Total</b>	<b>218.704</b>		<b>9.922</b>	

### **Dedicated Schools Grant (DSG) Deficit Recovery Plan**

- 3.16 The DSG deficit is £14.5m and the overall movement in the DSG block from 2018/19 to 2019/20 is detailed in table 7.

**Table 7 – Overall movement in the DSG position from 2018/19 to 2019/20**

Description	Total £m
Final DSG for 2019/20 before academy recoupment	343.58
Academy figure recouped for 2019/20	-178.92
<b>Total DSG after academy recoupment for 2019/20</b>	<b>164.67</b>
plus: Brought forward from 2018/19	-9.193
Final Budget distribution for 2019/20	164.67
Of which:	
Actual Central Expenditure allocated	8.367
<b>Actual ISB Deployed to schools allocated</b>	<b>161.67</b>
Schools Delegated including growth	73.6
High Needs	61.15
Early Years	29.166
Central Support Services block	6.177
<b>Total Actual Expenditure</b>	<b>170.03</b>
Carry-forward overspend to 2019/20	-14.558

- 3.17 As a condition of the 2019/20 DSG, local authorities with an overall DSG deficit of one per cent or more at the end of the previous financial year were required to submit recovery plans for the deficits by 30th June 2019.
- 3.18 Croydon has a plan to recover the in-year High Needs Block deficit of over a seven year period to the DfE, as agreed with the School Forum and Chief Finance Officer.
- 3.19 The recovery period is in line with the SEND strategy with key areas to be targeted. The intention is to improve our SEND provision while reducing the expenditure in order to ensure that we can fulfil our statutory duty to be meet the needs of all pupils with special education needs.
- 3.20 A detailed breakdown of the revised recovery plan, including High Needs Block budget setting for 2020/21 was submitted to the High Needs Working Group in January 2020 in preparation for Schools Forum in the same month.

#### **4. BUDGET 2020/21**

- 4.1 The budget for 2020/21 was approved by Council in March 2020. Cabinet will be aware of the pressures around increasingly having to balance rising demand for services with year-on-year real terms cuts to grant funding from government. This is compounded by historic underfunding which affects the base on which cuts have continuously had to be made. Balancing the budget is becoming increasingly difficult each year and the 2020/21 budget contained a significant number of savings that were ambitious and needed to be delivered in year.



- 4.2 Demand for children’s and adult social care continues at unprecedented levels, but without the necessary funding to pay for this demand. As a result local authorities are facing an untenable situation, with many now reaching tipping point. With growing numbers of both young and older residents, and other demographic changes, Croydon is affected by these national issues more than most. A significant amount of growth was added to the budget to try and deal with this demand. Table 8 below sets out the allocation of growth and savings in 2020/21.

**Table 8 - Departmental Growth and Savings 2020/21**

Department	Growth	Savings and Income	Net Growth/Savings
	£M	£M	£M
Children, Families and Education	10.112	-8.027	2.085
Health, Wellbeing and Adults	21.237	-16.194	5.043
Place	6.799	-9.946	-3.147
Resources	7.205	-6.082	1.123
<b>Department Total</b>	<b>45.353</b>	<b>-40.249</b>	<b>5.104</b>

**Children, Families and Education including UASC**

- 4.3 Following the Ofsted inspection in 2017 of Croydon’s services for children in need of help and protection, children looked after and care leavers (the findings of which have been reported to this cabinet), additional funding and resources have been allocated to the service over a three year period.
- 4.4 The number of local Looked after Children in 2019/20 reduced from a peak of 558 at the start of the year to 528 at the end of the year. In conjunction with the decrease there has been focused efforts to reduce the number of local children entering care as well as supporting those reuniting with their parents where it is safe to do so.
- 4.5 Children in Need has seen cases reduce over the year, and at the start of the financial year there were 714 cases reducing to 604 by the end of the year. This is due to a multitude of initiatives, amongst them reviewing long term open cases and where appropriate stepping down cases to Early Help Services
- 4.6 To help manage these increasing demands and deliver the improvement work identified in the Ofsted inspection £10.611m of growth was allocated to children’s social care and £0.389m for business support to this service in 2019/20. Additional funding of £3m was also allocated for Children with Disabilities to fund increasing demand. A further £10m of growth has been provided for in 2020/21.
- 4.7 Additional one-off investment funding via the Council’s Transformation Reserve has also being used to continue to support the implementation of the improvement plan. The estimated cost of this plan over the three

years since the Ofsted inspection is £28.5m (of which £3.2m and £9.8m was spent in 2017/18 and 2018/19 with a further £15.5m in 2019/20).

### **UASC – Unaccompanied Asylum Seeking Children**

- 4.8 As previously reported to Cabinet, Croydon for a number of years has faced local pressure as a result of an inadequate grant from the Home Office for UASC. The Council has continuing to lobby the government to adequately fund these costs.
- 4.9 On 8th June 2020 the government announced in a letter to all Council Leaders and Chief Executives that the Home Office was increasing financial support for councils supporting UASC. With the narrative 'Our shared objective is to support safe and stable placements for all children and young people, where they can receive the necessary care to thrive. With that in mind the Home Office funding contribution for this group will increase from 1<sup>st</sup> April 2020'.
- 4.10 The letter reminded Council's that in May 2019 the Home Office increased all lower tariff rates to £114 per UASC per night. This was the second time in three years that the rates had been lifted. It told Council's that further work has now been undertaken to look at these rates with particular focus on the funding provided for former UASC Care Leavers. With his work now completed the following changes apply from 1 April 2020, for the duration of the financial year 2020/21:
- 4.11 An increase in funding as follows: - £240 per care leaver per week from £150 or £200 (depending on cases) and removed reduced rates for legacy case claims. As well as removing the first 25 Care Leavers' rule which prevented Local Authorities claiming for the first 25 equivalent Care Leavers in their care.
- 4.12 The Home Office also announced an increase of 25%, to £143 per person per night to the funding contribution for all UASC in those local authorities supporting UASC at, or in excess of, 0.07% (the threshold set by the national transfer scheme) of their child population, as at 31 March 2020.
- 4.13 Local authorities looking after UASC amounting to less than 0.07% of their child population will continue to receive £114 per person per night for each young person in their care.
- 4.14 Croydon is supporting UASC in excess of 0.07% and will, therefore receive the uplifted rate of £143 per person per night rate for all UASC in care for 2020/21. This supersedes any previous rates, including the enhanced rate of £137.50, which was previously paid for UASC under 16 years old in Croydon.

### **Health, Wellbeing and Adults**

- 4.15 Adult Social Care Services are continuing to experience increases in demand for services above budget and the net overspend in 2019/20

was £8.575m. Over the years Adult Social Care budgets have not seen a real term increase, with significant savings identified to address budget pressures and an over reliance on non-recurrent funding. Areas of significant pressure compared to budget continues to be in the 25-65 Disability Service (including Children with Disabilities transitions) and Older People and following agreed in year savings, overspends total £10m (£5.2m and £5m respectively). This is the result of rising demand in Domiciliary Care, Nursing and Residential placements where there is an increase in placement costs and complex cases.

- 4.16 To manage the increase costs in Adult Social Care, medium/long term savings have and will be sought by driving service provision costs down, for example through enabling Occupational Therapy led domiciliary care, targeting reviews and decision making for providing people with packages of care, improving supply of accommodation for people with disabilities, exploring alternatives to placements, integrated Continuing Health Care arrangements and increasing Direct Payments uptake. There will be a review of services provided by external contractors, maximising income and a focus on Localities based working. The council will look to strengthen the partnership with health, expanding the scope for integrated health and care services, continue to invest in prevention and early intervention, accelerate the community led support approach, building on people and community assets, redesign the workforce and increasing investment in digital solutions. All with a focus on outcomes, more efficient processes and increased productivity. There will also be continued lobbying of government to fund Croydon adequately for services provided.
- 4.17 Gateway services continue to focus on managing demand for homelessness services, helping residents with prevention measures whilst continuing to support the most vulnerable residents.

## **5 COVID 19**

- 5.1 The implications of COVID19 and the Council's response will have a significant financial impact. The government has announced funding in a number of areas.
- 5.2 Emergency funding of £1.6bn was announced on 20th March. Croydon has been allocated £9.4m and this was received at the end of March 2020. This is not ring-fenced but is intended to cover additional costs to the Council and demand on services, including social care.
- 5.3 Clinical Commissioning Groups (CCGs) have been funded separately for the additional costs of discharging and keeping people out of Hospital. The Council is working closely with the CCG to ensure these costs are tracked and funded appropriately.
- 5.4 A second emergency funding round of a further £1.6b was announced in April and we received an allocation of £10.5m, making the total received to date £19.9m.

- 5.5 On the 2/7/2020 at the LGA conference Rt Hon Robert Jenrick, Secretary of State for Housing Communities and Local Government announced an additional £500m of funding for local government. Along with a number of other measures around support for lost income and council tax and business rates to help Local Authorities manage their financial position this year.  
At the time of writing the distribution of the £500m is unknown and local government associations have publically acknowledged that this and the other funding measures announced at the conference will not be sufficient to support council's financially.
- 5.6 We are maintaining a forecast of spend that will be incurred against this grant as well as the level of income to the Council lost as a result of some services being closed (e.g. Leisure Centres) and others experiencing a fall in demand for fee paying activities (e.g. parking income). It is also anticipated that a number of savings originally planned to be delivered in 2020/21 will now be delayed as a result of the need to deploy staff to the COVID19 response and the increased level of support needed from some Council services.
- 5.7 These forecasts are indicative given the significant uncertainty about the pandemic and there possibility that there could be a second spike and the ongoing impact on Council services over the medium term. It is expected the economic damage and associated impact on residents will require significant Council response going forwards even after the virus has been contained.
- 5.8 MHCLG have been collating data from Council's on a monthly basis since April to gain a national understanding of the financial impact of Covid19 on the sector. In the last submission, made on the 19<sup>th</sup> June, we forecast a financial impact of £65.4m after receipt of the £19.9m government funding.
- 5.9 There remains the expectation that further funding will follow from Government. At that start of the pandemic Rt Hon Robert Jenrick Secretary of State for Communities and Local Government wrote to all council's advising that the government would reimburse local authorities for costs associated with COVID19, subsequent letters have been less positive and it is unlikely that not all of the financial impact related to Covid19 will be reimbursed.
- 5.10 Whilst the government is providing additional funding that will underwrite some of the financial gap, we must take urgent action to ensure that spending remains within the bounds of available resources in order to avoid breaching our statutory duty and to avoid issuing a s114 notice.
- 5.11 In early May 2020 we took urgent action and set up a Finance Review Panel to undertake a root and branch review of our financial governance, strategy and planning, leadership, decision making, management and group company structures. Further details of this

panel are contained in the Responding to the Local Government Finance Challenge report on this agenda.

- 5.12 There has also been other support from the government that has been ringfenced for specific purposes and which essentially pass through our accounts, as they are for costs that would not be incurred under normal circumstances. The costs associated with business grants, the discretionary business grants scheme and the Council Tax Hardship fund are funded fully by the government. We have been allocated grants to fund each of these of £57.4m, £2.8m and £4.4m respectively. Additionally funding has been announced for Infection control in Care homes of £4.12m, Test, Track and Trace of £1.99m and Reopening of High Streets Safely, £342k.
- 5.13 Funding has also been announced nationally for Homelessness and to fund lost teaching in schools, to date the allocation of this money at a local level is still to be announced.
- 5.14 Whilst most councils are in a similar position, Croydon has a comparatively low level of reserves that could be deployed, in the region of £10m. The 2020/21 budget included a contribution to the general fund reserves of £5m, with further contributions planned in future years. Although further funding may materialise from central government towards the Covid19 burden, and the council will continue to lobby on historical underfunding issues, these possibilities cannot be relied upon to close the gap.
- 5.15 In response to the scale of the immediate financial challenge, the council has recognised the need to act swiftly and decisively. Work has already begun on a range of immediate and short term measures that we can take to address its 2020/21 forecast overspend, and the creation of the Finance Review Panel is key in driving this work forwards. Alongside these measures conversations are actively taking place with MHCLG regarding measures to capitalise costs this year to help alleviate in year financial pressures.

## **6. Budget Monitoring**

- 6.1 Strong financial monitoring is essential for all organisations to be able to manage their financial position and mitigate financial risks, whilst giving them information to be able to make changes and reduce spend if deemed necessary.
- 6.2 Croydon operates with a consolidated finance team, with dedicated teams supporting each directorate of the organisation. In the last five years the finance team has reduced from 60 staff to 46.8 staff, a reduction of 13.2 FTE, which is a 22% reduction. These reductions have occurred as the organisation has been required to reduce costs as a result of significant reductions in government funding and monies being diverted to manage rising demand for services to residents.

- 6.3 As a result of these staff reductions the team has been forced to change working practices and provide finance support to the organisation in a different way. One of the biggest changes has been the move from monitoring all revenue budgets on a monthly basis to monthly monitoring on a risk based approach, focusing on high risk and volatile areas only each month with quarterly monitoring for all budgets. Financial monitoring reports continue to be presented to Cabinet each quarter.
- 6.4 Improvements to the finance system have taken place during this time period which has enabled processes to be more automated and budget managers to take greater ownership and responsibility as a self-serve module is now available. It is however clear from the variance in the forecast outturn reported at quarter three of 2019/20 and the final year end position that the financial monitoring processes in place are not sufficient and need enhancing quickly.

### **CURRENT APPROACH**

- 6.5 The current approach to revenue financial monitoring is formal monthly monitoring for areas which are deemed “high-risk” i.e. those which are currently overspending significantly, are volatile or demand led. And formal quarterly monitoring across all budgets, with outturn figures and explanations collated and reported to Cabinet. Reporting is carried out on a departmental basis, with more explanations for variances within services and directorates over £100k and £500k.
- 6.6 There is also no formal definition of what is deemed “high risk” and, therefore, warrants monthly monitoring.
- 6.7 There is no single formal template for reporting financial performance internally.
- 6.8 Capital budgets are monitored on a quarterly basis and going forwards there needs to be greater emphasis and transparency throughout the financial year on both of these types of funding streams and budgets so any interdependencies, for example capitalisation of staff costs is fully understood.

### **PROPOSED APPROACH**

- 6.9 It has been identified that the current approach to financial monitoring and reporting is not fit for purpose, especially during a period of extreme financial pressure as set out in section 5.
- 6.10 There needs to be a greater level of ownership and accountability within departments and at a senior level. Each budget manager needs to fully own their budget and sign off their monthly monitoring, with heads of finance being instrumental in this process and responsible for raising concerns about noncompliance.

- 6.11 Every member of the senior leadership team needs to not only understand and own their own departments' budget and spending, they also need to take a collective ownership of the Council's position in total and work together to manage any overspends
- 6.12 Cabinet Members also need to be enabled to be more involved with the budget, with Directors and Executive Directors taking responsibility for briefing them and ensuring they are sighted on any risk and issues relating to their portfolio.
- 6.13 The S151 Officer will continue to have responsibility for briefing the portfolio holder for Finance and Resources and will work alongside the Monitoring Officer and Chief Executive to ensure the Leader is fully briefed each month.
- 6.14 Monthly finance briefings will also be made available to the opposition by the S151 Officer and Monitoring Officer.
- 6.15 In order for this proposed approach to be undertaken work is underway to strengthen the finance team in order to ensure that the necessary resources are in place to undertake the new budget monitoring approach.

## **7. BUDGET 2021/22**

- 7.1 As well as the immediate financial challenge the council faces an unprecedented challenge in balancing the budget in the years ahead. The impact of the Covid19 pandemic and historic underfunding has placed the council in a position in which reductions in expenditure on a very significant scale will be required in addition to increases in income from fees, charges, and other sources. The MTFs will estimate and quantify the budget gaps that will need to be closed, and ensuring that the assumptions contained within it are as accurate as possible will be critical.
- 7.2 Planning the changes that will be necessary to balance the budget is hampered by the degree of uncertainty concerning future funding arrangements. The distribution of funding to local authorities through business rates and grants has been under review by the government, but there have been no final decisions about the system and it is now unlikely that the government's attention will return to this for some time due to the focus on health and economic recovery resulting from the Covid19 pandemic. Government decisions about limiting council tax increases and the social care precept will have a significant impact upon the ability to raise income locally. The government's recent track record of making important funding decisions one year at a time has also created difficulty for medium term planning.
- 7.3 The Covid19 pandemic may leave the council with additional costs on an ongoing basis. Furthermore, the government's plans for funding the national cost of the Covid19 pandemic are as yet unknown, and there is

a strong possibility that further public sector austerity may be among the measures it will adopt.

- 7.4 In learning the lessons of the Covid19 pandemic it is likely that the government, and the council's local public sector partners, will wish to make changes to improve joint working and resilience, and this may also have significant effects upon future funding arrangements, as well as demanding significant operational change.
- 7.5 In addition to these exceptional challenges, the council will continue to face the more customary but nonetheless significant pressures of inflation, demographic growth, and increasing social and economic need.
- 7.6 In the context of these issues, we must have a financial planning process that is sufficiently robust to provide a solid basis for operational planning and delivery and has enough flexibility to respond to significant change.

#### **PROPOSALS FOR CHANGE – MTFS and budget setting process**

- 7.7 We would benefit from having a longer medium term planning horizon. This allows more difficult decisions to be planned for, and for time to be allowed for preparation, consultation and implementation. A rolling MTFS that looks 3 years ahead is recognised as good practice. The MTFS will therefore be revised in full every year, rather than once every 2 years as has been the practice. This year the MTFS will be published in September and will look at the period 2021/22 to 2023/24. In future years the MTFS will at the latest go to the September Cabinet meeting, and earlier if possible.
- 7.8 The level of uncertainty the council faces requires the ability to respond flexibly. However, it is also important that the organisation has clear and stable financial parameters to work within. Good practice suggests that the medium term forecasts are revised no more than twice in the annual cycle: principally in July when the targets for the budget setting process are set, and secondly in February when the budget is set, where the assumptions can be adjusted if required.
- 7.9 A minimum level of unallocated reserves must be set to enable the council to operate this cycle. This allows any unexpected financial shocks to be absorbed and the council to continue to operate on a planned and stable basis. The target level of reserves should be set by s151 officer based on their professional judgement about the risks the council is facing, and the budget plan must prioritise maintaining the reserves at the target level above any operational considerations. The minimum level of reserves cannot be set on the basis of affordability in comparison with other priorities, but must be set on the basis of risk assessment as a fundamental requirement that underpins the stability of the organisation.



- 7.10 The MTFS document should provide transparency on an annual basis about the council's key financial planning information and assumptions. This is important because it enables the organisation and its stakeholders to understand and jointly own the financial position. It also helps to ensure that the Cabinet making decisions with a clear understanding of the financial consequences.
- 7.11 A three year MTFS allows the council to plan its operations three years ahead, and this means that targets can be set for growth and savings for three years rather than one. This permits projects with a longer implementation timescale or with greater complexity to be planned and approved in advance.
- 7.12 In order to allow sufficient time for departments to develop robust proposals for growth and savings to feed into the budget decision-making process, departments should start work as early as possible in the cycle. This means not waiting until the MTFS has been revised but working to provisional targets beginning as early as May.
- 7.13 The robustness and deliverability of budget proposals is a major issue. A longer timescale for departments to work on proposals before submitting them will help with this, but the process itself must also foster greater focus on deliverability and should do so by providing templates for submissions that require more information about delivery and risk.
- 7.14 In developing budget proposals, it is essential that departments do not work in isolation and that cross-departmental working is encouraged from the leadership team downwards. A strong focus upon delivering the corporate plan and through it the agreed member priorities and outcomes will help to support this approach.
- 7.15 Friendly and constructive challenge has an important role to play in the development of proposals, to ensure that they are aligned with corporate priorities, are developed to their full potential, and are sufficiently robust and deliverable. For this reason budget development meetings will be held over the summer and in particular in September/October. This will be done in a manner that ensures collective ownership of the financial position and decisions, all cabinet and ELT members will be invited to each meeting. The meetings will follow an agreed format and focus upon a particular set of proposals, grouped by theme (e.g. Capital) or by department.
- 7.16 Budget proposals will be evidenced by performance data and modelling to demonstrate robustness and deliverability, with performance and value for money benchmarked over time and against other organisations.
- 7.17 Cabinet will seek to make early decisions on approval of key budget proposals in November or December to allow mobilisation time so that the council can benefit from the full year effect.

- 7.18 Scrutiny will have a formal role in the process, with pre-scrutiny of proposals for significant change being feasible because of longer development timescales. Scrutiny of budget proposals will take place in the period November to February as the proposals are brought forward for Cabinet approval.
- 7.19 The budget and MTFS will be approved at the Council meeting in February following final consideration at the February Cabinet meeting.

## **8 CAPITAL PROGRAMME INVESTMENT – 2020/21**

- 8.1 In February 2020 Cabinet agreed the capital programme. Cabinet are asked to note the request for an amendment to the capital programme and details of schemes that are likely to be slipped into 2020/21. As detailed elsewhere on this agenda the capital programme is one of the areas that is being looked at as part of the Croydon Finance Review to address the current year overspend caused by the Covid19 pandemic. The review will look to identify underspends, spending that can be reprofiled into a later year, and projects that can be deferred or stopped. With this in mind the capital programme slippage is still under review and will be presented to cabinet in September as part of the Month 1 financial monitoring report.
- 8.2 With this in mind Members are asked to note the details of the current programme in appendix 1 and 2. A report will be brought to Cabinet in September to approve the revised programme and approve slippage and any other changes once the review is completed. The current programme and any budget adjustments are summarised in table 9 below.
- 8.3 The table below details a number of amendments to the capital programme that the cabinet are being asked to approve. They are :- detail
- realigning the £40m budget for Affordable Homes from the General Fund to the HRA capital programme, as these properties will now be held within the HRA
  - including the funding for the purchase of housing, as set out in the Cabinet Paper, Increasing Housing Supply. This paper sets out a proposal to purchase £44.8m of housing stock, using £30.6m of borrowing, £9.7mn of RTB receipts and £4.5m of GLA funding and
  - Addition of £431k to the 2020/21 capital budget for the Finance and HR system to cover essential infrastructure support costs.

**Table 9 – Draft Capital Programme – 2020/23**

	2020/21 Original Budget £'000	2020/21 Re-Profiling/Adjustments £'000	2020/21 Revised Budget £'000	2021/22 Draft Budget £'000	2022/23 Draft Budget £'000
General Fund	301,546	- 39,569	261,977	209,690	60,544
HRA	35,701	83,239	118,940	39,951	26,951
<b>TOTAL</b>	<b>337,247</b>	<b>43,670</b>	<b>380,917</b>	<b>249,641</b>	<b>87,495</b>

## 9 USE OF CAPITAL RECEIPTS

- 9.1 In March 2016 the DCLG (now MHCLG) issued guidance allowing a more flexible approach to using capital receipts. This guidance enabled local authorities to have the flexibility to use capital receipts from the disposal of property, plant or equipment assets for expenditure on projects that will generate ongoing savings and efficiencies.
- 9.2 During the year receipts of £29.6m were received and the majority of the capital receipts were used to fund transformation projects listed in table 8 below.
- 9.3 In July 2016 (Minute ref A76/16) it was reported to this Cabinet that the Council would be taking advantage of this new flexibility and in 2019/20 £29m of transformation projects were funded from capital receipts. These are detailed in table 10 below.

**Table 10 – Transformation projects funded from flexible capital receipts.**

Transformation	2019/20 £m
Adult social care	6.130
Children's transformation	15.571
Transformation ICT/ New ways of working	6.257
Communities / gateway / localities	0.730
Redundancy	0.580
	<b>29.268</b>

- 9.4 To enable the continued delivery of our transformation programme we will continue to use this approach to the flexible use of Capital Receipts in 2020/21. Further reports on progress of these projects will be presented to this cabinet.

## 10 HRA

- 10.1 Managing the Housing Revenue Account continues to be an ongoing challenge for the Council in light of legislative changes driven by the government. While the 1% rent reduction has now ended, the loss of income over the previous four years from 2016/17 to 2019/20 has impacted on the long term HRA business plan. The biggest challenge however relates to the uncertainty over government consultations regarding the use of RTB capital receipts which was launched in 2018. This makes it difficult to strategically plan for the future use of RTB receipts as the time constraints for using them remains. Investment in good quality housing at affordable rent remains a key focus for Croydon and the report on this agenda 'Increasing Housing Supply' builds on the needs identified within the Housing Strategy for Croydon that was endorsed by Cabinet in October 2019 and proposes the purchase of new build homes from Brick by Brick (BBB) to help meet at least some of the current demand for affordable homes within the Borough. This report proposes the purchase up to 165 properties to boost the supply of affordable homes in the borough.
- 10.2 The government announced the lifting of the borrowing cap in October 2018. The removal of the borrowing cap provides an opportunity for the Council to borrow more money for social housing provision in the future which it can use flexibly subject to affordability constraints. Prior to the lifting of the borrowing cap, the introduction of self-financing for the Housing Revenue Account (HRA) in April 2012 was accompanied by a limit on the amount of housing debt that each authority could hold. Croydon's current HRA debt is £324m with a headroom of £11m as against the old borrowing cap. The limitations this generated for the HRA business plan resulted in many authorities (including Croydon) seeking to borrow to support affordable housing outside the HRA. In the 2017 Autumn Budget statement, an additional £1 billion of borrowing was allocated to the Housing Revenue Account across 'areas of high affordability pressure' of which Croydon Council secured £61m of borrowing.
- 10.3 Following the Grenfell Tower tragedy in June 2016 the Council committed to installing a range of fire safety measures across its own housing stock. This includes the installation of water sprinklers in residential blocks over ten storeys high. The cost of these works was in the region of £5m for 2018/19 and increased to £10m for 2019/20. The Council has lobbied the government to fund these essential safety works on a number of occasions and unfortunately they have failed to provide any funding, resulting in the costs being funded from the HRA. There have been changes in the requirements for fire safety which has an impact on the current HRA capital programme. There will be a review of the costs of the cyclical maintenance programme alongside its fire safety programme in order to keep the HRA sustainable.
- 10.4 From 2017, the Council approved the use of Right-to-Buy (RTB) receipts to support investment in affordable housing across the borough, namely Brick-by-Brick developments, Taberner House, and existing properties

purchased under the ETA scheme. 346 units have been transferred to Croydon Affordable Homes LLP, a limited liability partnership (LLP) with a local charity in a structure that will allow RTB receipts to be invested in the development activity whilst allowing the Council to retain a long-term interest in the assets. More purchases are planned in the future.

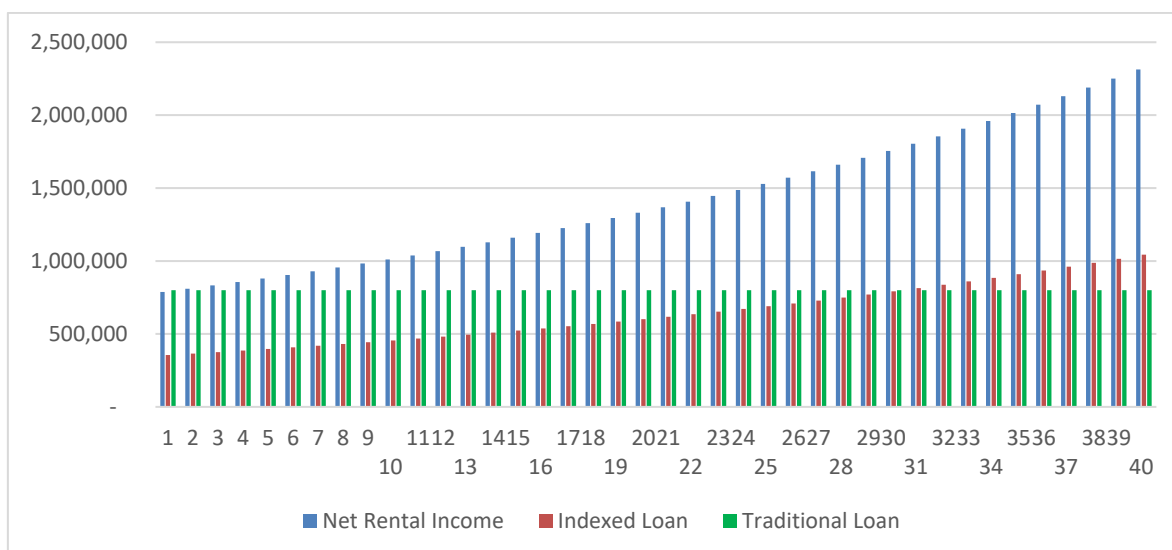
## **11. Investment in genuinely affordable homes**

- 11.1 In June 2017, Cabinet approved (minute no. A44/17) the creation of the partnership with Croydon Affordable Housing to deliver genuinely affordable homes for borough residents. That report incorporated three schemes – ninety six homes previously purchased by the Council, ninety homes to be built on the former Taberner House site and new properties to be developed across multiple sites by Brick by Brick (Croydon) – with a further programme of up to two hundred and fifty street properties homes to be purchased approved in July 2017 (minute no. A55/17)
- 11.2 Two schemes, the original ninety-six purchases and the two hundred and forty eight acquisitions, were completed in November 2017 and December 2019 respectively with the homes leased to the partnership on a long term basis. Rather than take a loan from the Council, the partnership raised the funding required for the premium on the lease by agreeing an underlease arrangement with Canada Life for the first scheme and Legal & General Investment Management for the second. In each case, the funding was on an index linked basis. Value for money analysis (compared to PWLB) was satisfactorily undertaken in both cases. The analysis considered the overall long-term cost of the funding (and NPV) as well as the suitability of the solution against the long-term rental cashflows.
- 11.3 It is anticipated that the Covid19 pandemic will create an even greater need for affordable homes for borough residents over and above the existing pressures from homelessness and households in temporary accommodation. In addition to the direct financial challenges presented by the cost of providing temporary and emergency housing, there are longer term pressures that arise from households not being in genuinely affordable long term homes and studies have shown the impact on the life chances of those affected. As a result, the planned investment in new homes remains an absolute priority.
- 11.4 The Council also has an ambition to deliver key worker homes in the borough through the CAH partnership so it can begin to meet a further need in the local housing market. An initial ten homes have been identified from the market properties being developed by Brick by Brick (Croydon) to be the first portfolio.
- 11.5 Whilst the first two schemes were financed directly by the partnership via underleases, as these programmes are individually slightly smaller, it is proposed that the Council acts as aggregator of the funding requirement to make it more market size and obtain an improved rate. It

would then lend on to the partnership at the same rate with any surplus generated by the partnership after all operational costs are met passing back to the Council as rent under the agreed lease.

- 11.6 As was the case for the completed schemes, it is proposed to use an index linked funding arrangement for the new homes rather than a traditional fixed rate loan such as that obtained from the Public Works Loan Board. The rationale for this is three-fold:
- i. An indexed loan will have lower initial payments that rises over time in line with the expected annual increase with the rents payable by tenants. This provides an element of uncertainty over the longer term cost of the funds but is a more efficient method of funding income generating assets where there is a high level of confidence that the income collected will increase over time to 'mirror and match' the indexed financing cost. By comparison, whilst a traditional loan with annual repayments provides certainty, the higher initial costs make the homes initially unviable and therefore undeliverable by the partnership. This is illustrated in the chart below for the ninety homes on the former Taberner House site.
  - ii. The proposed external funding solution has a forward drawdown schedule which gives the Council the ability to lock-down funding costs today for monies that are not needed until up to 2-years in advance. This is critical risk management that will ensure scheme viability. It completely removes the risk that schemes are funded for the long-term on a piecemeal basis which would introduces significant future funding rate risk to the Council (i.e. interest rates move higher and the Council / Partnership locks in long term losses).
  - iii. Absolute cost comparison to PWLB on both a future and NPV basis. Using a Bank of England target 2.8% inflation assumption, the external funding solution outperforms the current PWLB rates by in excess of £20m (see below)

**Graph 2 – comparison of net rental income with alternative funding solutions**

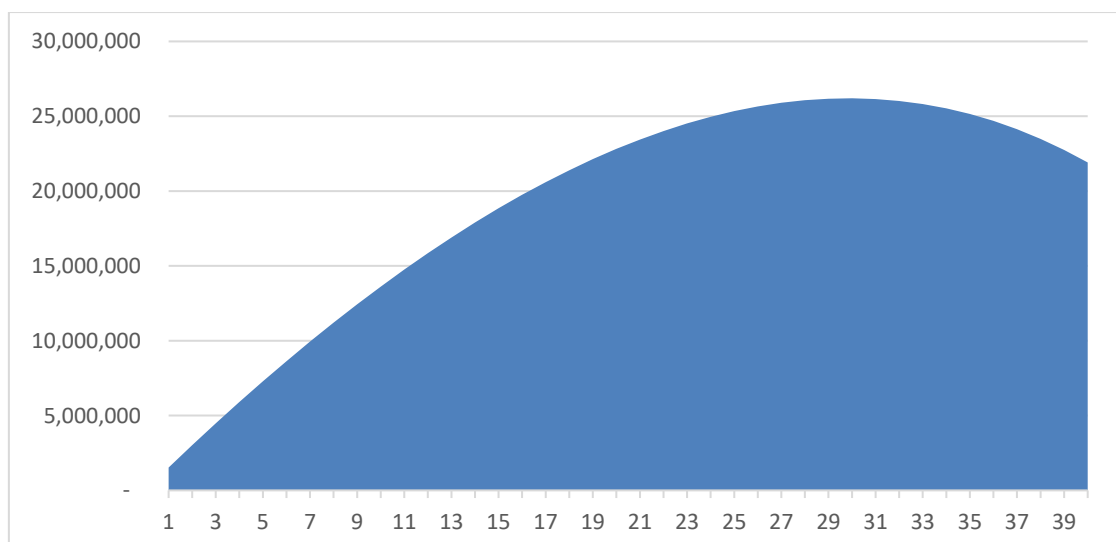


11.7 The aggregated funding requirement for the affordable and key worker homes is £55m and to identify the best value funding partner, a full market testing exercise was undertaken inviting proposals from a range of third-party funders. After a two-stage tender process, the leading offer was received from M&G which, based on Bank of England targets for inflation, delivers a substantial saving against the equivalent duration loan from the Public Works Loan Board. In addition to the lower cost in year one, over forty years the indexed loan is substantially cheaper in both nominal and net present value terms.

**Table 11– comparison of funding options**

	Year one funding cost £000	40 year nominal cost £000	40 year NPV £000
Indexed Loan	1,222	88,089	41,507
Traditional Loan	2,750	110,000	58,726

**Graph 3 – cumulative saving using indexed funding vs PWLB loan**



11.8 Under the proposed loan agreement with M&G, the £55m will be drawn down in tranches over two years to reflect the funding requirement of the partnership acquiring units as they achieve practical completion. The profile of the draw down has been amended to reflect the impact of Covid19 on the construction industry and will ensure that the Council and the partnership will not incur costs from holding excess cash balances.

11.9 The proposed loan solution has been fully reviewed within the Council from an accounting and risk management perspective and the Council has engaged external lawyers to support them with the required documentation. Additional comfort is taken from the fact that other local authorities have independently entered into very similar funding arrangements to address very similar needs.

11.10 The June 2017 report delegated authority to the Executive Director Resources, in their role as the Council's Section 151 Officer, in consultation with the Cabinet Member for Finance & Treasury, to agree and enter in to loans with the partnerships. This would now fall to the Executive Director of Resources and Monitoring Officer, Director of Finance, Investment and Risk, as Section 151 Officer, and the Cabinet Member for Finance & Resources. Given the broader financial pressures facing the Council and the timing of this report, it is being presented to Cabinet for endorsement.

## **12. SUMMARY AND CONCLUSIONS**

12.1 As all Members are aware, managing the 2020/21 budget was going to be difficult with all of the growing demands on services and the ambitious savings programme. The impact of the Covid19 pandemic has now made this extremely challenging and as detailed in this report work is underway as part of the finance review panel to put in place measures to manage



the budget. Conversations are also taking place with MHCLG to raise awareness of the challenges we face and to seek support and help to manage this.

- 12.2 The setting of a budget for 2021/22 that is robust, balanced and deliverable will be challenging, and will involve a number of difficult decisions in these challenging times. The refreshed MTFs that is being develop and will be presented to cabinet in September along with the revised approach to the development of the budget will ensure that there is a robust process in place to review, understand and challenge all budget options to ensure they are deliverable.

### **13. Pre Decision Scrutiny**

- 13.1 The 2020/2021 budget has been presented to Scrutiny and Overview committee on two separate occasions. On the 10<sup>th</sup> September 2019 the committee had the opportunity to scrutinise the budget setting process as part of the Cabinet Member for Finance and Resources Question time.
- 13.2 The draft budget and all savings, income and growth options were also presented to Scrutiny and Overview Committee on the 10<sup>th</sup> February 2020/21. This report enabled members to be briefed on the financial context and challenges the Council faces and updated the Committee on the assumptions made in setting the 2020/2021 budget.
- 13.3 The Scrutiny and Overview Committee agreed to recommend that the Cabinet Member for Finance and Resources be invited to attend a meeting of the Committee and provide an update on the bedding in of the Council's new financial monitoring systems in September 2020.
- 13.4 Since the decision to return to Scrutiny Committee in September 2020 was made, the impact of the Covid19 pandemic has become more apparent and as a result Scrutiny and Overview committee on the 26<sup>th</sup> May received a presentation on the Covid19 which included the financial impact. A further financial update will also be provided to Scrutiny Committee in July 2020.

### **14. FINANCIAL CONSIDERATIONS**

- 14.1 This report deals with the assumptions in planning and managing a balanced budget over the medium term as well as informing the cabinet of the 2019/20 outturn position and the challenges faced.

Approved by Lisa Taylor Director of Finance, Investment and Risk  
(Section 151 Officer)

### **15. LEGAL CONSIDERATIONS**

- 15.1 The Head of Litigation and Corporate Law comments on behalf of the

Director of Law and Governance that this report details updated information required for the Council's statutory duty to set a balanced budget.

Approved by, Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

## **16 HUMAN RESOURCES IMPACT**

- 16.1 Any proposals on budget that may have any impact on the workforce would be consulted on in line with agreed formal consultation arrangements with the recognised trade unions.

Approved by: Sue Moorman, Director of HR

## **17 EQUALITIES IMPACT**

- 17.1 There are no specific issues arising from this report, equalities impact assessments will need to be undertaken as each project is developed and implemented.

Approved by Yvonne Okiyo, Equalities Manager

## **18. ENVIRONMENTAL IMPACT**

- 18.1 There are no specific issues arising from this report.

## **19. CRIME AND DISORDER REDUCTION IMPACT**

- 19.1 There are no specific issues arising from this report.

## **20. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 20.1 These are detailed within the report.

## **21. OPTIONS CONSIDERED AND REJECTED**

- 21.1 The options considered are detailed in the report. The only option rejected was the one of do nothing as this is not viable.

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**Report Author:** Lisa Taylor Director of Finance, Investment and Risk (Section 151 Officer)

**Contact Person:** Lisa Taylor Director of Finance, Investment and

Risk (Section 151 Officer)

**Background documents:** None

**Appendices:** Appendix 1 – Three year capital programme  
Appendix 2 – Capital Funding

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