

Scrutiny & Overview Committee Agenda



To: Councillor 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 **Tuesday, 25 August 2020 at 6.30 pm. This meeting will be held remotely.**

Jacqueline Harris Baker
Council Solicitor & Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Simon Trevaskis
0208 7266000
simon.trevaskis@croydon.gov.uk
www.croydon.gov.uk/meetings
Monday, 17 August 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/10503>

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

AGENDA – PART A

1. Apologies for Absence

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

2. 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.

3. 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.

4. CALL-IN: Key Decisions set out in Cabinet Reports 'Responding to the Local Government Funding Challenge' and 'July Financial Review' (Pages 5 - 82)

To consider and respond to the Call-In in accordance with the procedure set out in the Council's constitution.

5. 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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REPORT TO:	SCRUTINY AND OVERVIEW COMMITTEE 25 August 2020
SUBJECT:	CALL IN: Key Decisions set out in Cabinet Reports 'Responding to the Local Government Funding Challenge' and 'July Financial Review'
LEAD OFFICER:	Stephen Rowan, Head of Democratic Services and Scrutiny
CABINET MEMBER(S):	Councillor Simon Hall, Cabinet Member for Finance & Resources

ORIGIN OF ITEM:	This item has been triggered by the call-in of the decisions by the Cabinet on 20 July 2020 relating to the key decisions set out in the 'Responding to the Local Government Funding Challenge' and 'July Financial Review' respectively.
BRIEF FOR THE COMMITTEE:	To consider and respond to the Call-In in accordance with the procedure set out in the Council's constitution (set out in paragraph 2.3 below).

1. EXECUTIVE SUMMARY

- 1.1 The key decisions, subject to call-in, taken on the 'Responding to the Local Government Funding Challenge' and 'July Financial Review' by the Cabinet on 20 July 2020 have been called-in by the Chair, Vice-Chair, Deputy-Chair and three other members of the Scrutiny & Overview Committee. The decision was made by the Leader to delegate these decisions to the Cabinet (delegations 2320CAB & 2220CAB).
- 1.2 Attached to this report are:
- **APPENDIX 1:** Responding to the Local Government Funding Challenge decision report
 - **APPENDIX 2:** July Financial Review decision report
 - **APPENDIX 3:** The Key Decision notice covering both items
 - **APPENDIX 4:** Call-In Proforma
 - **APPENDIX 5:** Draft Minutes of the Scrutiny & Overview Committee – 22 July 2020
 - **APPENDIX 6:** Additional Information requested to assist consideration of the call-in (to follow)

2. CALL-IN: KEY DECISIONS SET OUT IN CABINET REPORTS ‘RESPONDING TO THE LOCAL GOVERNMENT FUNDING CHALLENGE’ AND ‘JULY FINANCIAL REVIEW’

2.1 The decisions taken by the Cabinet, that are the subject of this call-in, were as follows:

Responding to the Local Government Funding Challenge

RESOLVED :

- 1.2 Endorse the further actions and governance arrangements which have been put in place, outlined in the report, to ensure the Council delivers within the 2020/21 approved budget;
- 1.4 Agree the principles informing actions to deliver within the 2020/21 approved budget.

July Financial Review

RESOLVED:

- 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.
- 1.3 The continued use of capital receipts for funding transformation as detailed in section 9 of the report.
- 1.4 The approach to dealing with the financial impact of Covid19, including the financial returns to MHCLG and the discussions with them.

2.2 The call-in pro-forma is attached at Appendix 4. The decision form was received on 27 July 2020 from the Chair of the Scrutiny & Overview Committee, Councillor Sean Fitzsimons and was signed via email by the following Councillors: Jeet Bains, Leila Ben-Hassel (Deputy-Chair), Jerry Fitzpatrick, Joy Prince and Robert Ward (Vice-Chair).

The reason stated for the Call-In was:

“The two Cabinet reports, Responding to the Local Government Funding Challenge and July Financial Review, do not provide sufficient detailed information to allow the Scrutiny Committee to make a judgement as to whether the proposed recommendations will deliver the approved 2020/21 budget, and avoid the service of a Section 114 Notice”

The outcomes desired from the Call-In are stated as:

1. To satisfy the Scrutiny Committee that the Council will deliver the approved 2020/21 Budget and will not serve a Section 114 Notice.
2. Reassurance that the principles informing actions set out in Agenda Item 6.4 are achievable.
3. Council finances are robust enough to enable an effective response if demand substantially increases this Autumn and Winter.
4. Equalities consideration are given due weight when making decision to end, reduce or reconfigure service delivery.”

2.3 The Committee has also set out in the Call-In request the information it requires to assist the consideration of the referral. The information requested is stated as:-

- 1) To provide information at a more granular level on the financial and workforce

actions taken to help satisfy the Committee that the Council will deliver the approved 2020/21 Budget, including increasing level of general fund balances by £5 million.

- 2) More information on the work of the Finance Review Panel, including its recommended short-term options to minimize spend and where possible to generate income, and the refreshed savings proposals to deliver in year 2020/21. Details of the mechanisms referenced in the cabinet report used by the financial review panel to ensure progress stays on track (dashboards and monitoring information).
- 3) Information on the six projects areas (Staffing, Cross-Cutting Areas, Assets, Contracts, Income, and Demand Management), and their expected in-year financial contributions. It should include key milestones, risks and interdependencies.
- 4) Workforce Information, including financial, of the 15% Workforce Reduction proposals, at department and service level. Detail of changes to service delivery, including reduction or stopping of any service. Information on any services (including outputs) that will be outsourced to new or existing providers. Information on level of risks to delivery of statutory duties and information on how not only existing demand but future demand (expected to increase within the financial year) will be managed (in case of localized outbreaks, further lockdown, end of furlough schemes etc.). Proposed departmental structures, including information on the Children's and Adults Social Care departments. We seek re-assurance that deletion of posts, previously filled by contractors, do not denude those teams of skills and experiences to deliver an effective service.
- 5) Capitalisation (details of revenue costs already capitalized referenced in the report and assessment of impact of further capitalization on longer term financial strategy), Overall Debt, and revenue implications. Concerns have been expressed over the overall level of debt, and a more detailed explanation that the current level and revenue costs are sustainable.
- 6) A copy of full unredacted return submission to MHCLG, broken down by section.
- 7) A copy of the corporate risk register updated in relation to new transformation programme objectives/work streams.
- 8) Any other information that will help provide the re-assurance the committee is seeking that the Council will deliver the 2020/21 approved budget.

2.4 Call-In Procedures

The Council's Constitution, Part 4E Scrutiny & Overview Procedure Rule, states:

"11.08 The referral shall be considered at the next scheduled meeting of the Scrutiny and Overview Committee unless, in the view of the Borough Solicitor, this would cause undue delay. In such cases the Borough Solicitor, will consult with the decision-taker and the Chair of Scrutiny and Overview to agree a date for an additional meeting. The Scrutiny and Overview Committee may only consider a maximum of three referrals at any one meeting.

11.09 At the meeting, the referral will be considered by the Committee which shall determine how much time it will give to the call-in and how the item will be

dealt with including whether or not it wishes to review the decision. If having considered the decision there are still concerns about the decision then the Committee may refer it back to the Cabinet for reconsideration, setting out in writing the nature of the concerns. The Cabinet shall then reconsider the decision, amending the decision or not, before making a final decision.

- 11.10 The Scrutiny and Overview Committee may refer the decision to the Council if it considers that the decision taken by the Leader or Cabinet is outside the Budget and Policy Framework of the Council. The Council may decide to take no further action in which case the decision may be implemented. If the Council objects to Cabinet's decision it can nullify the decision if it is outside the Policy Framework and/or inconsistent with the Budget.*
- 11.11 If the Scrutiny and Overview Committee decides that no further action is necessary then the decision may be implemented.*
- 11.12 If the Council determines that the decision was within the Policy Framework and consistent with the Budget, it will refer any decision to which it objects, together with its views on the decision, to the Cabinet. The Cabinet shall choose whether to either, amend, withdraw or implement the original decision within 10 working days or at the next meeting of the Cabinet after the referral from the Council.*
- 11.13 The responses of the decision-taker and the Council shall be notified to all Members of the Scrutiny and Overview Committee once the Cabinet or Council has considered the matter and made a determination.*
- 11.14 If either the Council or the Scrutiny and Overview Committee fails to meet in accordance with the Council calendar or in accordance with paragraph 11.08 above, then the decision may be implemented on the next working day after the meeting was scheduled or arranged to take place."*

CONTACT OFFICER:

Simon Trevaskis

(Senior Democratic Services and Governance Officer)

020 8726 6000 x 84384

Simon.Trevaskis@croydon.gov.uk

APPENDIX 1: Responding to the Local Government Funding Challenge decision report

APPENDIX 2: July Financial Review decision report

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APPENDIX 5: Draft Minutes of the Scrutiny & Overview Committee – 22 July 2020

APPENDIX 6: Additional Information requested to assist consideration of the call-in (to follow)

BACKGROUND DOCUMENTS: None

For General Release

REPORT TO:	CABINET - 13 JULY 2020
SUBJECT:	Responding to the Local Government Financial Challenge
LEAD OFFICER:	Jo Negrini, Head of Paid Service Lisa Taylor, S151 Officer Jacqueline Harris Baker, Monitoring Officer
CABINET MEMBER:	Councillor Tony Newman, Leader of the Council Councillor Simon Hall, Cabinet Member for Finance & Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: 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">• People live long, healthy, happy and independent lives: through our public health messaging, adult social care and support for vulnerable residents• Our children and young people thrive and reach their full potential: through our support for schools and families, particularly the most vulnerable• Business moves here and invests, our existing businesses grow: by paying government grants and support with business rates	
FINANCIAL IMPACT: Covid-19 has had a significant impact on both the Council's financial position, as well as the financial position of residents and businesses across the borough. This report outlines the actions being taken to reduce the substantial budget gap forecast as a result of Covid-19.	
KEY DECISION REFERENCE NO.: 2320CAB 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 1.1 Note the extraordinary financial context, as set out in the report; 1.2 Endorse the further actions and governance arrangements which have been put in place, outlined in the report, to ensure the Council delivers within the 2020/21 approved budget; 1.3 Note the statements from the Head of Paid Service, S151 Officer and Monitoring Officer; and	

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| 1.4 | Agree the principles informing actions to deliver within the 2020/21 approved budget. |
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2. EXECUTIVE SUMMARY

- 2.1 Reports to the Cabinet meetings in May and June 2020 provided details on the actions taken by the Council to respond to Covid-19 and support our local residents and businesses.
- 2.2 The pandemic has had a dramatic effect on Croydon, and the entire country. The public health emergency has quickly turned into an economic emergency. This is affecting businesses who have seen reductions in sales and cash flows due to the lockdown. It is affecting residents, with many furloughed on lower salaries and many losing their employment entirely. And it is affecting the council. As well as changing the way we deliver services, the way our staff operate, and how we work across the community, Covid-19 has had a dramatic impact on our financial position.
- 2.3 We have seen increases in demand and costs to support vulnerable residents. This will increase further as residents need support with housing and debt issues caused by the economic impact. This increased expenditure is coupled with reductions in income, creating an unprecedented budget gap in our 2020/21 forecast.
- 2.4 Nationally, local government has received approximately £4bn of additional funding. Whilst the additional funding is welcome, it is not enough to cover the budget challenges being identified by councils all over the country, with an estimated shortfall in excess of £6bn.
- 2.5 The council is taking urgent action to address the financial challenges, whilst continuing to prioritise the Administration's priorities and manifesto commitments. This report sets out our approach and provides a summary of the projects that have been established as immediate actions to reduce expenditure and increase income.

3. BACKGROUND

- 3.1 On 2 March 2020, the Full Council unanimously approved the budget for the 2020/21 financial year.
- 3.2 The budget reports were presented to the Cabinet on 24 February 2020. The report referenced the financial struggles of local authorities as a result of austerity measures. Local authorities across the country have had to balance rising demand with year on year real term cuts to grant funding from government. Croydon is therefore not alone in needing to deliver savings to protect front line services. However, Croydon does face some unique challenges.
- 3.3 Croydon is one of the capital's largest boroughs by population and, although situated in outer London, it has many Inner London issues that impact its

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. This, however, has subsequently resulted in Croydon seeing higher levels of poverty and homelessness, and need is becoming more complex.

- 3.4 Despite the challenging pressures facing Croydon, the Council has been consistently working to improve services with reducing budgets. Croydon is leading the way by looking to new and innovative ways of delivering public services. Central to this has been the borough's localities work with its focus on partnership, early help and prevention; providing targeted support to residents who need help the most, at the earliest opportunity, with a view to avoid crisis and the need for intensive intervention wherever possible.
- 3.5 The Council has also been focused on strengthening our financial position in the medium to long term. The 2020/21 budget included proposals to increase reserves by £5m (a nearly 50% increase) and an increased contingency budget (from £2m to £3.7m).

4. COVID-19 IMPACT

- 4.1 Cabinet reports in May and June set out the unprecedented impact that Covid-19 has had in Croydon, as well as across the country and globe.
- 4.2 There has been significant additional pressure on services including:
- Adult social care, where approximately 15,000 residents have been identified as clinically vulnerable, and required to 'shield' at home. Vulnerable residents have also been minimising contact due to their age or medical condition. This has created a significant increase in cases for Adults Services.
 - Public health, which has a statutory function to coordinate responses to pandemics, with advice and guidance across every service, organisation and community.
 - Homelessness, where the council sourced additional emergency accommodation for all rough sleepers. The economic impact has also resulted in an increase in people needing support and advice in relation to housing, benefits and debt.
 - Education, where schools have need support to operate radically different following the closure to all but vulnerable children and children of key workers, and then plan for reopening with social distancing requirements to maintain.
- 4.3 Covid-19 has had a threefold impact on the Council's financial position:
- Additional demand in a number of services (as above):
This has resulted in higher than budgeted spend forecasts, with the Government appearing to backtrack on previous commitments to support all expenditure resulting from Covid-19.
 - Loss of income:
The lockdown has led to a dramatic reduction in income in service areas such as leisure and parking. This is affecting all councils and the financial pressure has been highlighted to government by London Councils and the

Local Government Association. However, to date, the government has offered no support in this area.

- Delay in realising savings:
The pandemic has required an emergency response, with resources redeployed to support key priority one services, and the additional requirements placed on the Council. The 2020/21 budget included a number of savings based on service transformation, which has not been possible during an emergency response.

- 4.4 The Government has recognised the impact that Covid-19 has had on public services across the country and announced £3.2bn of additional funding for local government in two tranches during the pandemic. A further £600m of funding was confirmed to support infection control measures within care homes. Croydon Council's share of this funding equates to £19.9m and £4.12m for Care Homes.
- 4.5 The Local Government Association and London Councils has identified that this funding, whilst welcome, covers only a fraction of the financial impact on local government. Every local authority, therefore, is facing a significant funding shortfall, including Croydon. As set out above, this issue has been repeatedly raised with government, including with evidence provided through the regular financial returns provided to the Ministry for Housing, Communities and Local Government.
- 4.6 Despite repeated statements from the Secretary of State and Minister for Regional Growth and Local Government that local government will be funded for all costs arising as a result of Covid-19, this is not forthcoming. There is therefore a substantial risk that the government will not fund all costs incurred as a result of Covid-19 and we know that our costs will be greater than the funding allocated to date.
- 4.7 Unlike national government, local authorities are unable to borrow to finance the additional service costs resulting from the Covid-19 response. Services must be delivered within the budget envelope approved by Full Council. As a result, urgent action has been taken to identify opportunities to reduce spending across the council.
- 4.8 As at the end of June 2020, the cumulative impact of additional spending, unachievable savings, and reduced income resulted in an overspend forecast of £65.4m for 2020/21 (see table below). This represents 8% of the budgeted gross expenditure, or 20% of the budgeted net expenditure. Whilst this forecast is based on the best estimates at the time of writing, the impact of Covid-19 continues to develop and the position may, therefore, get worse.

	£m
Additional Expenditure	26.293
Unachieved Savings	31.747
Lost Income	27.308
Total	85.348
Funding	-19.926
Gap	65.422

- 4.9 Local government was already underfunded before Covid-19, and we have consistently delivered savings, efficiencies and transformation. However, the pandemic means that we are spending more have seen income reduce and been unable to deliver our planned savings. Urgent action is therefore required to respond to this unprecedented financial challenge. The Finance Review Panel are working on this with a number of projects focused on immediate action. (see section 6)

5. OUR APPROACH

- 5.1 Our Corporate Plan is focused on providing the services and support that enable everyone to have the opportunity to succeed, particularly the most vulnerable. Covid-19 has had a dramatic impact on our communities, but it is clear that the impact is not equal. Many of our most vulnerable have been impacted the most. Our Corporate Plan commitments, therefore, must remain as our key focus. The Corporate Plan has always recognised that this would need to be achieved with less resources and significant change within the organisation, and with the way we work with our partners.
- 5.2 With this focus, a number of clear principles have been agreed with the Leader and Cabinet to inform our approach:
- We must deliver the same outcomes with less money.
Our residents and businesses continue to need support. The outcomes will, however, need to be delivered differently. There will be a strong focus on the delivery of integrated work with partners.
 - Our localities approach must meet the needs of residents and communities more effectively and efficiently
Our transformation in this area will be accelerated and includes a greater focus and shift in resources to prevention and early intervention, ensuring a sustainable base for our services and tackling inequalities across Croydon.. Our localities approach enables us to harness neighbourhood action, mutual aid groups, voluntary and community groups – all coming together in a grassroots network to support vulnerable people.
 - We must not allow our statutory services, particularly Children's Services, to move backwards
 - It is critical that we continue to support statutory services and social workers, with case work managed effectively
- 5.3 Whilst the scale of the financial challenge means that there will be difficult decisions, which will impact on our staff and the way we deliver our services,

we remain committed to delivering the commitments within our Corporate Plan, which drew on the ambitions of the administration as set out in their manifesto.

6. OUR WORK TO DATE

- 6.1 There has been a sustained reduction in local government funding by central government over the last decade. This has placed significant pressure on councils across the country to reduce income and identify new and increased income sources. The Council is therefore always looking at opportunities to deliver improved outcomes more efficiently. The scale of the challenges created by Covid-19, however, mean that we must deliver more savings, and faster than planned.
- 6.2 In developing the 2020/21 budget, as approved by council, the Executive Leadership Team utilised Agile methodology to run a series of sprint sessions to identify a wide range of savings and efficiency opportunities. Sprint sessions covered a range of areas and will continue to be a method utilised.
- 6.3 These sessions informed a number of the budget proposals within the 2020/21 budget. However, as set out above, the ability to deliver these savings has been impacted by Covid-19, with resources diverted to the pandemic response. As we move to the recovery phase, actions have been taken to review these as well as identify further opportunities for savings to respond to the financial challenge set out above.

Finance Review Panel

- 6.4 The Council has established a Finance Review Panel to undertake a full root and branch review of the council's financial governance, strategy and planning, leadership, decision making, management and group company structures.
- 6.5 The Finance Review Panel has an independent chair, Duncan Whitfield. Mr Whitfield is the Strategic Director of Finance and S151 Officer at the London Borough of Southwark. Other external appointments to the panel are Matthew Kershaw (Chief Executive at Croydon Health Services NHS Trust) and Debbie Warren (Chief Executive at the Royal Borough of Greenwich). These members bring external expertise and constructive challenge to the process, alongside our External Auditors who have supported the approach, attend each panel and as part of their role have the opportunity to feed in their views to the panel.
- 6.6 The Cabinet Member for Finance and Resources and the Deputy Leader and Cabinet Member for Gateway and Homes are members of the Panel. The role of the Finance Review Panel is to make recommendations to the Leader and Cabinet Member for Finance and Resources and, through them, to Cabinet.
- 6.7 As part of the review, the Panel has recommended short term options to minimise spend and where possible generate income. It will also review options for refreshed savings proposals to deliver in year 2020/21.
- 6.8 A number of projects have been established under the finance review programme to deliver immediate actions to tackle the financial challenge across the following areas:

- Staffing
- Cross cutting areas
- Assets
- Contracts
- Income
- Demand management

- 6.9 The nature of our services mean that staff costs account for a significant proportion of our net expenditure and therefore any programme to deliver significant savings needs to consider staffing. A recruitment freeze has been initiated and includes permanent, fixed term and agency/consultant staff. We are also reducing the numbers of agency staff in all areas unless work is demonstrably essential and cannot be delivered otherwise. Departments have also set out plans for permanent 15% reduction in their establishment. Priority has been given to the deletion of vacant posts and termination of agency contracts. This is also being supported by a targeted voluntary redundancy scheme option, part-time options, flexible retirement, and redeployment in order to minimise compulsory redundancies. The formal 45 day consultation on these proposals commenced on 6 July.
- 6.10 Budget holders have been instructed to stop all non-essential expenditure, such as travel, overtime and non-essential supplies. Any planned projects will be reviewed and typically deferred unless they contribute net savings. All savings in the 2020/21 budget are being reviewed and additional action taken to deliver these. Any growth within the budget is also being reviewed and where possible deferred. Also being reviewed are savings proposals that were worked up for the 2020/21 budget but not incorporated for various reasons.
- 6.11 All departments have been asked to identify additional proposals for in year spending reductions. These may be efficiencies or service reductions, as well as any income generating proposals. Income generating services will also be reviewing their fees and charges. We are also exploring the option to apply to the Ministry for Housing, Communities and Local Government to further capitalise revenue expenditure, recognising the extraordinary situation due to Covid-19.
- 6.12 Staff have adapted well to working from home, and regardless of the timescales for the relaxing of lockdown measures, we anticipate a higher proportion of staff working from home will continue for the foreseeable future. We are therefore identifying savings that result from this consolidated new ways of working, and look at opportunities to accelerate the digitisation of council services.
- 6.13 One of Croydon's strengths is the relationships we have with our incredible local partners. These partnerships and strong relationships have been particularly effective in supporting our most vulnerable residents during the pandemic.
- 6.14 These partnerships will continue be the foundation of the changes we are making. With some of these practices already in progress, we are accelerating the implementation of our localities model, which will deliver services according to the different needs and demands of our communities across Croydon. The localities approach has been in development and we will implement new structures to mainstream this approach across services. This will be combined

with further work to look at opportunities for greater partnership working with the NHS and community partners to deliver a new model of integrated care for vulnerable residents on a locality basis and in the longer term, and options for shared services.

- 6.15 The council has a large capital programme and we are reviewing all expenditure. In particular we will be looking at what expenditure can either be reprofiled or stopped.
- 6.16 Our placements represent a very substantial cost for the Council. Accordingly, there will be a significant focus on reviewing placements, including stepdown, close financial management of placements and improved end-to-end processes.

Programme Management Office

- 6.17 A new programme management office (PMO) has been established to coordinate delivery of a number of different programmes and projects.
- 6.18 The PMO has brought together staff from across the organisation with a range of key skills, including multiple project management methodologies, financial analysis, user experience, business process reengineering. The team provide the resource and expertise to support ELT and Directors in driving programme and project performance, track and monitor progress, and provide regular reports and recommendations.
- 6.19 The PMO will use Agile programme and project management by default, but can utilise other methodologies where appropriate. The Agile method ensures that the projects have clear objectives and measureable performance indicators, but retain flexibility to adapt and overcome challenges swiftly as the project is delivered.
- 6.20 The PMO has established or is supporting the following programmes:
- Finance review
 - Localities implementation
 - Systems and process improvements
 - Sustainability
 - Equalities and inclusion
- 6.21 A financial tracker and dashboard have been created to provide clear, regular updates to the Finance Review Panel. This approach ensures that we are tracking performance and financial impact at every step.

7. STATEMENT BY THE HEAD OF PAID SERVICE

- 7.1 As recent reports to Cabinet have demonstrated, the Council responded rapidly to the impact of Covid-19 on our most vulnerable residents and communities.
- 7.2 Now the Council is responding rapidly to the impact of Covid-19 on local government finances, which is a significant risk to our ongoing service delivery. Failure to act would create an unsustainable budget which would ultimately lead to poorer outcomes for our residents.

- 7.3 This report sets out the wide range of actions being taken to ensure the Council delivers our statutory and non-statutory services within the budget envelope agreed by Council. We will deliver these outcomes differently, and the changes that we need to make will be difficult. However, we must change in order to overcome this unprecedented financial situation and still deliver the best outcomes for our residents at a time when they will need more support than ever.
- 7.4 I, along with my Executive Team, are very proud of how our staff have adapted and innovated in our response to the Covid-19 pandemic. We will continue to adapt and innovate as we deliver the proposals outlined in this report. The result will be a sustainable organisation that remains focused on resident outcomes, working with partners and the community themselves, to adapt and respond to the specific needs in different localities.

8. STATEMENT BY THE S151 OFFICER

- 8.1 In the budget report to Cabinet on 24 February 2020, my statutory Section 151 Officer statement included the following:

“These continue to be very challenging times for local government and therefore it is certain that further difficult choices will be required over the coming budget cycle if the Council is to maintain a continued solid financial foundation”.

- 8.2 This statement was made on the basis of the challenging financial position already facing local government following years of sustained reduction in Government funding. The Covid-19 pandemic has brought unprecedented financial challenges that has left all councils facing a substantial budget shortfall in 2020/21. As well as the additional costs in supporting vulnerable residents, the lockdown resulted in a dramatic reduction in revenue income and our inability to deliver proposed savings.
- 8.3 Like many councils, this has created a substantial overspend in our budget outturn forecast for 2020/21. In my role as the Statutory S151 Officer, I am required to take action to control expenditure where:
- A council forecasts that expenditure exceeds available resources
 - There is no credible plan in place to bring spending within the resource envelope
- 8.4 This report outlines what, in my opinion, is a credible plan to reduce our spending in year and close the budget gap. This plan must be implemented as a matter of urgency. This will require difficult decisions, and for us to make changes at pace.
- 8.5 We will be closely monitoring progress against the various projects, as well as overall expenditure. I will be providing regular reports to the Finance Review Panel and to all Councillors. If we fail to deliver the actions and bring expenditure within our budget envelope, I will be required to take further action in my role as statutory S151 Officer and issue a S114 notice.

9. STATEMENT BY THE MONITORING OFFICER

- 9.1 My fellow statutory officers have emphasised the unprecedented situation that is facing local government, and therefore Croydon Council.
- 9.2 This report has outlined our plans to address the financial challenges created by Covid-19. Critical to our success will be effective resourcing and monitoring of the projects and changes required.
- 9.3 We have created a dedicated programme management office, with the skills and expertise to support us to deliver change at pace. They have swiftly established a large number of programmes and projects with named sponsors and lead Directors to manage delivery. Performance dashboards and trackers are in place so that we can easily see progress against plan, and to take action to address any delays or shortfalls.
- 9.4 The Finance Review Panel has been established to ensure strong political oversight of the actions. The panel also includes external expertise to add additional robust challenge but also bring external ideas and best practice to our response.
- 9.5 Regular updates will continue to be provided to Cabinet and all Councillors on progress. I am confident that the governance structures are robust and will provide clear and transparent progress reports.

10. CONSULTATION

- 10.1 This report has been completed following consultation with the Leader of the Council and all Cabinet Members.
- 10.2 The Chief Executive, S151 Officer and Monitoring Officer have also provided briefings to the Leader of the Opposition.
- 10.3 Staff consultation will be undertaken as required, and set out in the human resources implications below.

11 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 11.1 As detailed in this report the financial impact of COVID-19 is significant for all local authorities and the government has recognised that local authorities need financial help, along with the NHS, local businesses and resident.
- 11.2 As previously reported to this Cabinet the level of funding received by Croydon Council to date for general Covid-19 costs is £19.9m. Whilst this funding is very welcome we know that it will not be enough and our last return to MHCLG indicated an estimated £65.4m funding gap in 2020/21 after receipt of this funding.
- 11.3 Work is underway to reduce this funding gap and the Finance Review Panel are working on a number of projects to reduce costs, increase income and deliver savings, alongside continuing conversations with government in relation

to further funding.

- 11.4 We have also received funding for a number of specific work streams as follows:
- £57.4m for grants to small business and those in the retail, leisure and hospitality sector, this amount includes £2.8m which can be allocated at the discretion of the local authority based on pre-determined criteria set locally by Croydon Council.
 - £4.1m for Care Home infection control.
 - £1.99m for Test, Track and Trace.
 - £4.4m for Council Tax Hardship support.
 - £342k to support the opening of our high streets
- In all cases, these can only be spent on the specific are of expenditure, which would not have been incurred were it not for Covid-19.
- 11.5 The government has also announced numerous other funding including £100m to support rough sleepers and £1bn to support schools with lost teaching time and tutoring. The allocation of these funding sources is yet to be confirmed.

Risks

- 11.6 There continues to be a risk that the plans being developed are not sufficient to fund all costs and the government does not provide enough funding to Croydon. If this is the case and we are unable to balance the budget we will have no choice but to issue a S114 notice. At the time of writing this report, this is not the case and we are confident that we will be able to implement savings and solutions with government to balance the budget in 2020/21 and develop a robust MTFS for the future.
- 11.7 There is also a risk that the impact of this pandemic will have a financial impact on the Council for years to come, this will be the case if the government do not provide Council's with sufficient funding to cover costs in year and instead allow council's to borrow monies, a similar approach to that taken with the NHS.

Options rejected

- 11.8 Do nothing was not an option, and the fast action to reduce costs and explore savings and income generating options was taken quickly and in a managed manner with expert advice and challenge from other industry experts and partners.

Future savings/efficiencies

- 11.9 We recognised early in this pandemic that we needed we could not do nothing and acted early to set up the Finance Review Panel and put in place a programme of projects. It is this work and our on-going conversations with MHCLG that are instrumental in us having a plan to manage our budget and prevent the issue of a S114 notice.

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

12. LEGAL CONSIDERATIONS

- 12.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance and Deputy Monitoring Officer that the Council is under a duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 12.2 The Head of Paid Service is responsible under the Local Government and Housing Act 1989 section 4(2) and (3) for preparing reports on the way the council's staff is organised, on the council's staffing needs and on the co-ordination of the way in which the council's functions are discharged.
- 12.3 The Chief Finance Officer (CFO) appointed under requirements within section 151 of the Local Government Act 1972 is responsible for ensuring the financial probity of the local authority. The Local Government Finance Act (LGFA) 1988 requires the CFO to make reports accordingly to which the council or their executives must have regard in consultation with the Head of Paid Service and Monitoring Officer. This includes the power to issue a report under section 114 (3) of the LGFA if it appears to her that the expenditure of the council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 12.4 The Monitoring Officer appointed under requirements within section 5 of the Local Government and Housing Act 1989 is responsible for ensuring the correctness and propriety of the council's decisions and that the authority does not breach any requirement imposed by statute or perform any maladministration or injustice actual or potential. The Monitoring Officer may prepare a report on any actual or potential illegality in consultation with the Head of Paid Service and Section 151 Officer. The Monitoring Officer also has a key role in relation to the promotion of the ethical framework amongst members.

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

13. HUMAN RESOURCES IMPACT

- 13.1 The implementation of the proposals will in a number of instances necessitate a change of structure and skill mix of staff and/or change of working practices. The full impact in the proposals will be a net reduction in the number of staff and salary expenditure. We will seek to minimise the level of compulsory redundancies. The table below sets out the FTE impact.

	FTE reduction
Posts held by permanent staff	151.1
Vacant posts / agency	235.4
Total post reductions	410.5

- 13.2 Full engagement and consultation will be undertaken with the unions and staff as required. We have ensured early and active involvement of our recognised Trade Unions as the projects and proposals have developed.
- 13.3 Where restructures or transfers are proposed the Council's existing policies and procedures must be observed.

Approved by: Sue Moorman, Director of Human Resources)

14. EQUALITIES IMPACT

- 14.1 The Equality Act 2010 requires the Council to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services.
- 14.2 The three aims of the Equality Duty are to:
- Eliminate unlawful discrimination, harassment and victimisation
 - Advance equality of opportunity
 - Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.
- 14.3 Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings.
- 14.4 The Council recognises that it has to make difficult decisions in order to reduce its overall expenditure to deliver within the approved budget while at the same time ensuring that it is able to respond positively to increases in demand for essential services. As part of the decision making process, we will be guided by the broad principles of equality and inclusion and will carry out and publish equality impact assessments on each project to secure delivery of the Council's equality duty, prior to implementation, including such consultation as required.

Approved by: Barbara Grant on behalf of Yvonne Okiyo, Equality Manager

15. ENVIRONMENTAL IMPACT

- 15.1 Sustainability will remain a key priority for the Council. All services will continue to be required to deliver improvements to the Council's sustainability and environmental impact.

16. CRIME AND DISORDER REDUCTION IMPACT

- 16.1 The Council remains committed to working with our partners to improve community safety across the borough.

17. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 17.1 The Council has set a budget for 2020/21 to support the costs of providing all of our services. This budget has been severely impact by Covid-19.
- 17.2 The Council needs to protect its limited financial reserves, and therefore it is essential that expenditure remain within the approved financial envelope.
- 17.3 The recommendations outline how the Council will remain within the approved budget for 2020/21,

18. OPTIONS CONSIDERED AND REJECTED

- 18.1 The actions outlined within this report are necessary and urgent. Many other councils are taking similar actions. Where they have larger reserves, they may absorb some costs, but this is not possible at Croydon.
- 18.2 The Council continues to raise the matter with Government, both directly and via London Councils and the Local Government Association to argue for additional funding for local government. This option, however, is not guaranteed and as a result the actions outlined in the report must continue.
- 18.3 It should be noted that any proposal that is not delivered will need to be replaced with an alternative proposal delivering equal financial impact whilst protecting Corporate Plan outcomes.

19. DATA PROTECTION IMPLICATIONS

19.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

- 19.2 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

CONTACT OFFICER:	Jo Negrini, Head of Paid Service
APPENDICES TO THIS REPORT:	None
BACKGROUND PAPERS:	General Fund & HRA Budget 2020/21 (Report to Cabinet on 24 February 2020)

REPORT TO:	CABINET 20th JULY 2020
SUBJECT:	JULY FINANCIAL REVIEW
LEAD OFFICER:	Lisa Taylor, Director of Finance, Investment And Risk (Section 151 Officer) Jacqueline Harris Baker, Executive Director Resources
CABINET MEMBER:	Councillor Tony Newman The Leader Councillor Simon Hall Cabinet Member For Finance And Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: 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.	
FINANCIAL SUMMARY: 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. 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. 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. 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.	

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%.

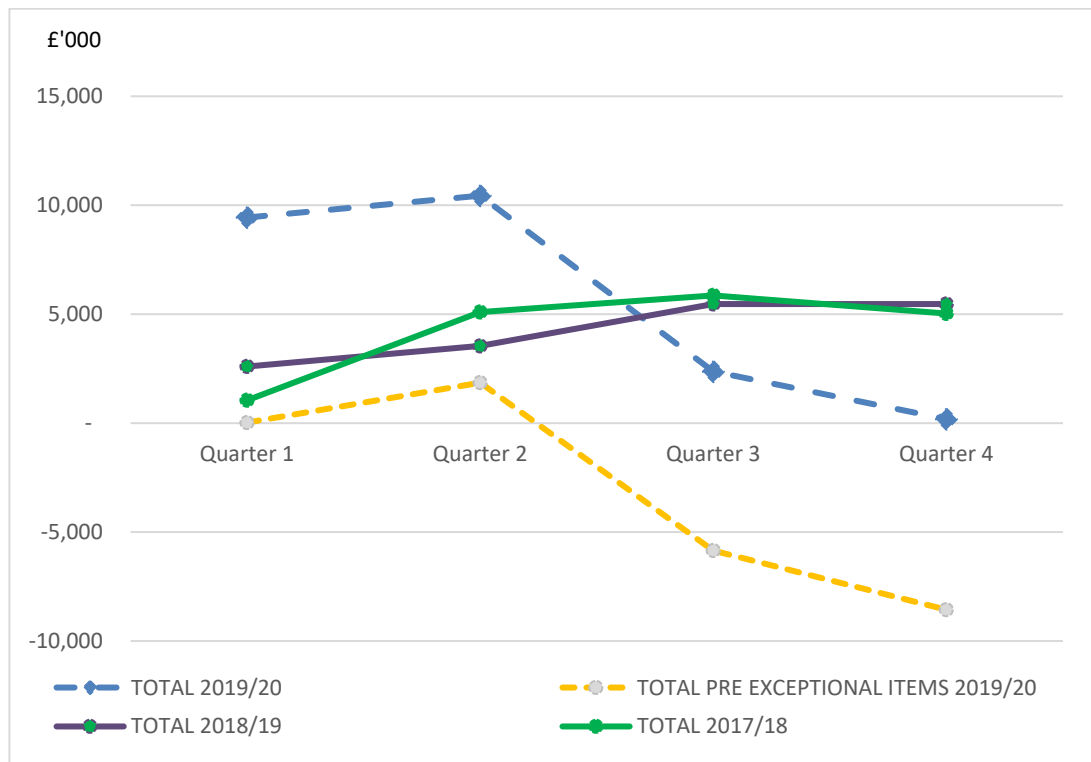
2.5 Croydon is ranked at number 20 in the funding table per head of London, receiving £220 per head in 2020/21, whereas neighbouring Lambeth received £430 per head. If Croydon were funded at the London average of £297 per head for 2020/21 it would receive an additional £32m. And if Croydon were funded 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 1st 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 6th 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 Variance £'000	Department	Revised Budget £'000	Outturn 2019/20 £'000	Variation from Revised Budget £'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
4,781	Departmental Total	329,896	333,395	3,499
-10,629	Non-Departmental Items	7,382	-4,681	-12,063
-5,848	Revenue Total before Exceptional Items	337,278	328,714	-8,564
8,219	Exceptional items	0	8,749	8,749
2,371	Total transfer from balances	337,278	337,463	186

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
General Fund	183,474	203,352	386,826	180,382	- 206,444
Housing Revenue Account	38,451	13,792	52,243	51,375	- 868
Total Capital	221,925	217,144	439,069	231,757	- 207,312

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
HRA – Housing Assessment and Solutions	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).
HRA – Council Homes, Districts & Regeneration	(428)	Underspends due to vacancies within the team.
Total HRA Overspend	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
Reserves	(15,271)	1,932	(13,339)

- 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

Balances and Reserves	2017/18 £m	2018/19 £m	2019/20 £m
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
Total	67.3	66.1	75.3

- 3.11 The Council's General Fund Provisions have increased from £41.5m to £43.8m as at 31st 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

	Loan amount	Interest	Net interest earned in 2019-20	Repayment Date
	£m	%	£m	
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)
Total	218.704		9.922	

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
Total DSG after academy recoupment for 2019/20	164.67
plus: Brought forward from 2018/19	-9.193
Final Budget distribution for 2019/20	164.67
Of which:	
Actual Central Expenditure allocated	8.367
Actual ISB Deployed to schools allocated	161.67
Schools Delegated including growth	73.6
High Needs	61.15
Early Years	29.166
Central Support Services block	6.177
Total Actual Expenditure	170.03
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
Department Total	45.353	-40.249	5.104

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 1st 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 19th 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/Ad justments £'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
TOTAL	337,247	43,670	380,917	249,641	87,495

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
	29.268

- 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.

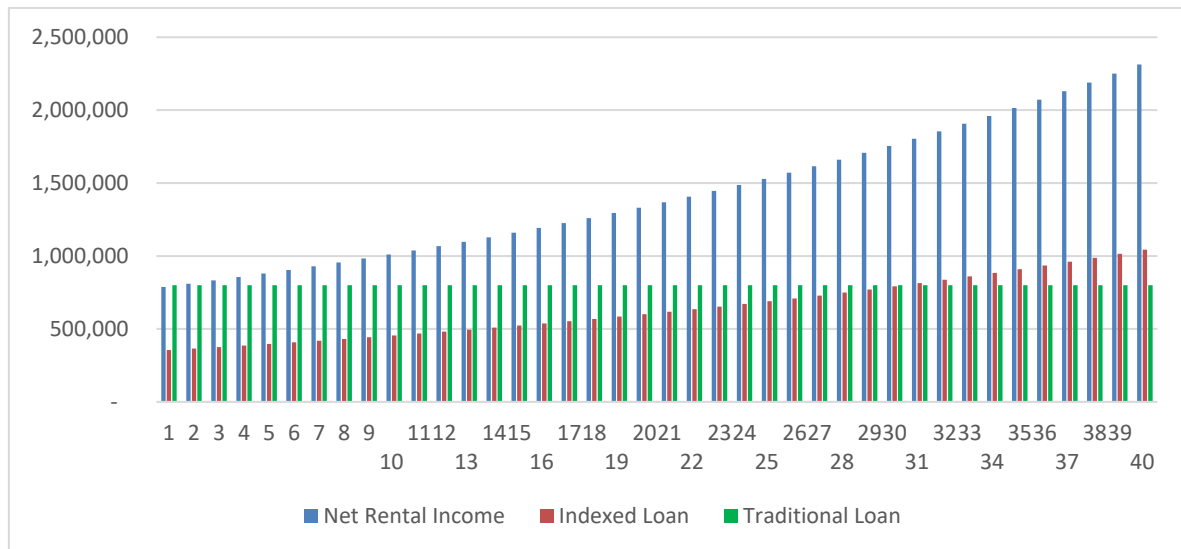
11. Investment in genuinely affordable homes

- 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

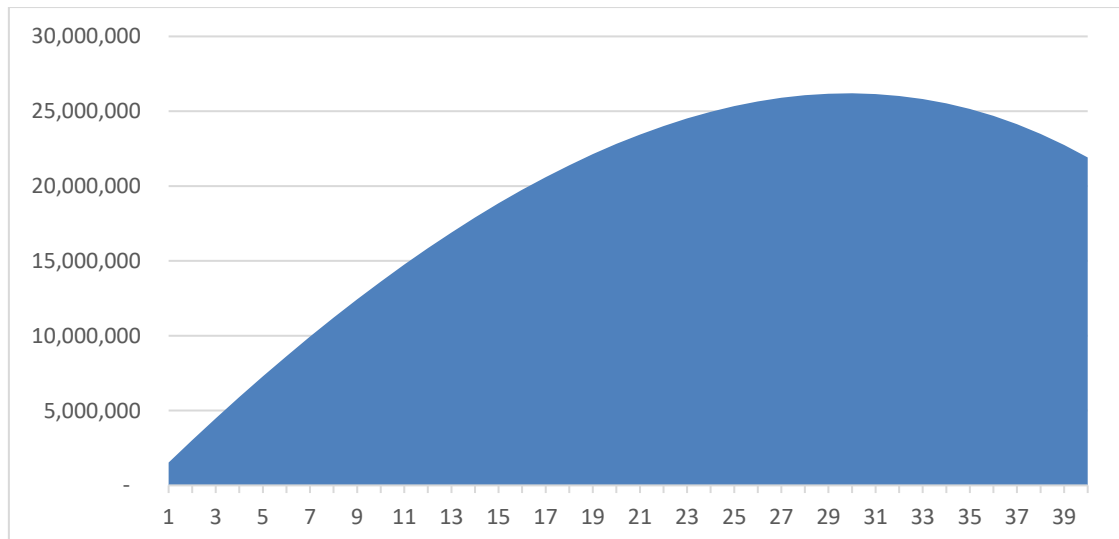


11.7 The aggregated funding requirement for the affordable and key worker homes is £55m and to identify the best value funding partner, a full market testing exercise was undertaken inviting proposals from a range of third-party funders. After a two-stage tender process, the leading offer was received 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 10th 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 10th 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 26th 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.

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

Contact Person: Lisa Taylor Director of Finance, Investment and

Background documents: None

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

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							Appendix 1
	2020/21				2021/22		2020/23
Category	Original budget 2020/21	Budget adjustments	Revised budget 2020/21		Draft Budget 2021/22	Draft Budget 2022/23	Total revised budget 20/21 to 22/23
	£000's	£000's	£000's		£000's	£000's	£000's
Angel lodge conversion to MHO	100	0	100		0	0	100
Disabled Facilities Grants	2,400	0	2,400		2,400	2,400	7,200
Provider Services - Extra Care	500	0	500		0	0	500
Health, Wellbeing and Adults including Gateway and Housing Sub Total	3,000	0	3,000		2,400	2,400	7,800
Education – Fire Safety Works	1,000	0	1,000		0	0	1,000
Education – Fixed term expansion	59	0	59		90	0	149
Education – Major Maintenance	2,882	0	2,882		2,000	2,000	6,882
Education – Miscellaneous	1,444	0	1,444		228	0	1,672
Education – Permanent Expansion	1,091	0	1,091		959	0	2,050
Education – Special Educational Needs	18,807	0	18,807		8,568	0	27,375
Children, Families and Education Sub Total	25,283	-	25,283		11,845	2,000	39,128
Affordable Housing Programmes	40,000	-40,000	0		0	0	0
Brick by Brick programme	75,510	0	75,510		107,700		183,210
Community Ward Budgets	576	0	576		576	576	1,728
Devolution initiatives	912	0	912		912	912	2,736
Electric Vehicle Charging Points	2,400	0	2,400		2,400		4,800
Empty Homes Grants	500	0	500		500	500	1,500
Feasibility Fund	330	0	330		330	330	990
Fiveways junction	0	0	0		3,000	2,000	5,000
Growth Zone	15,000	0	15,000		36,000	32,000	83,000
Grounds Maintenane Insourced Equipment	1,500	0	1,500		0	0	1,500
Highways - maintenace programme	6,000	0	6,000		6,000	6,000	18,000
Highways - maintenace programme	567	0	567		567	567	1,701
Highways – flood water management	565	0	565		535	505	1,605
Highways – bridges and highways structures	575	0	575		9,950	800	11,325
Highways – Tree works	299	0	299		179	179	657
Libraries investment – general	650	0	650		1,500	0	2,150
Neighbourhood Support Safety Measures	50	0	50		0	0	50
New Addington wellbeing centre	3,000	0	3,000		12,000	0	15,000
Parking	2,825	0	2,825		475	475	3,775
Safety – digital upgrade of CCTV	250	0	250		0	0	250
Section 106 Schemes	0	0	0		0	0	0
SEN Transport	1,460	0	1,460		0	0	1,460
Sustainability Programme	2,500	0	2,500		2,500	2,500	7,500
TfL LIP	2,462	0	2,462		2,000	2,000	6,462
Walking and cycling strategy	750	0	750		0	0	750
Waste and Recycling – Don't Mess with Croydon	768	0	768		0	0	768
Place Sub Total	159,449	- 40,000	119,449		187,124	49,344	355,917
Asset Acquisition Fund	100,000	0	100,000		0	0	100,000
Corporate Property Programme	2,000	0	2,000		2,000	2,000	6,000
Finance and HR system	0	431	431		0	0	431
ICT Refresh & Transformation	6,200	0	6,200		4,800	4,800	15,800
People ICT	2,014	0	2,014		1,521	0	3,535
Uniform ICT Upgrade	3,600	0	3,600		0	0	3,600
Resources Sub Total	113,814	431	114,245		8,321	6,800	129,366
GENERAL FUND TOTAL	301,546	-39,569	261,977		209,690	60,544	532,211
HOUSING REVENUE ACCOUNT	Original budget 2020/21	Budget adjustments	Revised budget 2020/21		Budget 2021/22	Budget 2022/23	Total revised budget 20/21 to 22/23
	£000's	£000's	£000's		£000's	£000's	£000's
Major Repairs and Improvements Programme	26,771	0	26,771		26,771	26,771	80,313
Affordable Housing Programme	0	38,404	38,404		0	0	38,404
BBB Properties part funded by GLA and HRA RTB	8,750	44,835	53,585		13,000	0	66,585
Special Transfer Payments	180	0	180		180	180	540
HOUSING REVENUE ACCOUNT TOTAL	35,701	83,239	118,940		39,951	26,951	185,842
LBC CAPITAL PROGRAMME TOTAL	337,247	43,670	380,917		249,641	87,495	718,053

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Funding	Revised Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23	Total 2020/21 to 2022/23
	£000's	£000's	£000's	£000's
ESFA	9,000	5,365	-	14,365
School Condition Funding	2,000	2,000	2,000	6,000
Disabled Facilities Grant	2,400	2,400	2,400	7,200
TFL LIP and other funding	2,462	2,000	2,000	6,462
NHS	5,000	-	-	5,000
CIL	6,800	6,800	6,800	20,400
CIL local meaningful proportion	576	576	576	1,728
EVCP external funder	600	600	-	1,200
Borrowing	42,629	46,249	14,768	103,646
Borrowing - (RIF) - BXB	75,510	107,700	-	183,210
Borrowing - Asset Acquisition Fund	100,000	-	-	100,000
Borrowing - Growth Zone	15,000	36,000	32,000	83,000
GENERAL FUND	261,977	209,690	60,544	532,211
Major Repairs Allowance	12,506	21,209	21,209	54,924
HRA - Revenue Contribution	11,150	1,742	1,742	14,634
HRA - Use Of Reserves	3,295	4,000	4,000	11,295
HRA - use of 141 receipts	21,823		-	21,823
GLA	10,000	5,200	-	15,200
Borrowing	60,166	7,800	-	67,966
HRA FUNDING	118,940	39,951	26,951	185,842
TOTAL FUNDING	380,917	249,641	87,495	718,053
UNDER/OVER FUNDING OF PROGRAMME		-	-	-

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LONDON BOROUGH OF CROYDON

To: All Members of Council
Croydon Council website
Access Croydon & Town Hall Reception

PUBLIC NOTICE OF KEY DECISIONS MADE AT THE CABINET MEETING ON MONDAY, 20 JULY 2020

This statement is produced in accordance with Regulation 12 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

In accordance with the Scrutiny and Overview Procedure Rules the following decisions may be implemented from **1300 hours on 28 July 2020** unless referred to the Scrutiny and Overview Committee (ie after 13.00 hours on the 6th working day following the day on which the decision was taken). The call-in procedure is appended to this notice.

The following apply to each decision listed below

Reasons for these decisions: As set out in the report
<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=183&MId=2166>

Other options considered and rejected: As set out in the report
<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=183&MId=2166>

Details of any consultation and representations received not included in the published report: None

Details of conflicts of Interest declared by any Cabinet Member: None

**Agenda Item: 6 RESPONDING TO THE LOCAL GOVERNMENT FUNDING
CHALLENGE**

Key Decision No.: 2320CAB

Details of decision:

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Note the extraordinary financial context, as set out in the report;

2. Endorse the further actions and governance arrangements which have been put in place, outlined in the report, to ensure the Council delivers within the 2020/21 approved budget;
3. Note the statements from the Head of Paid Service, S151 Officer and Monitoring Officer; and
4. Agree the principles informing actions to deliver within the 2020/21 approved budget.

Agenda Item: 7 JULY FINANCIAL REVIEW

Key Decision No.: 2220CAB

Details of decision:

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To approve

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.
2. The amendment to the capital programme as detailed in section 8 of the report.
3. The continued use of capital receipts for funding transformation as detailed in section 9 of the report.
4. The approach to dealing with the financial impact of Covid19, including the financial returns to MHCLG and the discussions with them.
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 of the report.

RESOLVED: To note

6. The final outturn of the 2019/20 revenue budget as detailed in section 3 of the report.
7. The final outturn of the capital programme for 2019/20 as detailed in section 3 of the report.
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 of the report.

9. The update on the Revolving Investment fund as detailed in section 3.15 of the report.
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.

Agenda Item: 8 INCREASING HOUSING SUPPLY

Key Decision No.: 1920CAB

Details of decision:

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To

1. Approve the borrowing facility of up to £30.6m to enable the investment in the acquisition of 165 new homes from Brick by Brick Croydon (Limited) ('Brick by Brick') to be let at council rents
2. Approve the use of up to £8.04m Right to Buy Receipts to reduce the level of borrowing required
3. Agree to the propose that the rental levels for the properties held within the HRA to be charged on a formula rent basis
4. Delegate to the Deputy Leader and Cabinet Member for Homes and Gateway Services in consultation with the Cabinet Member for Finance and Resources the authority to approve of the purchase of affordable rented units constructed by Brick by Brick as council homes
5. Note the proposed purchase of additional Brick by Brick homes for use as Emergency Temporary Accommodation in line with the Cabinet decision taken in March 2020 under the Increasing Housing Supply paper.

Agenda Item: 9 CROYDON OFFER FOR CARE LEAVERS, COMMITMENT TO CHILDREN IN CARE AND NATIONAL PLEDGE

Key Decision No.: 2020CAB

Details of decision:

The Leader of the Council delegated authority to the Cabinet to make the following decisions:

RESOLVED: To agree that Croydon Council and its partners

- Adopt the National Pledge for children in care and care leavers;
- Make a Croydon Commitment to children in care; and
- Provide a refreshed local offer for Croydon's care leavers.

Signed: Council Solicitor and Monitoring Officer

Notice date: 21 July 2020

Contact Officers: Victoria.lower@croydon.gov.uk and Cliona.may@croydon.gov.uk

Scrutiny Referral/Call-in Procedure

1. The decisions may be implemented **1300 hours on 28 July 2020** (the 6th working day following the day on which the decision was taken) unless referred to the Scrutiny and Overview Committee.
2. The Council Solicitor shall refer the matter to the Scrutiny and Overview Committee if so requested by:-
 - i) the Chair or Deputy Chair of the Scrutiny and Overview Committee and 4 members of that Committee; or
 - ii) 20% of Council Members (14)
3. The referral shall be made on the approved pro-forma (*attached*) which should be submitted electronically or on paper to Victoria Lower by the deadline stated in this notice. Verification of signatures may be by individual e-mail, fax or by post. A decision may only be subject to the referral process once.
4. The Call-In referral shall be completed giving:
 - i) The grounds for the referral
 - ii) The outcome desired
 - iii) Information required to assist the Scrutiny and Overview Committee to consider the referral
 - iv) The date and the signatures of the Councillors requesting the Call-In
5. The decision taker and the relevant Chief Officer(s) shall be notified of the referral who shall suspend implementation of the decision.
6. The referral shall be considered at the next scheduled meeting of the Scrutiny & Overview Committee unless, in view of the Council Solicitor, this would cause undue delay. In such cases the Council Solicitor will consult with the decision taker and the Chair of Scrutiny and Overview to agree a date for an additional meeting. The Scrutiny & Overview Committee may only decide to consider a maximum of 3 referrals at any one meeting.
7. At the Scrutiny & Overview Committee meeting the referral will be considered by the Committee which shall determine how much time the Committee will give to the call in and how the item will be dealt with including whether or not it wishes to review the decision. If having considered the decision there are still concerns about the decision then the Committee may refer it back to the decision taker for reconsideration, setting out in writing the nature of the concerns.
8. The Scrutiny and Overview Committee may refer the decision to Full Council if it considers that the decision is outside of the budget and policy framework of the Council.
9. If the Scrutiny and Overview Committee decides that no further action is necessary then the decision may be implemented.

10. The Full Council may decide to take no further action in which case the decision may be implemented.
11. If the Council objects to the decision it can nullify the decision if it is outside of the policy framework and/or inconsistent with the budget.
12. If the decision is within the policy framework and consistent with the budget, the Council will refer any decision to which it objects together with its views on the decision. The decision taker shall choose whether to either amend / withdraw or implement the original decision within 10 working days or at the next meeting of the Cabinet of the referral from the Council.
13. The response shall be notified to all Members of the Scrutiny and Overview Committee
14. If either the Council or the Scrutiny and Overview Committee fails to meet in accordance with the Council calendar or in accordance with paragraph 6 above, then the decision may be implemented on the next working day after the meeting was scheduled or arranged to take place.
15. **URGENCY:** The referral procedure shall not apply in respect of urgent decisions. A decision will be urgent if any delay likely to be caused by the referral process would seriously prejudice the Council's or the public's interests. The record of the decision and the notice by which it is made public shall state if the decision is urgent and therefore not subject to the referral process.

Signed: Council Solicitor and Monitoring Officer

Notice Date: 21 July 2020

Contact Officers: victoria.lower@croydon.gov.uk and cliona.may@croydon.gov.uk

PROFORMA

REFERRAL OF A KEY DECISION TO THE SCRUTINY AND OVERVIEW COMMITTEE

For the attention of: Victoria Lower, Democratic Services & Scrutiny
e-mail to

Victoria.lower@croydon.gov.uk and cliona.may@croydon.gov.uk

Meeting:

Meeting Date:

Agenda Item No:

Reasons for referral:

- i) The decision is outside of the Policy Framework
- ii) The decision is inconsistent with the budget
- iii) The decision is inconsistent with another Council Policy
- iv) Other: Please specify:

The outcome desired:

Information required to assist the Scrutiny and Overview Committee to consider the referral:

Signed:

Date:

Member of _____ Committee

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PROFORMA

REFERRAL OF KEY DECISIONs TO THE SCRUTINY AND OVERVIEW COMMITTEE

For the attention of: Victoria Lower, Democratic Services & Scrutiny
e-mail to
Victoria.lower@croydon.gov.uk and cliona.may@croydon.gov.uk

Meeting: Cabinet Meeting

Meeting Date: 20th July 2020

Agenda Item No: 6, RESPONDING TO THE LOCAL GOVERNMENT FUNDING
CHALLENGE

And

Agenda Item No: 7, JULY FINANCIAL REVIEW

Reasons for referral:

- i) The decision is outside of the Policy Framework
- ii) The decision is inconsistent with the budget: Yes
- iii) The decision is inconsistent with another Council Policy
- iv) Other: Please specify:

The two Cabinet reports, Agenda Item 6 and Agenda item 7, do not provide sufficient detailed information to allow the Scrutiny Committee to make a judgement as to whether the proposed recommendations will deliver the approved 2020/21 budget, and avoid the service of a Section 114 Notice.

The call-in of these two Agenda Items is restricted to the following recommendations in regards delivering the 2020/21 budget and it is not a call-in of the proposed changes to the Medium Term Financial Strategy.

Agenda Item 6.2: Endorse the further actions and governance arrangements which have been put in place, outlined in the report, to ensure the Council delivers within the 2020/21 approved budget;

Agenda 6.4: Agree the principles informing actions to deliver within the 2020/21 approved budget.

Agenda 7.1: 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.

Agenda 7.3: The continued use of capital receipts for funding transformation as detailed in section 9 of the report.

Agenda 7.4: The approach to dealing with the financial impact of Covid19, including the financial returns to MHCLG and the discussions with them.

The outcome desired:

- To satisfy the Scrutiny Committee that the Council will deliver the approved 2020/21 Budget and will not serve a Section 114 Notice.
- Reassurance that the principles informing actions set out in Agenda Item 6.4 are achievable.
- Council finances are robust enough to enable an effective response if demand substantially increases this Autumn and Winter.
- Equalities consideration are given due weight when making decision to end, reduce or reconfigure service delivery.

Information required to assist the Scrutiny and Overview Committee to consider the referral:

- 1) To **provide information at a more granular level** on the financial and workforce actions taken to help satisfy the Committee that the Council will deliver the approved 2020/21 Budget, including increasing level of general fund balances by £5 million.
- 2) **More information on the work of the Finance Review Panel**, including its recommended short-term options to minimize spend and where possible to generate income, and the refreshed savings proposals to deliver in year 2020/21. Details of the mechanisms referenced in the cabinet report used by the financial review panel to ensure progress stays on track (dashboards and monitoring information).
- 3) **Information on the six projects areas** (Staffing, Cross-Cutting Areas, Assets, Contracts, Income, and Demand Management), and their expected in-year financial contributions. It should include key milestones, risks and interdependencies.
- 4) **Workforce Information**, including financial, of the 15% Workforce Reduction proposals, at department and service level. Detail of changes to service delivery, including reduction or stopping of any service. Information on any services (including outputs) that will be outsourced to new or existing providers. Information on level of risks to delivery of statutory duties and information on how not only existing demand but future demand (expected to increase within the financial year) will be managed (in case of localized outbreaks, further lockdown, end of furlough schemes etc.). Proposed departmental structures, including information on the Children's and Adults Social Care departments. We seek re-assurance that deletion of posts, previously filled by contractors, do not denude those teams of skills and experiences to deliver an effective service.
- 5) **Capitalisation** (details of revenue costs already capitalized referenced in the report and assessment of impact of further capitalization on longer term financial strategy), **Overall Debt, and revenue implications**. Concerns have been expressed over the overall level of debt, and a more detailed explanation that the current level and revenue costs are sustainable.
- 6) **A copy of full unredacted return submission to MHCLG**, broken down by section.
- 7) **A copy of the corporate risk register** updated in relation to new transformation programme objectives/work streams.
- 8) **Any other information** that will help provide the re-assurance the committee is seeking that the Council will deliver the 2020/21 approved budget.

Signed: Sean Fitzsimons Date: 27th July 2020

Member of _Scrutiny & Overview Committee

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Public Document Pack

Scrutiny & Overview Committee

Meeting held virtually on Wednesday, 22 July 2020 at 6.30 pm via Microsoft Teams

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

MINUTES

Present: Councillors Sean Fitzsimons (Chair), Robert Ward (Vice-Chair), Leila Ben-Hassel (Deputy-Chair), Richard Chatterjee (reserve for Councillor Jeet Bains), Jerry Fitzpatrick and Joy Prince

Also Present: Councillors Simon Hall, Paul Scott and Manju Shahul-Hameed

Apologies: Councillor Jeet Bains

PART A

26/20 **Minutes of the Previous Meeting**

The minutes of the joint meeting held with the Health & Social Care Sub-Committee on 26 May 2020 were agreed as a correct record.

27/20 **Disclosure of Interests**

There were no new disclosures of interest made at the meeting.

28/20 **Urgent Business (if any)**

There was no urgent business for this meeting.

(**Note:** At the meeting the Committee agreed to change the running order of the meeting to take the Croydon Economic Agenda item after the update on the Council's response to the Covid-19 pandemic. The minutes are presented in the original running order to correspond with the published agenda.)

29/20 **Update on the Council Response to the Covid-19 Pandemic**

The Committee received an update on the Council's response to the covid-19 pandemic covering the period since the previous update provided at the Committee meeting held on 26 May 2020. The update was presented by the Chief Executive of Croydon Council, Jo Negrini, a copy of the presentation can be found on the following link –

<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MId=2152&Ver=4>

During the presentation the following information was noted:-

- The pandemic continued with the Council responding as needed. The Gold and Silver emergency response arrangements remained in place along with reporting into the London response arrangements.
- As services began to reopen a significant focus had been placed on the continued support for vulnerable residents who had been shielding and support for the provision of mobile testing.
- When decisions were made to reopen services the key principle was safety first, with all reopening's approved by the Director of Public Health.
- The Council's website had a full list of the services that had reopened and provisional dates for those still to open. The Waste & Recycling and Registrar's services had opened first, with parks and public toilets also now open. Access Croydon had reopened to the public using an appointments system. Six libraries were due to open later in week and preparations were being made to reopen leisure centres.
- There had been 14,814 vulnerable residents on the Government's Shielding list. 700 of these would require ongoing support once the scheme ended on 31 July. Services were working to ensure that plans were in place for these individuals from that date.
- The test and trace system would be one of the resources used to support local authorities to manage outbreaks within their local area. New powers were expected to be granted from the Government to support the work of the Director of Public Health in controlling outbreaks and preventing the spread of the virus. It was expected that these would include powers to either restrict access to or close premises, prohibit certain events and restricting access to or closing outdoor spaces.
- Croydon had received £23m in funding from the Government, but at present there was still a significant funding gap. Three submissions had been made to the Ministry of Housing, Communities & Local Government (MHCLG) setting out covid-19 related expenditure, with further submissions due to be made.
- The crisis had demonstrated that the Council was able to adapt and deliver change quickly, such as setting up a digital solution for shielding residents within days of the programme starting. The crisis had also demonstrated that community resilience in the borough was strong and existing partnerships had worked well together to provide support for vulnerable residents. Another learning point from the crisis was there was greater scope to use digital solutions than had previously been thought.
- At present there was very low numbers of positive Covid-19 cases across London, with only four new cases in Croydon in the past seven days.

Following the presentation, the Committee had the opportunity to ask questions on the information provided. The first question asked whether the Council was in a position to manage local outbreaks and whether the right level of data was being provided to allow outbreaks to be promptly identified. In response, reassurance was given that the Council had been planning from an early stage in the pandemic to manage any local outbreaks, using experience elsewhere in the country and scenario testing to continually refine these plans. At present, not all the data needed was being provided, but assurance had been given that it would be forthcoming. In the meantime, the Council was receiving data on positive covid-19 tests which could be used to identify potential outbreaks.

As recent Government guidance had made the wearing of face coverings in shops mandatory it was questioned what someone unable to wear a covering for medical reasons was able to do. It was advised that anyone unable to wear a face covering would be able to obtain an exemption. The exact process for obtaining an exemption was still to be confirmed, but it was likely that the process would involve their physician. The Public Health team worked closely with providers on the guidance and would be using a communications strategy to ensure a consistent message was disseminated. It was noted that the input from Councillor Jerry Fitzpatrick as the Council's Autism Champion would be welcomed.

As a follow up it was questioned whether support was being provided to local businesses to manage potential issues that may arise around the use of face coverings. It was advised that advice for businesses was being provided on the Council website, on the Growth Hub and through webinars.

Concern was raised about the impact of the pandemic upon the care home and domiciliary care sector, particularly how robust the sector was going forward. Information was requested on the support being provided by the Council the sector through this difficult time. It was advised that the Council had worked closely with care homes with a dedicated team in place to provide support. The Public Health team continued to work to ensure that the right level of support was in place in the event of a second wave, while all partners were working together to provide support in the event of an outbreak.

In response to a question about the provision of face coverings for shielding residents it was advised that the Council had been helping care homes and other groups with the provision of PPE throughout the crisis, but would not be able to supply the wider public without funding to do so.

It was suggested that the provision of face coverings for vulnerable people on the Shielding Programme may be something that the Government could supply. In response, it was highlighted that the Government had indicated that once the Shielding Programme ended funding for support such as food supplies may not continue. It was agreed that the issue of supplying face coverings for vulnerable residents would be taken away for further investigation and an update provided for the Committee once available.

In response to a question about the powers for local authorities over unlicensed events it was advised that these type of events were difficult to prevent, but action to address this issue was being discussed by the Local Strategic Partnership. The Police actively monitored for unlicensed events and stopped any once they became aware of them. Going forward the Council would be using its powers of dispersal in consultation with the Police, with joint communications being prepared to raise awareness.

It was agreed that further information would be provided to the Committee on whether there had been any disruption to clinical waste collections during the pandemic and whether the Council had used different methods to boost its social media messaging to ensure that its messages were being disseminated widely.

At the conclusion of the item, the Chair thanked the officers for the presentation and their engagement with the questions of the Committee.

Information Requests

The Scrutiny & Overview Committee requested to be provided with the following information:-

- An update on the provision of face coverings for vulnerable residents on the Shielding Programme.
- An update on the performance of clinical waste collections during the pandemic.
- An update on methods used to boost the Council's social media messaging.

Conclusions

Following discussion of this item the Committee concluded that although the uncertainty over exemptions for the wearing of face coverings was as much a national issues as a local one, effective communication from the Council with local residents, businesses and community groups was essential.

30/20 Scrutiny Review of Croydon Council Finances

The Committee received two reports previously considered and approved by the Cabinet on 20 July 2020 which set out proposals for managing the financial uncertainty facing the Council in light of covid-19 expenditure. The Committee also received a presentation delivered by the Cabinet Member for Finance & Resources, Councillor Simon Hall, and the Section 151 Officer, Lisa Taylor, a copy of the presentation can be found on the following link –

<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MIId=2152&Ver=4>

During the presentation the following information was noted:-

- Croydon Council had already been facing a challenging financial position due to underfunding which had been significantly exacerbated by the covid-19 crisis.
- The Revenue Budget Outturn for 2019-20 had ended with a £186,000 overspend which had been met from general fund reserves.
- Responding to covid-19 had created a huge increase in expenditure driven by a lot more residents requiring support as well as managing a range of new duties and responsibilities.
- As a result of the covid-19 crisis the savings originally planned for 2020-21 had been placed on hold. There had also been a significant loss of income from areas such as parking fees and rents.
- The Council had submitted three returns to MHCLG setting out all additional expenditure, missed savings and lost income resulting from the covid-19 crisis which totalled £85m. To date funding of £23.5m had been received from the Government which left a shortfall of £65.4m to be found.
- The Administration had been addressing this shortfall by looking at how the Council could deliver the same outcomes for residents with less expenditure. To achieve this a Financial Review Panel had been established which included external members to provide an independent challenge.
- A staff review was being implemented as staffing represented £174m of costs annually. There was also plans to introduce a capitalisation objective to address one off costs.

Following the presentation the Committee was given opportunity to ask questions about the information provided. The first question concerned the staffing restructure and whether any such restructure had been planned prior to the pandemic. In response, it was advised that a targeted review had been planned to look at how the Council could be more efficient. However, no restructure had been planned on the scale required as a result of the pandemic.

As a follow-up, it questioned whether there were likely to be any decisions taken that would affect service provision and if so whether these should be in the public domain. In response it was highlighted that the staffing review was currently in its consultation phase which meant that no final decisions had yet been made. There may be certain teams affected which would lead to services being delivered differently, but the current plan was to continue to deliver all services.

It was questioned whether it would be possible to deliver the same outcomes with less staff or financial resources. The Cabinet Member confirmed that service outcomes would be maintained, although services may not be delivered in the same way.

The rationale behind the decision to have a 15% target for staff reduction was queried; in particular, whether this was being applied equally across all services or not. It was highlighted that the Chief Executive, as Head of Paid Service, had authority over staffing matters. It had been decided that it was important to strike a balance between minimising the impact upon services and also sending a clear message to MHCLG that the Council was trying to achieve its budget shortfall. At the start of the process the Cabinet had outlined a number of principles which included minimising the impact upon frontline services, minimising compulsory redundancies, consulting with the unions during the process and having a flexible consultation process. It was agreed that a summary of the staff proposals would be shared with the Committee following the meeting.

It was highlighted that the budget originally set by Council in March 2020 included provision for contributing £5m to the general reserve fund, as such it was questioned whether this still achievable. It was confirmed that although it would be challenging to achieve without further funding from MHCLG the capitalisation objective would contribute towards achieving this aim.

In response to a question about whether the budget changes would be brought to a meeting of the Council, it was highlighted that Cabinet would be receiving reports at every meeting on the proposals as they were developed. At present it was forecasted that £20m of savings had been identified from the work carried out to date. An updated Medium Term Financial Strategy was likely to go to the Council in November and would be published in the public domain at the earliest possible time.

Regarding the previously identified savings of £31m in the 2020-21 budget which were no longer achievable, a breakdown of these savings was requested. It was agreed that further information would be provided to the Committee.

An update on the current status of discussions with the Government about the Council's predicted budget shortfall was requested. It was advised that discussions with the MHCLG had been proceeding on an informal basis, but were now becoming more formal. Croydon was also joining together with other London Councils to lobby the Government on behalf of local government to fill the large hole in council finances created by covid-19 expenditure.

It was confirmed that the key decisions contained in the two Cabinet reports related to recommendations 1.2 and 1.4 in the 'Responding to the Finance Challenge' report and recommendations 1.1 to 1.5 in the 'July Financial Review' report.

It was highlighted that the Institute for Fiscal Studies had stated that 7% of expenditure within the Croydon Council budget was currently spent on interest and debt repayment. As such, it was questioned whether the reserves were manageable with the escalating debt and how the risks around this were being managed. It was confirmed that the level of reserves held by the Council needed to be increased which was an aim over the next few years,

although as previously stated it would be challenging to do so this year without the Government reimbursing the covid-19 related shortfall. It was also confirmed that almost all of the Council's debt was set at a fixed rate and would not be impacted by any rate increase. Although the Croydon Park Hotel had entered administration, income continued to be received from the majority of Council rents and the income outweighed the interest paid on the Council's investment properties.

In response to a question about the support available for Council suppliers who may be experiencing difficulty during the crisis, it was advised that a Supplier Relief Programme had been put in place as a result of covid-19 which allowed suppliers to contact the Council to explore options should additional support be needed. It was confirmed that a number of businesses had already benefitted from this programme.

As a follow-up, it was questioned whether the Council was in a position to step in to continue a service should a supplier go under. It was advised that although it would depend on the individual circumstances of the service, as a general principle the Council would look to continue services where possible. As an example it was highlighted that plans were already in place to continue services should a care provider collapse.

It was confirmed that the Corporate Risk Register would be circulated to all Members by the end of July and discussions were underway to bring the register to Cabinet meetings alongside the quarterly finance reports.

In response to a question about how the budget setting process had been strengthened it was confirmed that greater officer ownership had been included starting with the work of the Finance Review Panel. The budget setting process would involve all of the Corporate Leadership Team to help identify cross-departmental savings rather than identifying savings individually. A process was also being put in place to hold managers to account for the delivery of their budget proposals.

It was also confirmed that Cabinet Members had been involved throughout the process with regular joint meetings of the Cabinet and Executive Leadership Team (ELT) being scheduled. There had also been a push to improve the availability of data with monitoring moving from a quarterly to a monthly schedule. It was emphasised that Scrutiny had an important role to play in the process, but given the uncertainty this year it was unlikely to be able to get involved any earlier in the process than the end of 2020. It was suggested that the Medium Term Financial Strategy could come to the Committee prior to Council, should the Committee wish to review it.

It was explained that the budget development process started with meetings between the Cabinet Members and ELT that would lead to a set of proposals that would continue to be refined before going to a meeting of the Cabinet for approval. Processes were being put in place to ensure that key drivers came to Cabinet a few months prior to the actual budget.

To ensure that the savings and service reconfigurations identified were delivered programme management methodology was being used with ELT reviewing progress made on a weekly basis and Political Cabinet providing regular oversight. A fixed term resource had been allocated to the Finance department to enable the production of data to identify quickly when anything went off track, allowing action to be quickly taken to address as needed. As well as savings, options to maximise income including regeneration opportunities were being considered.

It was confirmed that there was no plan to sell assets as local government account rules prevented the proceeds from the sale of assets being allocated to the general fund.

In response to a question about continuing to allocate new revenue funding it was advised that this would only be the case where the service involved could not stop. Discretionary spending had been halted and brought under greater control.

At the conclusion of the item, the Chair thanked the Cabinet Member and the Section 151 Officer for their attendance at the meeting and their engagement with the questions of the Committee. The Chair highlighted that as the two Cabinet reports included key decisions it was within the remit of the Committee to exercise the call-in function if they were not satisfied with the information provided.

Information Requests

The Scrutiny & Overview Committee requested to be provided with the following information:-

1. A summary of the staffing proposals arising from the Staffing Review
2. A breakdown of £31m savings outline in the 2020-21 Budget.

Conclusions

Following the discussion of this item the Committee reached the following conclusions:-

1. There was much to commend in the reports, particularly the improved budget monitoring processes, strengthening the Finance department and additional support for Cabinet Members in their roles. As such the Committee was reasonably reassured about the direction of travel and key principles informing the process.
2. The Committee was surprised to learn that the savings identified in the process so far amounted to £20m which left a significant shortfall still to be found.
3. Although there had been an effort to provide information and it was clear that officers were working hard at a fast pace, it was concluded that there was not the level of detail available to allow greater scrutiny.

4. The Committee concluded they required more information to be reassured about the judgements being made on the savings proposed and as such agreed that the key decisions contained in the two reports would be called-in. The call-in form would outline the additional information required by the Committee to provide the reassurance needed.

31/20 **Croydon Economic Recovery**

The Committee received a presentation for its consideration on the plans being put in place to support the economic recovery in the borough as it emerged from the covid-19 lockdown. The Cabinet Member for Economy & Jobs, Councillor Manju Shahul-Hameed, the Cabinet Members for Environment, Transport & Regeneration (job share), Councillor Paul Scott and the Executive Director for Place, Shifa Mustafa, delivered the presentation. A copy of which can be found on the following link –

<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MId=2152&Ver=4>

During the presentation the following information was noted:-

- As well as the initial health crisis created by covid-19 there was now likely to be an economic crisis as well arising from the impact of the pandemic. Partnership working would be essential to ensure the economic impact was managed as well as possible.
- There were 14,000 businesses in the borough that had been impacted by covid-19 and to date the Council had distributed £49.5m in business grants.
- Unemployment in the borough was current at 8.9%, but this could eventually rise to 14%. Additionally 18% of the working population in the borough was currently furloughed.
- The Council continued to implement the distribution of Government grants and other schemes for local businesses. Internal processes had been put in place around debt management to support businesses. The Council also continued to provide signposting and other information to businesses on an ongoing basis.
- The disadvantaged such as low earners and the under 25s were likely to be the most impacted by the crisis.
- An Economic Renewal Board had been launched to deliver a sustainable recovery from the crisis. The Board was looking at a number of themes including the town centre, district centres, employment and skills. Task and finish groups had been set up to develop future plans based upon the themes identified.

- The task and finish groups brought together a wide team of people with different experiences to workshop ideas for possible interventions in different local centres. It was recognised that each centre was different and a one size fits all approach would not work. Ideas being considered included more external sitting spaces, meeting spaces and busking spaces. It was hoped that various ideas could be trialled leading to long term positives for local centres.

The Committee had also invited Simon Maddox from the Selsdon Regeneration Group to provide an update on their work in Selsdon. It was advised that a Community Plan was being created which had involved over 1000 people from the local community to help with prioritising ideas for the local centre. One such idea that was being explored was a touchdown place for people who worked from home which was being developed through the Selsdon Baptist Church. It was highlighted that it was important to identify and manage the assets that were individual to the local area.

The Committee was given the opportunity to ask questions on the information provided. The first question concerned the distribution of the Business Grants to local businesses. It was confirmed that to date £48m had been distributed from a total fund of £60.6m. Work continued to identify the remainder of the businesses the Council had not be able to contact with visits made to businesses to establish contact. In some cases, businesses had gone out of business while others could not be identified as business rate payers in March 2020. Having difficulty contacting some of the businesses identified by the Government was a common experience for local authorities across London.

There had been some late submissions that were still being processed and other payments had been delayed due to issues such as name changes which required additional checks. If a business had followed the Government criteria when applying for the Business Grant then payment would have been made. Delays occurred when incorrect information was provided.

In response to a question about support available for local district centres it was advised that the aim of the task and finish groups was to produce a series of pick and mix interventions that local councillors and community groups could buy into. It was likely that the areas in the borough with Business Improvement Districts (BIDs) would trial interventions in the first instance to ensure they worked. It would then be for individual areas to decide which intervention feels appropriate for their area, with the possibility that some of the work could be funded by Ward Budgets.

Concern was raised about the openness of the Economic Renewal Board and how its activity would be communicated. In response, it was highlighted that when the Board had been established it had been announced by the Leader of the Council who had set out the process. It had also been publicised through social media and business networks. As the Board had been set up in response to a possible economic crisis arising from the covid-19 lockdown it was important to move quickly with initial ideas likely to be presented to councillors and community groups in the next few weeks.

Further information was requested to outline the plans for marketing Croydon to businesses and in particular the post covid-19 offer. It was advised that Croydon was being promoted as '15 Minute City' due to its close proximity to central London which would be attractive for businesses looking to relocate from more expensive central locations. It should also be recognised that Croydon had the highest number of start-up businesses in London. South Bank University was currently looking to move to the borough which would bring further investment into the education sector.

At present it was not possible to predict what the 'new normal' would look so it was essential to be flexible, but at the same time there was a need to demonstrate to people that change was happening through ideas such as the installation of new outside seating and planting. Option for using existing Council buildings such as libraries to support businesses were also being considered as well as working with landlords to bring empty spaces into use.

At the conclusion of the item, the Chair thanked that Cabinet Members and Executive Director for Place for their attendance at the meeting and their engagement with the questions of the Committee. The Chair also thanked Simon Maddox from the Selsdon Regeneration Group for attending the meeting and providing insight into community led economic activity in the borough.

Conclusions

Following the discussion of this item the Committee reached the following conclusions:-

1. The Committee retained a concern about the transparency of the Economic Renewal Board and felt that there should be an aim to make it as transparent as possible to allow local businesses and the public to understand the aims of the Board and the outcomes it was delivering.
2. The Committee welcomed the confirmation that options for using existing Council buildings to provide business support were being investigated and would encourage the exploration of options for using Fairfield Halls during its closure.
3. Although it was acknowledged that the Council was marketing the borough as a place to do business and there was limited funding available to expand upon current activity, given the opportunities that may be available arising post covid-19 lockdown it would encourage the exploration of cost effective options to increase the marketing of the borough.

Recommendations

The Committee agreed to make the following recommendations to the Cabinet Member for Economy and Jobs and the Cabinet Member for Environment, Transport & Regeneration (job share):-

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1. That information on the Economic Renewal Board, including terms of reference, vision and an ongoing overview of activity, is published on the Council website.
2. That options for using the Fairfield Halls for alternative means during its closure are explored.
3. That options to increase the marketing of the borough are explored to identify cost effective solutions.

32/20 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 10.00 pm

Signed:

Date:

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