

Scrutiny & Overview Committee Agenda



To: Councillors Rowenna Davis (Chair), Richard Chatterjee (Vice-Chair), Leila Ben-Hassel (Deputy-Chair), Jade Appleton, Sean Fitzsimons and Simon Fox

Reserve Members: Sue Bennett, Sherwan Chowdhury, Amy Foster, Gayle Gander, Mohammed Islam and Joseph Lee

A meeting of the **Scrutiny & Overview Committee** which you are hereby summoned to attend, will be held on **Tuesday, 6 December 2022 at 6.30 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX**.

Katherine Kerswell
Chief Executive
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Simon Trevaskis
Senior Democratic Services & Governance
Officer - Scrutiny
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www.croydon.gov.uk/meetings
Monday, 28 November 2022

Members of the public are welcome to attend this meeting, or you can view the webcast both live and after the meeting has completed at <http://webcasting.croydon.gov.uk>

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

To approve the Part A and Part B minutes of the meeting held on 11 October 2022 as an accurate record.

3. Disclosure of Interests

Members are invited to declare any disclosable pecuniary interests (DPIs) and other registrable and non-registrable interests they may have in relation to any item(s) of business on today's agenda.

4. Urgent Business (if any)

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

5. Update on the Borough of Culture

The Scrutiny & Overview Committee is asked to receive a verbal update on the preparations for the Borough of Culture 2023.

6. 2023-24 Budget Update, Medium Term Financial Strategy and Savings Proposals (Pages 19 - 84)

The Scrutiny and Overview Committee is asked to:-

1. Note the contents of the Cabinet report on 2023-24 Budget, Medium Term Financial Strategy and Savings Proposals
2. Review the information provided with a view to, as part of the wider budget scrutiny process, forming conclusions on the 2023-24 budget,
3. Considered whether there are any specific areas of the budget to scrutinise in further detail by either the Committee or one of its Sub-Committees in January 2023.

7. Membership of Scrutiny Sub-Committees (Pages 85 - 86)

The Scrutiny & Overview Committee is asked to: -

1. Agree the changes to the membership of the Scrutiny Sub-

Committees proposed by the Conservative Group.

2. Agree the allocation of a non-voting co-optee representing service users to the membership of the Health & Social Care Sub-Committee.
3. Note that this newly created role will replace the non-voting Co-optee from the Croydon Adult Social Services User Panel.
4. Agree the appointment of the former CASSUP Vice Chair to fill the new co-optee role for the remainder of 2022-23.

8. Scrutiny Recommendations (Pages 87 - 114)

The Scrutiny & Overview Committee is asked to

1. Approve the recommendations made by its Sub-Committee's for submission to the Executive Mayor for his consideration.
2. Review the response provided by Mayor to recommendations made by the Scrutiny & Overview Committee.

9. Scrutiny Work Programme 2022-23 (Pages 115 - 116)

The Scrutiny & Overview Committee is asked to: -

1. Note the most recent version of the Scrutiny Work Programme presented in the report.
2. Consider whether there are any other items that should be provisionally added to the work programme as a result of the discussions held during the meeting.

10. 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

11. Part B Minutes of the Previous Meeting (Pages 117 - 118)

The Part B minutes of the meeting held on 11 October 2022 are

attached for the approval of the Committee as an accurate record.

Public Document Pack Agenda Item 2

Scrutiny & Overview Committee

Meeting held on Tuesday, 11 October 2022 at 6.30 pm in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillors Rowenna Davis (Chair), Councillor Richard Chatterjee (Vice-Chair),
Leila Ben-Hassel (Deputy-Chair), Jade Appleton, Sean Fitzsimons and
Simon Fox

Also Present: Councillors Jason Cummings, Matthew Griffiths and Stuart King.

PART A

52/22 Minutes of the Previous Meeting

The minutes of the previous meeting held on 6 September 2022 were agreed as a correct record.

It was noted that an extra recommendation relating to the Community Safety Partnership item considered on the previous agenda had been proposed by Councillor Tamar Nwafor after the meeting. The recommendation proposed that the Council should investigate the potential for introducing domestic abuse champions in local communities across the borough. This additional recommendation was agreed.

Resolved: That the following recommendation is submitted to the Cabinet for its consideration:-

That the potential for introducing a scheme to train Domestic Abuse Champions within local communities across the borough is investigated as an action in the forthcoming Violence Against Women and Girls Strategy.

53/22 Disclosure of Interests

There were no disclosures of interest made at the meeting.

54/22 **Urgent Business (if any)**

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

Note: At this stage of the meeting the Chair proposed that the order of the agenda be amended to bring the 'Council Tax Recovery, Collection & Enforcement' item forward, to become the first substantive item, as external guests were in attendance for this item.

55/22 **Council Tax Recovery, Collection & Enforcement**

The Committee considered a report set out on pages 25 to 102 of the agenda, which provided an overview of the Council's Council Tax recovery, collection and enforcement processes. This report had been requested by the Committee as part of its ongoing review on the impact from the cost of living crisis.

Prior to the meeting, the Committee had held a community meeting with residents and representatives from the community & voluntary sector to discuss their experience with Council Tax enforcement. A summary of this meeting can be found appended to the main report. Rhiannon Hughes, Community Engagement Manager, from the South West London Law Centre, attended the meeting to provide further insight into the experience of residents and a representation was made by Claire Keetch, the Manager of the Croydon Citizens Advice Bureau which was read out at the meeting. These representations set out a range of specific actions that could be implemented by the Council to support residents who had fallen into Council Tax arrears and highlighted the importance of the advocacy provided to residents by their respective services.

The Committee put on record its thanks to the two organisations for their support in arranging the community meeting and for the insight their representations had added to the meeting. It was agreed that the Committee would recommend that a formal response is provided by the Council to the issues raised in the respective representations.

Following these representations, the Head of Payments, Revenues, Benefits & Debt, Catherine Black, introduced the report and provided an initial response to the issues raised at the community meeting. During the introduction, the following was noted: -

- The team had been in contact with the CAB and SWLLC following the community meeting to begin engagement meetings with them.
- The information on the Council's website was being updated to provide clear timelines and diagrams on the collection process. The information relating to residents' rights and potential discounts was being reviewed and updated as needed.
- A document had been prepared for staff providing comprehensive guidance about where to signpost people in need of support for a range of issues including welfare and debt advice, and mental health support. Refresher training had also been delivered to staff on where to signpost residents for debt support.
- Officers would be reviewing the vulnerability policy for Council Tax collections and providing training, with input due to be sought from CAB and SWLLC to inform this process.
- A new telephony system had recently been installed across the Council with early indications, from a significantly reduced call abandon rate, demonstrating that the new system was making it easier for residents to contact the Council.
- Staff had been given training on how to translate the Council's web pages in to other languages, which could be sent to residents. The team was also working with the Croydon Digital Service team on adding translation capability for users to the website.
- A reminder had been sent to all enforcement agents about adhering to the Council's code of conduct, which had been updated to take account of the cost of living crisis. It was highlighted that every agent wore a camera and the footage was available upon request if there were reports of poor behaviour.
- The enforcement agencies contracted by the Council used a RAG rating system to identify vulnerable residents, which was used to guide the approach taken. Most of the agencies had a welfare support team and if agents identified a potentially vulnerable resident, they would be referred to this team.
- It was being found that payment arrangements were increasingly being made for lower payment amounts over longer periods of time, which may be a result of the cost of living crisis.

- Enforcement agents had a fund that could be applied for to provide support with arrears and food parcels if needed.

Following the introduction, the Committee was given the opportunity to ask questions about the information provided in the report, which was informed by the feedback given at the community meeting. The first question asked whether teams across the Council were collaborating effectively to support residents with multiple needs. It was advised that teams did work together to provide a joined up response, with work between the Council Tax and Housing teams highlighted as an example. The Committee agreed that as part of the wider governance improvement work of the Council, further consideration needed to be given to how it could be evidenced that teams were working effectively to support.

In response to a question about face to face appointments for residents wanting to discuss their arrears, it was confirmed that these could be facilitated if needed. It was also suggested that it may be useful for advocacy groups such as the CAB and SWLLC to have a means of contacting the Council Tax team directly given the number of residents they supported.

Following concerns raised by residents at the community meeting about the clarity of the written correspondence received from the Council about their arrears, it was questioned whether letters had been reviewed in terms of literacy. It was confirmed that correspondence had not been reviewed. The Committee agreed it would recommend that correspondence was reviewed as it was important to ensure residents were able to understand the process and what action they needed to take to avoid unnecessary escalation.

It was confirmed that two complaints had been received about enforcement agents since December 2021, one of which was upheld and neither of which related to the internal enforcement team. The Committee suggested that as part of the work to review the information provided on the Council's website, it would be helpful to have the complaints process clearly signposted. It was also suggested that there needed to be clear signposting to information on areas of support available such as how to access hardship funds.

It was confirmed that since the introduction of the new Council Tax Support Scheme in April 2022, the Council did not instigate enforcement action against residents in receipt of Council Tax Support. Following on from this, it was noted that the wording of the 'taking control of goods' letter sent to residents regarding enforcement was written following legislative requirements. Given that alternatives to the seizure of goods were sought in the first instance, it was suggested that the potential for further explaining the process alongside the legislative wording of this letter should be explored. It was also suggested that local MPs could be contacted about championing changes to the legislative wording in Parliament, along with changing the law

preventing payment arrangements being reached following the issue of a summons.

In response to a question about whether the enforcement agencies contracted by the Council had set targets., it was confirmed that there were soft targets in place. The main driver for the agencies was to reach payment arrangements for the arrears, even if this involved smaller payments over longer terms and enforcement visits were the last option. It was also confirmed that there was no minimum amount for repayment.

It was questioned why the Council used six external enforcement agencies and whether this was comparable to other boroughs. It was confirmed that six agencies were used as the service was combined with parking enforcement, which required that number of agencies. The services were beginning to look at future options for enforcements once the current contract ended.

It was confirmed that the key performance indicators for the service were currently under review. The Committee agreed that in order to contribute to the wider understanding of the Council's financial position at any given time and to provide reassurance about the experience of residents any indicators needed to be a mix of qualitative and quantitative.

At the conclusion of this item the Chair thanked the officers, residents and external partners for their engagement with the Committee.

Conclusions

At the end of the item the members of the Scrutiny & Overview Committee reached the following conclusions:-

1. The Committee thanked the South West London Law Centre and the Croydon Citizens Advice Bureau for their support in helping the Committee to prepare for this item, through convening a community meeting to hear directly from residents about their experience of Council Tax Enforcement. The Committee also welcomed the submissions put forward from these organisations and would request that a formal response is provided by the Administration addressing the issues raised.
2. The Committee would also like to put on record its thanks to the Head of Payments, Revenue, Benefits and Debt, Katherine Black, and her team for their engagement with the scrutiny process. The sensitivity displayed at the community meeting to the often upsetting evidence

provided was commendable and their subsequent response to address the issues raised should be held up as an example of best practice.

3. From its review of Council Tax enforcement, the Committee identified that a relatively cost effective means of improving the service would be to review the wording of correspondence sent to residents in Council Tax arrears, as the feedback received at the community meeting would suggest that it could be misinterpreted as being more final than the Council's collection processes actual were.
4. Similarly, the Committee would recommend that information provided on the Council's website is also reviewed to ensure that it was accessible for a range of literacy levels and prominently displayed the support and advice that was available for residents facing financial difficulty.
5. The Committee was keen to seek further evidence that Council services worked together to support residents with multiple needs. It was agreed that there needed to be a mechanism in place that would demonstrate to all Members that services cooperated effectively for the benefit of residents.

Recommendations

The Scrutiny & Overview Committee agreed to make the following recommendations for the consideration of the Mayor in Cabinet.

1. That a formal Administration response is provided to submissions of the South West London Law Centre and the Croydon CAB made at the Scrutiny & Overview Committee meeting, addressing the issues raised in these submissions.
2. That officers are asked to review the literacy of formal communication with residents to ensure they meet best practice in terms of accessibility.
3. That officers are asked to review and, subject to national requirements, amend the wording on the Taking Control of Good Notices, to ensure they reflect the Council's own approach to enforcement.
4. That the Cabinet Member for Finance writes jointly to all three Croydon MPs asking them to: -

- a. Champion in Parliament changing the legislated wording of the 'Taking Control of Goods Notices' and
 - b. Champion in Parliament changing the legislation around enforcement, including the requirement preventing pay arrangements being reached following a summons being issued.
5. That when they are next reviewed, officers are asked to ensure that the key performance indicators for Council Tax service present both a quantitative and qualitative overview.
6. That officers are asked to review the Council's website to ensure that:
- a) residents' rights are clearly set out, including how to make a complaint,
 - b) that advice and hardship services are signposted and
 - c) the criteria for funds, such as the Hardship Fund, are clearly explained.
7. As part of the wider improvement journey of the Council, consideration is given to the evidence that can be provided to reassure Members that there is improved collaboration across services to support residents with multiple needs.

56/22 **Call-In: Mayor in Cabinet Decision on Temporary Workers Staffing Contract**

The Committee considered a call-in request as set out on pages 5 to 24 of the agenda along with additional information in the second supplementary agenda concerning the decision made by the Mayor in Cabinet on the Temporary Workers Staffing Contract. In introducing the item, the Chair outlined why the call-in request had been made and explained the process for considering a call-in. Confirming that the Committee needed to agree whether to review the decision and if it was decided to proceed, it had to confirm how much time it wished to allocate for the discussion of the item. The Committee agreed that it would review the decision and allocated ninety minutes for its consideration.

The Chair went on to explain that there were three outcomes the Committee could reach following its review of the decision. These were: -

1. That no further action was necessary and the decision could be implemented as originally intended.
2. To refer the decision back to the decision maker for reconsideration, outlining the nature of the Committee's concerns
3. To refer the decision to Council, if the Committee considered that the decision taken was outside of the Budget and Policy Framework.

Before opening the item for the Committee's questions, the Cabinet Member for Finance, Councillor Jason Cummings, and officers were given the opportunity to respond to the call-in. During this response, the following was noted: -

- Staff wages accounted for the majority of spend within the contract and there was no separate budget held for agency staff.
- It was unlikely that the upper limit of the contract would be reached and there was no requirement within the contract to reach the full value spend.
- The framework route had been chosen as it presented the best value for the Council from the additional buying power acquired through participating in a London wide framework.
- The rates for the contract were locked in place for its duration.
- A managed service provider was the best mechanism for the Council to both manage market forces and achieve best value.
- Data provided by London Councils indicated that Croydon was sitting in the middle of London boroughs in terms of agency spend, which had dropped over the last two years.
- Additional controls were in place through the spend control process to ensure that the Council recruited in the most efficient way.

Following the introduction to this item, the Committee proceeded to review the decision with a view to reaching a conclusion on the call-in. The first question highlighted that the Council was in the process of developing a People Strategy and as such questioned whether this contract would meet the needs of the strategy. In response it was advised that the strategy would look at

longer term issues such as recruiting to the Council, the Council's reputation as an employer and the package provided to staff. The contract was for temporary workers whereas the focus for the strategy would be permanent staff.

It was questioned whether the contract would provide the range of recruitment required by the Council to enable it to recruit to specialist roles. It was confirmed that it was a wide ranging contract, with specialist providers who could be used to source and headhunt skills scarce candidates. The HR team had regular meetings with teams in skills scarce areas to raise any issues that could be relayed to the vendor. It was highlighted that difficulties with recruitment were not unique to Croydon, with challenges in the labour market nationally.

It was confirmed that the Council did not currently collect data on the number of times a temporary contract was extended. The Committee agreed that data on the number of renewals should be tracked as part of the contract monitoring process.

It was noted that the Council had reduced its spend on temporary staff over the past two years and as such it was questioned whether the new contract would assist with this. It was advised that the reporting systems in place would allow expenditure to be monitored. It was repeated that there was no minimum spend in the contract and it was down to individual departments to manage this. Furthermore, any new expenditure would need to be authorised by the Spend Control Panel.

It was questioned whether the new contract would reduce the use of the redeployment pool. It was confirmed that it was a legal requirement to offer roles to a redeployment worker and it was important that a cost assessment was made to establish the viability of retraining someone from the redeployment pool for a new role. Should it not be viable, then there was still a need to have a facility in place to recruit temporary workers when needed.

It was confirmed that the journey towards awarding the contract began in 2017 when the Council led the evaluation panel for the framework. By using the framework option, it provided significant economies of scale, as 17 other local authorities were already using it.

In response to a question about how the performance of the contract would be evaluated, it was advised that it would primarily be evaluated on a financial basis. The Committee agreed that there needed to be a wider scope for the evaluation of the performance of the contract beyond purely financial terms. It was also agreed that it should be standard practice for all Council contracts to have a range of quantitative and qualitative indicators in place to enable performance to be robustly assessed.

It was noted that the MStar3 Framework had been in place since 2019 and during that time the labour market had changed significantly. As such reassurance was sought that the framework still represented the best option for the Council. In response, it was advised that an updated MStar4 framework was likely to replace the existing framework in 2023, but as it was likely to be more expensive, it was a good option for the Council to lock in its contract to the costs of the current framework. Although there were no known imperatives to prefer the forthcoming MStar4 framework over the current MStar3 framework, there was scope to end the contract if the Council decided it wanted to move to the new framework.

It was questioned whether any of the information set out in the confidential part of the report could have been included in the public version of the report. It was advised that as much information as possible was included in the Part A report and justification was needed to place information in a confidential, Part B report. This decision was often a matter of judgement based on an assessment of the risk from publication. Regarding this report, the decision to place information in a confidential report was based on the grounds of commercial confidentiality and legal professional privilege. The Committee agreed that the report had raised a wider issue about confidential information and agreed that the Council's approach should be clarified and training provided to ensure that both Members and report authors were clear on the grounds for withholding information and when it should be used.

At the conclusion of this item the Chair thanked the Cabinet Members and officers for their engagement with the scrutiny of the Committee.

Conclusions

At the end of the item the members of the Scrutiny & Overview Committee reached the following conclusions:-

1. In reviewing the Call-In request made on the Temporary Workers Staffing Contract, the Committee concluded that evidence it received in the report responding to the call-in, together with the evidence heard from the Cabinet Member for Finance and officer sat the committee meeting, provided sufficient reassurance that the issues raised had been addressed. As such it was agreed that no further action was necessary and the decision could proceed with immediate effect.
2. However, in considering the call-in the Committee also concluded that there were wider issues raised that needed to be addressed. One such issue was the Council application of section 12A of the 1972 Local Government Act regarding the provision of withheld information in Committee reports. The Committee agreed that there seemed to be a lack of clarity over the exact requirements of this provision and that

further guidance was required for both Members and report authors to understand what information could and could not be disclosed.

3. Another key issue raised by the Committee was the information collected by the Council to evaluate the success of its contracts. There seemed to be an emphasis towards the purely financial aspects of contracts, but the Committee agreed that the evaluation process needed to include a qualitative framework as well as standard for all contracts awarded.

Recommendations

The Scrutiny & Overview Committee agreed to make the following recommendations for the consideration of the Mayor in Cabinet.

1. That the Monitoring Officer be asked to: -
 - a) review the Council position on the disclosure of information to ensure that there is a presumption toward publication, unless doing so would present an obvious legal risk, and
 - b) provide clear, practical guidance on what information should be provided in Part A & B reports to provide clarity for both report authors and Members.
2. That the Monitoring Officer be asked to review the provision of legal guidance contained in reports to ensure: -
 - a) The potential risks and their mitigations of a decision are clearly explained and avoid ambiguity, and
 - b) Where a confidential report is required, there needs to be a clear explanation of the grounds for this in the public part of the agenda.
3. That all Members are offered training on what information should be available in Parts A and B of a meeting and why.
4. That any contracts awarded by the Council need to have a qualitative framework in place to ensure that an evaluation can be made on the success of the contract beyond the purely financial, and that staff from a variety of levels are included in this process.

5. That officers are asked to proactively track data on how many times individual staff contracts are re-extended to be able to better evaluate the service.
6. That officers are asked to engage with organisations including the Greater London Employment Forum when preparing the People Strategy.
7. That the Chair of Scrutiny is given the opportunity to input into the latest constitutional review, where appropriate.

57/22 **Establishment of Scrutiny Sub-Committee**

The Committee considered a report set out in the agenda supplement 1 which proposed splitting the remit of the Streets, Environment & Homes Sub-Committee to set up a separate Home Sub-Committee.

Resolved: The Committee agreed :-

1. That the remit of the Streets, Environment & Homes Sub-Committee will be divided through the formation of a separate Homes Sub-Committee until the end of 2022-23 Council year.
2. That the terms of reference for both the Streets & Environment and the Homes Sub-Committees, as set out in section 3 of the report, are agreed.
3. That the requirement for the seats on the Sub-Committees to be allocated in line with the overall political balance of the Council will be waived.
4. That the appointments (including regular and reserve members and chairs and vice-chairs) to the Sub-Committees are agreed.
5. That the provisional work programme for Homes Sub-Committee is agreed
6. To note that the existence of the Home Sub-Committee will be reviewed by the Scrutiny Chairs, in consultation with officers and other partners following the final sub-committee meeting of the Council year.

7. To note that Sub-Committee arrangements will revert to three sub-committees (Children & Young People, Health & Social Care and Streets, Environment & Homes) from the start of the 2023-24 council year, unless the Scrutiny & Overview Committee resolves otherwise.

58/22 Exclusion of the Press and Public

The following motion was moved by Councillor Rowenna Davis and seconded by Councillor Richard Chatterjee to exclude the press and public:

“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 3 & 5 indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

The motion was put and it was agreed by the Committee to exclude the press and public for the remainder of the meeting.

59/22 Call-In: Mayor In Cabinet Decision On Temporary Workers Staffing Contract

Please note that a full confidential minute has been produced of the Committee’s discussion held in the exempt session.

During this part of the meeting, the areas questioned by the Committee included whether the procurement used delivered the best value for the Council, the management of the contract and the risks associated with the recommended approach.

The meeting ended at 9.40 pm

Signed:

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Date:

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Agenda Item 6

REPORT TO:	Scrutiny and Overview Committee 6th December 2022
SUBJECT:	2023-24 Budget Update, Medium Term Financial Strategy and Savings Proposals
LEAD OFFICER:	Jane West, Corporate Director of Finance and Section 151 Officer
PUBLIC/EXEMPT:	Public

ORIGIN OF ITEM:	<p>The appended Cabinet report is the first in a series of budget reports due to be considered in the lead up to the budget being set by Council in February/March 2023.</p> <p>The report has been included on the agenda for the Scrutiny and Overview Committee to inform the budget scrutiny process</p>
BRIEF FOR THE COMMITTEE:	<p>The Scrutiny and Overview Committee is asked to:-</p> <ol style="list-style-type: none">1. Note the contents of the Cabinet report on 2023-24 Budget, Medium Term Financial Strategy and Savings Proposals2. Review the information provided with a view to, as part of the wider budget scrutiny process, forming conclusions on the 2023-24 budget,3. Considered whether there are any specific areas of the budget to scrutinise in further detail by either the Committee or one of its Sub-Committees in January 2023.

1. 2023-24 BUDGET, MEDIUM TERM FINANCIAL STRATEGY AND SAVINGS PROPOSALS

- 1.1. The Scrutiny and Overview Committee is presented with a copy of a report on 2023-24 Budget, Medium Term Financial Strategy and Savings Proposals considered by Cabinet on 30 November. This information has been provided to inform the budget scrutiny process, from which the Committee will be looking to reach a view on the 2023-24 Budget.
- 1.2. To prepare for the budget scrutiny process, members of the Committee have received a budget scrutiny training session delivered by the Centre for Governance and second session is to be delivered by the LGA. On 29 November 2022, the Committee will also receive a briefing from the Council's Section 151 Officer on the report.
- 1.3. There will be further opportunity in January and early February 2023 for both the Committee and Sub-Committee to undertake work related to budget scrutiny. As such the Committee is asked to consider whether there are any specific area that need to be scrutinised in greater detail at either a Committee or Sub-Committee meeting in the New Year.

REPORT AUTHOR: Simon Trevaskis – Senior Democratic Services & Governance Officer

APPENDICES:

Appendix 1 – Cabinet Report – 23-24 Budget, Medium Term Financial Strategy and Savings Proposals

BACKGROUND DOCUMENTS: None

REPORT TO:	CABINET 30 NOVEMBER 2022
SUBJECT:	Medium Term Financial Strategy 2023/24 to 2025/26 Update
LEAD OFFICER:	Jane West Corporate Director of Resources and Section 151 Officer
CABINET MEMBER:	Executive Mayor Jason Perry Councillor Jason Cummings Cabinet Member for Finance
WARDS:	All

SUMMARY OF REPORT:

Croydon Council's budget is not financially sustainable and as such the Corporate Director of Resources and S151 Officer has taken the decision to issue a Section 114 Notice in relation to balancing the Council's budget from 2023/24 onwards.

The "Opening the Books" programme initiated by the Executive Mayor has revealed further historic legacy issues that have undermined the ability of the Council to not only balance its budget but also to become financially and operationally sustainable over the current agreed medium term financial strategy. In particular, the level of non-asset backed debt the Council has to service means its general revenue budget is unable to be meet the needs of the people of Croydon.

In October 2020, the Council's external auditor, Grant Thornton, issued the first of two reports in the public interest (RIPI) into Croydon Council which stated that for many years the Council had failed to pay due regard to the seriousness of its financial position and the urgency with which action needed to have been taken.

In November 2020, the then Director of Finance, Risk and Assurance and S151 Officer published the first of two Section 114 notices. These notices made clear to all Members of Croydon Council as well as staff and residents that the Council faced an extremely serious financial situation in that financial year (2020/21). It was also made clear that the Council's expenditure was predicted to be significantly greater than its income resulting in a financial deficit being forecast, with insufficient reserves to fund this. The financial year ended with an overspend of £67m, thus confirming the conclusions of the external auditor in the RIPI of the seriousness of the Council's financial position.

In December 2020, the Council submitted a formal request to the Government (then MHCLG) for £150m of extraordinary financial support otherwise known as a Capitalisation Direction. The Government appointed an Improvement and Assurance Panel (IAP) following the outcome of a non-statutory rapid review report and sought assurance from them on the £150m request. The Government agreed to the extraordinary financial support subject to continued positive assurance from the IAP.

The Council agreed the Croydon Renewal Plan to address the issues highlighted in the RIPI and the S114 notices to ensure the Council could move to becoming a sustainable local authority, in financial, governance and operational delivery terms. However, the early implementation of the Renewal Plan began to reveal further worrying aspects of the Council's operations and a lack of resilience that needed significant improvement.

Since then, the Council has made progress in delivering the Renewal Plan, as recognised by the Improvement and Assurance Panel and the Minister of State for Equalities and Levelling Up, Housing and Communities who noted the Council's "significant progress" and that the "foundations for a sustainable future were being established". The Council is in its third year of receiving extraordinary financial support and has benefitted from the opportunity to capitalise revenue expenditure of £145m so far.

The two RIPI's and the two S114 notices revealed truly significant deficiencies in the Council's capabilities in financial planning, financial management, risk assessment, governance and a serious deterioration in the Council's financial and operational resilience to withstand external challenges.

As such, and despite significant efforts to fully identify the risks and liabilities the Council faced for the December 2020 submission, it was very likely that further significant service and financial issues were likely to arise that it was not possible to account for in the original £150m request. The March 2021 Regina Road revelations and the deficiencies in the Housing repairs service are an example of this.

In March 2022 it was reported to Cabinet and Full Council that a significant issue in relation to Croydon Affordable Homes/Croydon Affordable Tenures (CAH/CAT) could mean that adjustments would be required to the accounts for 2019/20 and 2020/21 and that the adjustments could result in an in year (2022/23) charge to the Council's reserves of £73m.

The S25 comments of the Corporate Director of Resources and S151 Officer in that Council Tax setting report noted that such a significant adjustment to the Council's reserves could result in the Council facing another S114 notice needing to be published. Since then, significant work has been undertaken by officers, external partners and with the external auditor to ensure this historic legacy financial issue is correctly accounted for. This further work has identified that the legacy adjustment required in relation to CAH/CAT is likely to be a reduction to reserves of £9m which is still significant. This is not yet fully resolved and a further adjustment, reducing reserves by a further £61m, may still be necessary.

From both the delivery of the Council's Renewal Plan and the more recent Opening the Books project, initiated by the Mayor in July 2022, further historic legacy issues have been identified that the Council needs to resolve in order to close the three years of outstanding accounts.

As well as the CAH/CAT adjustment, further legacy adjustments have been identified for the 2019/20, 2020/21, 2021/22 and 2022/23 accounts arising from historic accounting errors. These total a reduction to reserves in those years of £74.6m.

Having three sets of accounts unaudited is in itself a significant risk as other historic errors may be discovered during the future external audits.

The RIPI outlined in some detail the significant level of the Council's debt and its borrowing, and highlighted that in three years (2017/18 – 2019/20) the Council borrowed some £545m. Despite this level of borrowing, no focused debt management plan was put in place. Much of the debt was in the form of short-term borrowings which, as a result of having to be replaced in a period of much higher interest rates, are estimated to be increasing the annual repayment burden by £10m.

The impact of the Council's borrowing, and the toxic debt burden the Council is having to service, has become critical to the sustainability of the Council's revenue budget. The Council owes £1.6bn (including £300m HRA debt) and this costs the Council at present £47m a year from the General Fund (16% of the Council's net budget) before the Council can spend any money on services for the people of Croydon. This could rise to over £60m a year (over 20% of net budget). The Council also has significant levels of negative equity on its assets.

Given the emergence of these further legacy issues, the significance of the impact of the toxic debt burden on the Council's budget and the lack of financial and operational resilience the Council has to withstand major shocks in the national and local economy, the original 2020/21 Croydon Renewal Plan and the accompanying transitional Capitalisation Direction are unable to cope with the now more fully understood financial position. This is despite significant savings of some £90m and £50m in asset sales being delivered over the past two years.

Many of the legacy issues identified also need to be adjusted in the Medium Term Financial Strategy on an ongoing basis, creating a gap of £47.9m every year moving forward.

The Financial Performance Reports for 2022/23 have set out some of these challenges from mistakes in the budget set for the year. For example three areas in particular have caused a £19m overspend in the current year:-

- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better assessed in the assumptions for projected activity in 2022/23
- New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
- A deficit in the Housing Benefit budget for 2021/22 should have been recognised earlier. It was only picked up at the very end of the year and therefore was not built into the 2022/23 budget.

Despite these mistakes, the Council had set aside sufficient contingencies and has carefully managed its resources during 2022/23 to deliver a position which is projected to be within budget at the end of the financial year. Details of this position are set out elsewhere on this agenda.

Finally, looking forward, the global and national economic situation has also deteriorated significantly leaving all councils significantly financially challenged as a sector. However, the Chancellor's Autumn Statement has provided some relief to local government by increasing its funding as a sector for 2023/24 and 2024/25. It is estimated that this additional funding may benefit Croydon by £12m next year and a further £4m the year after, although these are very early estimates. The provisional figures for Croydon specifically will not be known until 21 December 2022, with final figures in January 2023.

The combination of these historic legacy, national and global issues have all undermined the progress being made on the financial recovery and has necessitated the Council's S151 Officer to take the decision to issue a S114 Notice.

The S151 Officer has concluded that the expenditure the authority is projected to incur in each year of the period 2023/24-2026/27 is likely to exceed resources (including sums borrowed) available to the Council to meet that expenditure.

This report sets out the reasons why the S151 Officer has reached this conclusion.

The report describes the immediate measures that are required under the S114 Notice. Although the Council is exploring where savings could be possible in the short to medium term, this report sets out the reasons why these alone will be insufficient to return the Council to financial and operational sustainability. It concludes that the Council cannot solve its financial issues on its own and sets out a range of requests of government for extraordinary financial and other support.

To address the financial situation set out, the report details a range of cost savings, asset disposals and transformation proposals for agreement and recommends that the Council commence formal dialogue with the Department for Levelling Up, Housing and Communities on a potential further Capitalisation Direction and other additional support in regard to the Council's unsustainable indebtedness in order to balance the Council's budget and ensure it can deliver sustainable local government services.

The report also recommends commencing both an internal consultation with councillors and staff and an external public consultation with central government, local health organisations, residents, local businesses and other organisations and interested parties in relation to the potential solutions to the financial and operational challenges the Council faces.

FINANCIAL IMPACT

There are a number of financial impacts as a result of this report:-

- The S114 Notice requires the Council to cease all non-essential expenditure and reduce operational and service delivery costs immediately. The Corporate Management Team must build upon the already tight spending controls in place to ensure effective plans are in place to deliver the required reductions.
- Given the additional financial issues that have come to light since the Opening the Books Project was launched in July 2022 and the Council's projected financial position in the future, the S151 Officer requests a further allocation of £250k from the Council's contingency reserve to add to the £500k allocation already agreed in order to extend the Opening the Books project.
- Given the essential need to identify savings to return the Council to financial and operational sustainability, the Cabinet are requested to note the Transformation Programme set out in Appendix C from the existing 2022/23 capital programme allocation under the government's Flexible Use of Capital Receipts programme of £4.622m. The funding for the Transformation Programme totals £5.934m but only £4.604m is required in 2022/23. The remainder of the programme will most likely be funded from Transformation Funding proposed in the revenue budget projections for 2023/24.
- It is proposed to transfer the costs of the Corporate Programme Management Office to revenue, funded through a £798k virement from the corporate contingency.

KEY DECISION REFERENCE NO.: 7722EM

1. RECOMMENDATIONS

The Executive Mayor in Cabinet is recommended to:

- 1.1 Note the interim outcomes of the Opening the Books exercise including the financial adjustments resulting from Croydon Affordable Homes/Croydon Affordable Tenures and other historic legacy errors (as set out in paragraph 3.5).
- 1.2 Approve a further allocation of £250k from the Council's contingency reserve for the Opening the Books project.
- 1.3 Approve a virement of £798k from the Council's contingency reserve to the Assistant Chief Executive's budget for the Corporate Programme Management Office.
- 1.4 Note the negotiations with DLUHC in relation to the evidence needed to agree a further package of support in relation to both the legacy financial issues that have come to light, the level of indebtedness and for the future years 2023/24, 2024/25, 2025/26 and 2026/27.
- 1.5 Agree a period of public consultation and engagement on the proposals for returning the Council to financial and operational sustainability that includes
 - a. The savings options set out in Appendix B;
 - b. Transformation Programme in Appendix C;
 - c. The list of assets for disposal set out in Appendix E;
 - d. The closure of Whitehorse Day Centre; and
 - e. The closure of Cherry Orchard Garden Centre.

These proposals shall form part of the 2023/24 budget consultation process.

The outcome of the public consultation shall be reported back to Cabinet for a decision as part of the budget and council tax setting.

2. BACKGROUND

- 2.1 In late 2020, the Council approved the Croydon Renewal Plan. This comprehensive plan drew together a wide range of improvement actions and projects which had been identified through external and internal reviews, with a particular focus on improving the Council's governance systems, structures and processes and a savings programme to address the serious financial challenges.

- 2.2 The plan was developed at a time when the Council was subject to a S114 notice, where expenditure far exceeded the available budget. The External Auditors had also issued the first of two Reports in the Public Interest, identifying a range of truly significant failings in the Council's governance and operational and financial practice.
- 2.3 The Croydon Renewal Plan enabled the Council to secure Government support in the form of a Capitalisation Direction. This allowed the Council to utilise up to £150m of capital funding to support revenue costs over a period of four years. The Government appointed an Improvement and Assurance Panel (IAP) to provide external advice, challenge and expertise to the Council, along with assurance to the Secretary of State that the Council was delivering against the Renewal Plan. The IAP assessed the £150m request to government and the Renewal Plan proposals and gave assurance to the government on the approach taken.
- 2.4 But the Renewal Plan was not only about fixing the budget. It was also about restoring the overall sustainability of the Council, fixing its governance arrangements and turning around previously failing services. Over the last two years the Council has worked hard to strengthen its core services of Adult Social Care, the Children, Young People and Education service, Housing and Customer Access. Independent Improvement Boards have been established with external participation from experts in the field but also residents, tenants, leaseholders, children and young people. Great strides have been made in the two former services, and Housing has more recently gained traction in its improvement programme.
- 2.5 Over the last two years the improvements in the way the Council has been managed and the new level of corporate working and transparency has meant that the depth of the dysfunction across the Council has become increasingly visible and better understood. The Council has actively sought external advice on its budgets and liabilities. This has revealed how broken our systems are, that data is missing or not reliable and the culture has needed significant support to rebuild trust from staff that we can uphold the Council's values of One Team, Proud to Serve, Honest and Open, Taking Responsibility and Valuing Diversity. The Council's collapse had taken many years. Its transformation cannot be rebuilt overnight.
- 2.6 More importantly though, the dire financial position of the Council has become clearer and better understood. A range of legacy financial issues have emerged since December 2020 that require historic accounts to be adjusted eg for Croydon Affordable Homes/Croydon Affordable Tenures, the calculation of capital financing charges and the alignment of General Fund/Housing Revenue Account and Capital Programme spend. It has become increasingly clear that the Council will need to request further government support.
- 2.7 The Executive Mayor has made clear that his number one priority is to balance the books and make Croydon a financially and operationally sustainable council which listens to residents and provides good quality services. One of Mayor Perry's first acts was to launch an 'Opening the Books' review to assess the Council's financial assumptions and deal with any outstanding historic accounting

issues. The 'Opening the Books' review has identified substantial accounting corrections that have one off and ongoing implications for the Council's budget and has revealed how fragile the Council's level of resilience is to withstand any changes to its planning assumptions over the MTFs. It has also highlighted how structural issues in the Council's finances, such as its level of non-asset backed debt (or negative equity), are holding the Council's recovery back. Those local issues are compounded by the current global and national economic crises which are having an enormous adverse impact on local government as a sector.

- 2.8 Therefore, despite "significant progress" having been made and "the foundations for a sustainable future being established" and significant savings of some £90m over the past two years having already been delivered, the legacy issues which have continued to be revealed and the lack of financial and operational resilience the Council has, all means the scale of the financial challenge facing Croydon is overwhelming.
- 2.9 The Council will not be able to reach financial and operational sustainability without further government assistance over a longer period.

3. LEGACY FINANCE ISSUES

- 3.1 Over the past two years the Council has delivered numerous improvements in its governance practice, operational service delivery and financial management including making over £90m in savings in 2021/22 and 2022/23 and generating £50m in asset sales, including the sale of Croydon Park Hotel. The Council has also installed a new management team at Brick by Brick to minimise any further losses.
- 3.2 These improvements have been overseen by the Improvement and Assurance Panel, appointed by government, and verified by a DLUHC sponsored independent non-statutory rapid review report undertaken in November 2021 which found the Council had made "significant progress" and noting "on matters of finance there are encouraging signs with pressures being managed in a much better way."
- 3.3 Despite these changes, the scale of the financial challenge facing Croydon should not be underestimated. New legacy issues have continued to be uncovered since the initial Capitalisation Direction was agreed with Government in 2020. The Council is unable to withstand any significant changes in the economy which affect the planning assumptions made in the MTFs such as the global economic crisis and the impact of up to double-digit inflation on pay, supplies and services.
- 3.4 Recent work by the Corporate Management Team, complemented by the Executive Mayor's 'Opening the Book's' initiative, has identified significant unresolved financial challenges. Historic financial mismanagement issues continue to impact the Council as set out in the following table.

Croydon Affordable Homes/Croydon Affordable Tenures (CAH/CAT)

It has been concluded that monies received by the Council in relation to Croydon Affordable Homes was incorrectly treated and needs to be reversed in the 2019/20 accounts. It is assumed in this paper that the impact is a £9m charge to the Council's reserves but discussions are not yet concluded with the External Auditor, Grant Thornton, and the total charge could be £70m.

Minimum Revenue Provision (principal debt repayments)

It is recognised as prudent practice for a Council's MRP to be at least 2% of its Capital Financing Requirement (CFR). In order to satisfy this threshold, additional costs totalling £5.6m are to be reflected in the historic accounts and an additional £2.6m is to be built in annually on an ongoing basis.

Brick by Brick Write Off

There will need to be a write-off of unrepayable loans to the Council's housing company, Brick by Brick. This has arisen because the costs of building the BBB property portfolio have exceeded the sales value of the assets. The property portfolio is nearing completion and is currently in the process of being sold. This is enabling a good estimate to be made of the value of the assets and the costs of the past and ongoing liabilities. The net shortfall will be written off over 40 years. Due to earlier foresight by the then interim Director of Finance, Insurance and Risk and S151 Officer a budget for the annual capital charge is already built into the Council's Medium Term Financial Strategy (MTFS) so there is no additional pressure on the MTFS from this action.

Housing Revenue Account (HRA), Capital Programme and the General Fund cost allocations

The Opening the Books exercise has identified a number of issues with the accounting for charges between the Housing Revenue Account (HRA), Capital Programme and the General Fund which could amount to circa an extra £10m a year in General Fund costs. Work is still underway but broadly the following are wrongly budgeted for in the current year:-

- An overcharge from central services because the recharge budget was set in 2017/18 at £6.7m but a more realistic level is estimated as £2.4m, an overcharge of £4.3m
- Erroneous recharges to the HRA from other departments estimated at £3.9m
- Housing staff salaries charged to the HRA which are for General Fund activity in relation to temporary and emergency accommodation – estimated at £1.3m
- Salaries of £1.3m have been capitalised within the ICT service and Children's, Young People and Education which should have been charged to revenue.

These adjustments may need to be made to the earlier years of 2019/20, 2020/21 and 2021/22 as well as the current year making an estimated additional legacy charge to the General Fund approximately £40m. An ongoing budget gap of approximately £10m will also need to be built into future year's budgets.

Other Adjustments

Work is still being undertaken by the team working on Opening the Books. There is concern that the Bad Debt Provision may be understated. Further work is required but a legacy risk of £20m should be noted.

Having three sets of annual accounts still open and unaudited represents a major risk to the Council's financial position. Further issues may emerge as the external auditors work through the outstanding audits.

- 3.5 The latest estimate is that these historic financial failures will cost Croydon taxpayers a further £74.6m to set right. This could hypothetically be funded from the application of available earmarked reserves and provisions. The following table sets out the list of legacy adjustments to 31 March 2023.

	£m
Correction to Croydon Affordable Homes/Croydon Affordable Tenures	9.0
Corrections due to realignment of the HRA, General Fund and Capital Programme:-	
• 2019/20	10.0
• 2020/21	10.0
• 2021/22	10.0
• 2022/23	10.0
Corrections for Capital Charges (Minimum Revenue Provision):-	
• 2021/22	4.4
• 2022/23	1.2
Other adjustments:-	
• 2021/22 – Provision for Bad Debt shortfall	20.0
Total impact of legacy financial issues on the General Fund reserve as at 31 March 2023	74.6
Theoretically earmarked reserves and provisions on the balance sheet currently could be applied (see 3.6 below)	-60.0
Net impact of legacy financial issues on the General Fund reserve as at 31 March 2023	14.6
Level of General Fund reserve previously assumed as at 31 March 2023 per the 2021/22 Month 11 Financial Performance Report	-29.4
Predicted level of General Fund reserve as at 31 March 2023	-14.8

- 3.6 However, the Council does not wish to use its remaining available reserves and provisions to meet these historic costs as the reserves and provisions are required, as for all other councils, as a cushion against future issues that may emerge. There are still too many unknowns in relation to the Council's financial position to run down these existing reserves. The Council is proposing to request a Capitalisation Direction from DLUHC to finance the overall impact of £74.6m in order to protect existing reserves and provisions.
- 3.7 It can be seen in the table above that were the Council forced to use non-committed earmarked reserves and provisions, the General Fund reserve will fall from an expected value of £29.4m to £14.8m. This is the Council's 'rainy day' reserve which in normal circumstances should not be touched. It would therefore need to be built back up to £30m in line with the S151 Officer's recommended level as soon as possible. Any use of earmarked reserves and provisions prevents the Council from being able to invest in services for residents or being in any way resilient and able to face any new shocks in the economy.
- 3.8 In-year financial pressures remain for 2022/23. Both the monthly budget monitoring and the Opening the Books work have identified many examples of inaccurate budgeting across the Council. In particular, as set out in the Period 6 Monitoring Report, in hindsight it is clear mistakes were made in the setting of three specific budgets which alone created a budget pressure of £19m:-
- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better reflected in the assumptions for projected activity in 2022/23
 - New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
 - A deficit in the Housing Benefit budget for 2021/22 should have been recognised earlier. It was only picked up at the very end of the year and therefore was not built into the 2022/23 budget.
- 3.9 The current Financial Performance Report as at Period 6 sets out a wide range of under and overspends across the Council's budget. It details where spend is being ceased or deferred in an attempt to balance the Council's books in year through the Deficit Recovery Plan. As a result of these stringent measures, the Financial Performance Report predicts that the Council is likely to be able to balance its in-year budget pressures.
- 3.10 The Council has worked hard to increase the General Reserve and earmarked reserves from a negative base and had assumed it had total reserves of £140m, of which £60m are not committed. Sadly, if further support from government is not forthcoming, the historic financial mismanagement and ongoing challenges would mean that these hard-won gains would be wiped out as the reserves would need to be used now.

4 MEDIUM TERM FINANCIAL STRATEGY 2023/24-2026/27

- 4.1 Work is well underway on the Council's projected financial position for 2023/24 and early projections have been made for 2024/25, 2025/26 and 2026/27. However, it has not been possible to develop a financial model that balances in any of the future years, it is impossible for the Council to deliver the scale of savings that would be required to meet the future years' budget gaps. The Council is financially unsustainable without the government providing a further Capitalisation Direction, and other additional support in regard to the Council's unsustainable indebtedness, in order to balance the Council's budget and ensure it can deliver sustainable local government services.
- 4.2 There are a myriad of economic and financial issues facing the whole country and the Council is not immune from these. As well as the legacy issues set out above, the Council is facing the same challenges as other councils, namely rising inflationary costs, the impact of the cost-of-living increases on its residents and businesses and more recently rapidly increasing interest rates. Croydon has been able to act more prudently than many other councils and set aside a £20m budget for additional pressures from inflation in 2022/23 but further growth will be required in the later years of the MTFS.
- 4.3 However, the Chancellor's Autumn Statement has provided some relief to local government by increasing its funding as a sector for 2023/24 and 2024/25. It is estimated that this additional funding may benefit Croydon by £12m next year and a further £4m the year after, although these are very early estimates. The provisional figures for Croydon specifically will not be known until 21 December 2022, with final figures in January 2023. It should be noted that there is no guarantee that all this funding will be available from 2025/26 onwards and this may cause a 'cliff edge' fall in funding after 2024/25 of approximately £13m.
- 4.4 Croydon also faces structural issues that have important implications for its annual budget. Croydon is home to many vulnerable children due to having the highest number of children and young people in any London borough and for many years being the main port of entry for unaccompanied asylum seeking children and young people. Croydon also has the highest number of residential and care homes of any London borough which creates a different intensity of demand for services to older adults. Croydon experiences a disproportionate level of emergency and temporary accommodation costs compared to other London boroughs and we are home to over 1,000 asylum seekers living in local hotels. The Council also has a disproportionately high level of outstanding borrowing, much of which is not asset backed ie it is toxic debt.
- 4.5 The costs arising from historic financial and operational mismanagement, structural challenges in the borough and the current national economic and financial uncertainties have been worked through. The conclusion is that, in order to balance its budget, Croydon needs to reduce its spending by £130m next financial year alone which is simply untenable out of a net budget of some £300m. The current financial projections for 2023/24 to 2026/27 are set out in Appendix D.

- 4.6 This reduction equates to 43% of the Council's net budget, a reduction the Council is not able to safely meet in 2023/24, 2024/25, 2025/26 or 2026/27 without significant financial support from central government. It is also likely that further cost pressures will arise in the latter years of the next MTFS period.
- 4.7 The ongoing legacy issues, including issues that have emerged from Opening the Books exercise, that need to be adjusted in the base budget are as follows.

	£m
Parking and Traffic income over-estimate	13.8
HRA/General Fund alignment correction	9.5
Housing Benefit budget error	9.0
One off benefit of NHS income built into the ongoing budget	5.0
Minimum Revenue Provision correction	2.6
Correction of private sector landlord licensing income wrongly credited to the general fund (covers the cost of the scheme once this is in place)	1.5
Capitalisation of salaries correction	1.3
Housing structural deficit	5.2
Total additional cost of corrections	47.9

- 4.8 On top of these legacy issues, the other components to the £130m required reduction in the Council's 2022/23 budget are: the inherited budget gap of £27m from the March 2022 budget setting; plus the £19m in savings and 3% council tax increase already planned for 2023/24; the impact of increased interest rates on the £300m in temporary borrowing that needs to be financed; and other new pressures facing all local government from increased inflation and demand pressures. These are set out in detail in Appendix D.
- 4.9 Given the scale of the continuing financial challenge, the Council will need to continue to reduce spending for years to come. To balance the books, the Council is going to need to reduce its expenditure significantly in each of the next three years. That will mean difficult decisions about the services that the Council is able to provide and ultimately, as set out in the Mayor's Business Plan, the Council will need to do less and spend less in the future.
- 4.10 Although unable to identify sufficient savings to meet the projected budget gap for 2023/24, a number of new savings proposals have been developed through a series of Star Chambers over the summer. These savings total over £16m (excluding new directorate budget corrections identified) and are in addition to

a further net £19m in savings that were identified in the March 2022 General Fund Budget Report 2022/23-2024/25 for the 2023/24 financial year. The new proposed savings are set out in Appendix B.

- 4.11 As well as announcing additional funding for local government, the government also announced the Council Tax Referendum Limits for 2023/24 and 2024/25 in the Chancellor's Autumn Statement. These will be 3% for Council Tax and 2% for an additional Adult Social Care Levy, so an overall increase of 5%. The financial model in Appendix D assumes that the Council applies the maximum Council Tax increase which will raise £11m in additional funding in each financial year. The actual decision on Council Tax will be made by Full Council in either late February or early March 2023.
- 4.12 The Council will need to minimise the approach of previous years which has left important services hollowed-out and ineffective. Instead, the Council will have to stop some areas of discretionary spending entirely, in order to focus the Council's limited resources on the Executive Mayor's core priorities:
1. The Council balances its books, listens to residents and delivers good, sustainable services.
 2. Croydon is a place of opportunity for business, earning and learning.
 3. Every child and young person in Croydon has the chance to thrive, learn and fulfil their potential.
 4. Croydon is a cleaner, safer and healthier place, a borough to be proud of.
 5. People can lead healthier and independent lives for longer.
- 4.13 Other services will need to be transformed to make them more efficient and cost effective.
- 4.14 Actions being taken include:-
- Efforts are being redoubled to stop all unnecessary spending by tightening Spending and Recruitment Control processes – ensuring maximum value for money from every pound spent.
 - The capital programme is in the process of being reduced to reflect core programmes and schemes that are committed commercially, which deliver savings in running costs, which avoid future increases in costs or which are required due to Health and Safety. The approach for identifying new capital projects for next year for funding from Council resources has been limited in the same way.
 - Additional asset disposals are being proposed in Appendix E of this report. In future further asset disposals will be identified by co-locating services in community hubs.
 - Budgets are being reviewed and income targets will be rebased.
 - The Council will embrace new technology to make customer interactions easier while cutting down on back-office and administrative costs.
 - The Council has committed to work more closely with partners from the business, statutory and voluntary sectors to bring more resources to the borough and to support residents.

- Communities will be empowered to play their part in transforming the Council and the borough.
- 4.15 The Mayor has asked officers to draw up a further programme of cross-directorate transformation projects to drive the Council's financial recovery. The resulting Transformation Programme is still in development but a current version is set out in Appendix C. The programme will continue to be developed but it already consists of over 30 further projects, many of which require careful reform of the large budget services providing vital adult and children's social care support.
- 4.16 The Transformation Programme is going to require additional skills and capacity to be brought into the Council to deliver the individual projects. The estimated cost of each project is set out in Appendix C and totals £5.934m, although only £4.604m is required in 2022/23. Funding of £4.622m has already been made available within the 2022/23 Capital Programme under the government's Flexible Use of Capital Receipts programme.
- 4.17 Previously it was anticipated that £798k of the Transformation allocation within the 2022/23 capital programme would be allocated to the Corporate Programme Management Office. It is proposed that the costs of the Corporate PMO should not be funded from capital but should be transferred to revenue and be funded from a virement of £798k from the Council's corporate contingency.
- 4.18 So far savings of £8.475m have been identified for 2023/24 from the Transformation Programme.
- 4.19 It should not be underestimated quite how damaged some of the Council's financial and governance capabilities have been. Delivering the genuine operational and sustainable transformation needed will not happen overnight. While the 2020 Report in the Public Interest (RIPI) from the Council's external auditors, Grant Thornton, identified the root causes of the problems, the depth of the problems facing Croydon was not able to be fully understood at that time. Significant new issues have been uncovered since late 2020. It is clear that the original Croydon Renewal Plan and the accompanying transitional capitalisation directions were a response to the known issues at that time. Two years on, the Council has made significant progress but now needs to correct further legacy issues which have been identified as necessary to sustainably resolve Croydon's historic financial challenges.
- 4.20 It is estimated that given the scale of the historic financial, governance and operational mismanagement which needs resolving, it is unlikely the Council will be able to become sustainable without significant financial support from central government. That is why the Mayor has instructed officers to begin discussions with Government to request a funding package that assists the Council with its legacy financial issues and provides transitional financial support to safely smooth the necessary budget reductions over an appropriate period of time whilst providing capacity to deliver our transformation plans safely and sustainably.
- 4.21 Discussions have been held with the IAP and they have advised the Council to be prudent in its assumptions about the level of change and the pace of change

that can be sustainably delivered. In particular they have advised that a £10m transformation revenue budget should be established for at least 2023/24. This is included in the financial model, although it is reduced to an ongoing budget of £5m from 2024/25 onwards. They have also advised the Council that the target level of savings deliverable each year beyond 2024/25 should not exceed £20m as continuing to deliver over £40m in savings each year, in line with the last two years and plans for next year, is not sustainable for the Council.

5 SECTION 114 NOTICE

- 5.1 The combination of the legacy, national and global issues facing the Council, as set out above, has undermined the progress being made on the financial recovery. Although the Council is exploring where savings could be possible in the short to medium term, this report sets out the reasons why these alone will be insufficient to return the Council to financial and operational sustainability. This position has necessitated the Council's S151 Officer to take the decision to issue a S114 Notice. The S151 Officer has concluded that it appears that the expenditure the authority is projected to incur in each year of the period 2023/24-2026/27 is likely to exceed resources (including sums borrowed) available to the Council to meet that expenditure.
- 5.2 The Section 114 Notice that has been issued is attached as Appendix A to this report. It has been issued in accordance with the statutory guidance to instigate formal immediate action to avoid a negative general fund balance within the next financial years of the budget cycle (2023/24-2026/27).
- 5.3 The purpose of a Section 114 Notice is to make clear to all Members of Croydon Council as well as staff, residents, local businesses and other local organisations that the Council faces an extremely serious financial situation which it is not currently able to balance from its own resources.
- 5.4 The Section 114 Notice instigates the following requirements of the Council:-
- Section 115 (3) of the Local Government Finance Act 1988 states that the:
Full Council must meet not later than the end of the period of 21 days beginning with the day on which copies of the report are sent to consider and respond to this notice.
 - During the next 21 days the authority must not incur any new expenditure unless the S151 Officer has specifically authorised the spend. In practice this means that all new spending is prohibited between now and when the Council meeting takes place. All new expenditure must stop with immediate effect, this includes, amongst other things, the appointment of new permanent or temporary staff, all avoidable spend for example on ICT, supplies and services, equipment, expenses and overtime payments. The use of Purchase Cards (P cards) is not allowed, except in emergency circumstances.
 - During this time the Council will continue to have financial commitments in relation to statutory responsibilities. Throughout this financial year the Council has been operating with a very stringent spending control process in place that allows proposals for urgent spending to be considered and if

appropriate approved. This is in the form of a daily Spend Control Panel chaired by the S151 Officer or another manager within the Council's Finance team.

- 5.5 Given the additional financial issues that have come to light since the Opening the Books Project was launched in July 2022 and the historic legacy issues which have crystallised resulting in an overall deterioration of the Council's financial position, the S151 Officer is requesting a further allocation of £250k from the Council's contingency reserve to add to the £500k allocation already agreed for the Opening the Books project in order to extend the project to review additional areas of concern that have come to light.
- 5.6 It should be noted that if the eventual position on Croydon Affordable Homes/Croydon Affordable Tenures is that an adjustment to reserves of £70m is required, not £9m, that the Council will be in a Section 114 position in 2022/23 as well with a projected deficit of £46.2m at 31 March 2023.

6 REQUEST FOR GOVERNMENT SUPPORT

- 6.1 Following full discussion with the IAP, the Council has begun a dialogue with central government in relation to support that can be offered to the Council. The requests fall into two categories, national; that would be beneficial for all councils and those more specific to Croydon.

6.2 NATIONAL

The national requests that have been submitted to government include:-

- Early announcement on Council Tax referendum cap – this was subsequently included in the Chancellor's Autumn Statement.
- Early statement on treatment of business rates - this was also subsequently included in the Chancellor's Autumn Statement.
- Reversal of proposed policy to revise the Homelessness Prevention Grant
- Review of Housing Benefit burdens on local government, particularly in relation to Supported Exempt Accommodation
- Delay in the Social Care Reforms - this was subsequently included in the Chancellor's Autumn Statement.
- Reform of local government funding to fully reflect need
- Inflation and interest pressures to be built into local government finance settlement.

6.3 LOCAL

- 6.3.1 The local request relates specifically to the level of non-asset backed debt the Council has to service. The Council believes that the approach taken through the previous support package from government (Capitalisation Direction) is not appropriate to return the Council to financial sustainability in the light of the

level of this debt and the additional debt that would arise as a result of a new Capitalisation Direction.

6.3.2 The previous Capitalisation Direction involved the Council being allowed to charge revenue costs to capital. This meant in-year running costs in 2020/21, 2021/22, 2022/23 and 2023/24 of £70m, £50m, £25m and £5m respectively could be funded from either selling assets or through borrowing with the costs spread over 20 years (a total of £150m over four years). This approach reduced the Council's ability to use asset sales to repay debt and built-in additional borrowing costs for the next 20 years, a burden to future council taxpayers. The Council's current General Fund debt stands at £1.3bn, the annual General Fund cost of servicing this debt is £47m.

6.3.3 Due to the Council's over-ambitious and imprudent capital programme, particularly since 2017/18, the Council's outstanding debt on the General Fund is disproportionately high already compared to most councils (16% of net budget, rising potentially to over 20%, when most councils are in the range of 5-10%). The impact of the Capitalisation Direction approach is to continue to push up this debt into the future. One of the major reasons for the Council's financial unsustainability will continue to grow. The Council is facing an existential question, with the existing government model of extraordinary financial support for local councils, can it ever reach financial sustainability given its borrowing commitments and levels of negative equity now and in the future?

6.3.4 The Council has therefore proposed alternative approaches to central government, in order of priority:-

- The write off of Croydon's debt, preferably in its totality in line with the government's approach to the NHS debt at the start of the Covid pandemic. If this is not possible, then the request is to write off the Council's debt by the amount that will reduce Croydon's debt management costs to a 'proportion of net budget' more usual across local government. As a minimum, the Council is requesting that the government write off its negative equity debt, estimated at £320m, or defer its repayment over a long period (40-80 years). The negative equity has built up from capital spend that has failed to deliver any asset value. As a result there are not assets available to sell to clear the outstanding debt. The capitalisation directions have added to this burden. The current estimate of the negative equity where the Council has debt but no asset to sell can be broken down as follows:

	£m
Original Capitalisation Directions from 2020/21 to 2023/24 (net of application of £73m in capital receipts)	77
Capitalisation of Transformation Funding	73

Assets where investment has been higher than commercial value (estimate)	170
Total	320

NB There are also assets that cannot be sold such as roads, bridges and schools.

- Spreading any MRP (principal repayments) for the Capitalisation Directions over a longer period than the 20 years currently specified by government.
- Reducing the interest rate charged by the Public Works Loan Board on the capitalisation directions by at least the 1% surcharge but preferably further.
- Reallocation nationally of asylum seekers and ex-offenders currently housed in Croydon by government departments which are creating a disproportionate and unfunded strain to the Council's budgets.
- Permission to increase Council Tax beyond the national cap.
- Permission to use the Growth Zone business rates more flexibly within the designated area eg to cover clearing graffiti, all street cleaning and bin collection, all community safety.
- Capitalisation Directions to deal with legacy issues.
- Capitalisation Directions to smooth the transition to financial and operational sustainability.
- Reform of local government funding to fully reflect demographic demand in Croydon.

6.4 The levels of uncertainty and challenge faced nationally by local government currently is unprecedented. Attempting to set a medium term financial strategy for the Council as this point in time is impossible to achieve with any accuracy. However, it is clear that the Council's budget gap cannot be bridged for next year, and future years, without significant assistance from central government.

6.5 The Council has begun informal dialogue with central government but it has been made clear that government will not be able to make announcements in relation to future financial support to the Council until just before Christmas 2022 at the earliest, as part of the Local Government Financial Settlement process.

6.6 The only way for the Council to avoid running its balances down by £74.6m to just £14.8m to finance its legacy financial issues would be to ask DLUHC for a Capitalisation Direction of an equivalent amount to maintain both its General Fund reserve and its earmarked reserves.

6.7 Beyond the historic legacy issues, it is highly probable that even with the savings proposals set out in this report, the Council will require support through a new Capitalisation Direction if it is to balance 2023/24-2026/27. Appendix D sets out the current financial projections and the predicted budget gap each year which would require a Capitalisation Direction.

- 6.8 The table below sets out the full scope of the new Capitalisation Directions that may be required.

	£m
Legacy Capitalisation to 2022/23	74.6
2023/24	80.0
2024/25	60.0
2025/26	40.0
2026/27	15.0
Total New Capitalisation Directions	269.6

NB The legacy capitalisation will increase by £61m if an additional charge has to be made to reserves in respect of Croydon Affordable Homes/Tenures.

- 6.9 To only utilise the Capitalisation Direction approach, in the absence of other government support, would further reduce the Council's asset base and place further financial burdens on council tax payers over the next 20 years. The impact is cumulative and requires more and more budget to be built in each year to meet borrowing costs as assets are depleted through sales. This is a vicious cycle that cannot be broken, Croydon's budget will remain unsustainable into the future.
- 6.10 Given the enormity of the financial issues the Council's recently elected administration have inherited, the Mayor has recommended that central government create a Royal Commission into 'Commercialisation and the Use of the Prudential Code for Capital Finance', focusing on the problems experienced at councils such as Croydon, Slough and Thurrock. There are a significant number of councils now experiencing severe financial problems due to their commercial activities. The Council wishes to support a Commission to document the lessons that must be learned to prevent similar failures in the future.
- 6.11 A response will be required from government on the financial support it is prepared to offer Croydon prior to the Council setting its Council Tax well before the legal deadline of 11 March 2023 to enable Members to discuss and decide upon the council tax setting and budget report.

7 CAPITAL PROGRAMME REVIEW

- 7.1 The Council has a high level of short-term borrowing in place currently, circa £300 million at an average rate of 1.7%, (current Public Works Loan Board rates are just under 5%). This will be a cost pressure in 2023/24 with interest rates having risen significantly since the budgets were set for the current year.

Repayment through capital receipts will be limited by the level of capitalisation required to fund legacy and future revenue gaps as set out earlier in this report.

- 7.2 All 2022/23 capital schemes, and all slippage from earlier years, have been reviewed and are in the process of being reduced to reflect core programmes and schemes that are committed commercially, which deliver savings in running costs, which avoid future increases in costs or which are required due to Health and Safety. The approach for identifying new capital projects for next year for funding from Council resources has been limited in the same way. The results of both these exercises will be reported to Cabinet in February and March 2023 as part of the council tax setting process.
- 7.3 In order to minimise borrowing, the Council's property and other assets have been reviewed to inform the Council's approach to potentially raising finance through sales. The resulting proposed Asset Management Strategy is included elsewhere on this agenda. Further work will be undertaken over the coming months to clarify which assets could be released and an initial list is attached as Appendix E.

8 BUDGET CONSULTATION AND ENGAGEMENT

- 8.1 The Council's financial challenges mean that setting the 2023/24 Annual Budget, the resulting Council Tax and the Capital Programme will require tough decisions to be made. The broad areas of savings, the reduced areas for capital investment and the potential asset sales set out in this report will be controversial, particularly for individuals and organisations impacted. It is very important that there is an opportunity for Croydon's residents, businesses, partners, voluntary and community sector and other interested parties to ask questions of the Council and to feedback their views and concerns.
- 8.2 It is therefore proposed that a public consultation and engagement programme is launched with residents, businesses, partners, the voluntary and community sector and other interested parties on the revenue budget and capital programme proposals set out in this report.
- 8.3 Change of this degree will also be unsettling for the Council's staff on whom we rely to deliver the Council's services. It is vital that staff are fully communicated with about this situation and that staff and trade unions are formally consulted as required.
- 8.4 The Budget Consultation and Engagement is proposed to run from 1 December 2022 to 8 January 2023 on the Council's online platform. The results will inform the final proposals for Council Tax Setting to be presented to the Mayor in Cabinet and Full Council in February and March 2023. The savings proposals relating to the closure of Whitehorse Day Centre and Cherry Orchard Garden Centre shall be subject of a separate consultation timetable to be confirmed by the Corporate Director of Adult Social Care and Health.

- 8.5 The Council also intends to increase its public engagement in relation to individual projects it is delivering. The Transformation Programme project teams will be encouraged to engage with residents and partners as necessary in the development and delivery of their workstreams. This is a focus of the new Resident Voice Internal Control Board.

9 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 9.1 Finance comments have been provided throughout this report.

Approved by: Jane West, Corporate Director Resources and Section 151 Officer

10 LEGAL CONSIDERATIONS

- 10.1 Under Section 151 Local Government Act, the Council must make arrangements for the proper administration of its financial affairs and the Council's Chief Finance Officer and Director of Corporate Resources has responsibility for the administration of those affairs.
- 10.3 The Council is under a statutory responsibility to set a balanced budget. Section 28 of the Local Government Act 2003 is required to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 10.5 Section 114 (3) of the Local Government Finance Act 1988 provides that the Chief Finance Officer shall make a report to the authority if it appears to him "that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure." In preparing the report, the Chief Finance Officer shall consult with the Head of Paid Service and the Monitoring Officer (sub-section 4). This function must be undertaken by the Chief Finance Officer personally (sub-section 5). Copies of the report are to be sent to each member of the authority and the auditor.
- 10.6 Section 115 provides that the authority shall consider the report at a meeting where it shall decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it (sub-section 2). The meeting must be held not later than the end of the period of 21 days beginning with the day on which copies of the report are sent (sub-section 3). Between the date of sending the report and the meeting of the authority to consider the report, there is a prohibition period during which the authority "shall

not enter into any new agreement which may involve the incurring of expenditure (at any time) by the authority [unless the chief finance officer of the authority authorises it to do so] (sub-section 6)". "The chief finance officer may only give authority ...if he considers that the agreement concerned is likely to— (a) prevent the situation that led him to make the report from getting worse, (b) improve the situation, or (c) prevent the situation from recurring." (sub-section 6A). The Chief Finance Officer authority shall (a) be in writing, (b) identify the ground on which it is given, and (c) explain the chief finance officer's reasons for thinking that the ground applies (subsection 6B). If these requirements are not complied with, the authority shall be taken not to have had power to enter into the agreement (notwithstanding any option to do so under contract or otherwise) (sub-section 8).

- 10.7 The Section 114 (3) report and its consequences are in addition to other powers available to the Chief Finance Officer to issue a report under s114(2) or section 114A if it appears to him that the authority has made or is about to make a decision to incur unlawful expenditure, or has taken or is about to take unlawful action likely to cause a loss or deficiency, or is about to enter an unlawful item of account.
- 10.8 Although the Section 114 Report issued by the Chief Finance Officer compels the Council to take immediate action, the Council is must still obliged to meet its statutory responsibilities and make decisions in accordance with established public law principles.
- 10.8 Under Section 3 of the Local Government Act 1999, the Council, as a best value authority, must make arrangements to secure continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This MTFs update includes initial proposals for service transformation and savings and is one of the ways in which the Council can secure best value within its budget envelop. Under Section 15 of the Act, the Secretary of State has the powers to intervene if satisfied that the Council is failing to meet its best value duty. This includes the power to issue direction that the function of the authority be exercised by the Secretary of State, or a person nominated by him for a specified period.
- 10.9 The Council must comply with legal framework including established public law principles in relation to disposal of land and property. Under Section 123 the Local Government Act 1972, it has a statutory duty to sell land at the best price reasonably obtainable, unless it has the express consent of the Secretary of State. A "disposal" includes the sale of the freehold, granting a lease, assigning a lease and/or granting an easement. Entering into option agreements or sale and leaseback contracts are also be deemed to be disposals. Where land or property is used to deliver services, the Council must take a decision on changing or maintaining its existing service provision before disposing of assets that are used to provide these services. This could engage the public law duty to consult service users and other affected stakeholders.
- 10.10 When considering the MTFs update, and any savings proposals , the Council must have due regard to the public sector equality duty (PSED) contained within section 149 of the Equality Act 2010 which requires the Council to have due regard in its decision-making processes to the need to: eliminate discrimination,

harassment, victimisation or other prohibited conduct, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. The protected characteristics include age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

- 10.11 A proportionate equality analysis is required to inform the consideration of these proposals to meet the requirements of the public sector equality duty. The Council will need to finalise its equality analysis and out how equality impacts are addressed in relation to savings proposals.
- 10.12 Before exercising its duty of best value local authorities need to consult with representatives of council tax payers, business rates payers, persons likely to use services and persons appearing to have an interest in any area within which the Council carries out functions. There is a duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans.
- 10.13 Any consultation carried out under the Council's best value duty, public sector equality duty and common law duty (in respect of the proposal to close the day Centre) will need to comply with the following requirements: a) it should be at a time when proposals are still at a formative stage; b) the Council must give sufficient reasons for any proposal to permit intelligent consideration and response; c) adequate time must be given for consideration and response; and d) the product of consultation must be conscientiously taken into account.

Approved by the Director of Law and Governance & Monitoring Officer.

11 HUMAN RESOURCES IMPACT

- 11.1 As this report notes, a S114 Notice requires the Council to cease all non-essential expenditure and reduce operational and service delivery costs immediately. These measures will have a significant impact on workforce matters, including the recruitment of directly employed staff, as well as contingency workers, ie, agency staff, interims, and consultants. The current arrangements in place via the Spend Control Panel will require review and tightening to ensure robust expenditure vigilance.
- 11.2 Further consequences arising from this report, and the consequent actions, will be the impact upon the existing workforce, as the Council seeks to implement measures to reduce the cost overhead. The Council will need to ensure careful and consistent communications to all staff, especially staff who will be directly impacted upon. The Council should seek to retain as many vacant posts as possible to either review and delete (to contribute to cost savings) or to provide opportunities for staff redeployment. The Council should also ensure, where appropriate, staff at risk of redundancy are redeployed and retrained into new work. This approach has the benefit of avoiding redundancy costs, as well as the wider local economic impact of ensuring staff are employed, avoiding the local economic and community costs of worklessness.

- 11.3 All staff at potential risk of redundancy must be consulted, along with their trade union representatives, in accordance with the Council's restructure and redundancy policies and procedures. In the event that over 99 staff in any three-month period are at risk of redundancy the Council is required to observe a 45-day statutory redundancy consultation time frame. In the event of the number of staff at risk of redundancy being between 20 to 99 in any three-month period, the statutory redundancy consultation time frame is 30 days. The Council has a legal duty to find suitable alternative employment, where possible, and to take all reasonable measures to prevent compulsory redundancy. The Council should also seek voluntary redundancies through each planned staff restructure to reduce the impact of compulsory redundancies and selection for redundancy exercises
- 11.4 The Council will produce a standard set of briefing communications for directors, managers and staff to ensure consistency and clarity. Within the communications it will be important to provide all staff with good access to advice and support. The Council has established a comprehensive support network for staff including: an employee assistance programme, a Guardians' network, Staff Network groups for different protected characteristics, mental health first aiders and the trade unions.

12 EQUALITIES IMPACT

- 12.1 This report sets out a number of proposals that will change the services and provisions we provide for residents across Croydon. These proposals are subject to further work and the decisions in relation to the budget are reserved for Full Council.
- 12.2 As a public body, the Council is required to comply with the Public Sector Equality Duty [PSED], as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.
- 12.3 The Council must, therefore, ensure that we have considered any equality implications for each of the budget proposals prior to the budget council meeting. The Council has an established Equality Impact Assessment [EqIA] process, with clear guidance, templates and training for managers to use whenever new policies or services changes are being considered. This approach ensures that proposals are checked in relation to the impact on people with protected characteristics under Equality Act 2010.
- 12.4 Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.
- 12.5 Our approach is to ensure the equality impact assessments are data led, using user information, demographic data and forecasts, as well as service

specific data and national evidence to fully understand the impact of each savings proposal. This enables the Council to have proper regard to its statutory equality duties.

- 12.6 As an organisation we are committed to protecting the most vulnerable in our communities and to ensure that in making difficult decisions about funding we maintain an absolute commitment to tackling inequality and disadvantage and promoting equality for everyone who lives and works in the borough.
- 12.7 We have a large number of vulnerable children and asylum seekers who are in need of our services. We have also been faced with the rise of costs of the provision of adult social care, which has been exasperated following the pandemic. Alongside this our residents have been hit with the cost-of-living crisis, we have supported residents by mitigated for changes where possible and signposting to other support organisations in the borough. We will continue to seek mitigation during the equality analysis process where possible. This includes the provision of emergency accommodation for a range of characteristics including disabled people who we have supported during 2022.
- 12.8 Our initial data suggests that residents across all equality characteristics may be affected by changes. National data highlights that this may have a greater impact on race, disabilities, sex and pregnancy and maternity. We will continue to assess the impact and strive to improve our evidence and data collection, to enable us to make informed decisions.
- 12.9 Where consultations take place, we will ensure that we make it accessible for all characteristics including those with disabilities including neurodiversity by ensuring that we adopt Disability standards in our consultation platform. Notwithstanding those residents who are digitally excluded. We will also consult using plain English to support our residents who do not have English as a first language.
- 12.10 With regard to potential staff redundancies, as a diverse borough we will undertake equality analysis and seek mitigation for staff by offering redeployment and employability support. We will also assess the impact of job losses on protected characteristics.

Approved by: Denise McCausland – Equality Programme Manager

13 ENVIRONMENTAL IMPACT

None

14 CRIME AND DISORDER REDUCTION IMPACT

None

15 DATA PROTECTION IMPLICATIONS

a. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

b. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO - not required

CONTACT OFFICER: Jane West, Corporate Director Resources and Section 151 Officer

BACKGROUND DOCUMENTS: None

To: All Elected Members – Croydon Council
From: Jane West, Corporate Director Resources and S151 Officer
Date: 22/11/22
Subject: **Report under Section 114(3) of the Local Government Finance Act 1988**

Recommendations: -

1. That the Elected Members of Croydon Council must consider this report from Jane West, Corporate Director of Resources and Section 151 Officer (Chief Financial Officer - CFO) issued under Section 114 (3) of the Local Government Finance Act 1988.
2. That this report must be considered at a Meeting of the Full Council which must be held no later than the end of the period of 21 days of issue of this report beginning with the date of issue of this report (date above) and
3. That the authority must decide whether it agrees or disagrees with the views contained within the report and what action (if any) it proposes to take in consequence of it.

1 Purpose of the report

1.1 This is a report written by and issued by myself, Jane West, Corporate Director Resources and S151 Officer (Chief Finance Officer or CFO), to meet both my statutory and professional responsibilities. Members of Croydon Council must consider this report and respond as required by the Local Government Finance Act 1988.

1.2 The Local Government Finance Act 1988, places certain responsibilities on the Chief Finance Officer. Section 114(3) states:-

'The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.'

This is a mandatory duty placed upon the Chief Finance Officer in these circumstances.

1.3 The purpose of this Section 114(3) report is to make it clear to all Members of the Council that it faces a financial situation of an extremely serious nature with significant estimated unfunded financial deficits forecast from 2023/24 onwards. My conclusion as the S151 Officer is that Croydon currently has no prospects of returning to financial sustainability without significant and extraordinary

financial support from government above and beyond the usual mechanism of Capitalisation Directions.

- 1.4 This section 114(3) report has serious operational implications and puts in place a prohibition period regarding new expenditure beginning with the day this report is sent to you and ending on the first business day following consideration of this report by Full Council.
- 1.5 I have consulted with the Head of the Paid Service and the Monitoring Officer prior to issuing this report.
- 1.6 A copy of this report has been sent to the Council's auditors who will also be notified of the date, time and place of the Full Council meeting in due course.

2 Details of the Report

- 2.1 Since I joined the Council in March 2022, mindful of my statutory duty under Section 114, I have kept the need to issue a S114(3) notice under constant review. As a new S151 officer, I am required to make my own assessment of the Council's financial position. It should be noted that when the original S114(3) notices were issued in 2020 by the previous S151 officer, she would not have been aware of some of the current issues which are now being raised.
- 2.2 My professional judgement as the S151 Officer for Croydon Council continues to be that in the current financial year (2022/23) it is possible that the Council will be able to balance its budget. This is despite new issues emerging from the Opening the Books project around historic capital charges which are understated in the Council's accounts and of charges made to the capital programme and to the Housing Revenue Account that should have been charged to revenue. In my professional view, even if all these new charges to revenue are required, Croydon Council would technically be able to meet these costs within its current reserves and provisions. Whether it would wish to do so is something that needs to be further explored as this would leave the Council with no contingency for unforeseen challenges.
- 2.3 The Council has produced a monthly Financial Performance Report each month since May 2022. While its in-year financial position for 2022/23 is challenging, it is currently projected that the Council will be within its budget at the end of the financial year.
- 2.4 There is an unresolved issue in relation to the capital receipts from Croydon Affordable Homes/Croydon Affordable Tenures that have been applied to £70m in revenue transformation costs under the government's Flexible Use of Capital Receipts rules in the 2019/20 financial accounts. This issue was reported in the 7 March 2022 Budget report as having the potential to require a new Capitalisation Direction from government. If this matter is resolved in the Council's favour, there will be the need for a £9m charge to reserves which can be accommodated within the Council's current reserves and provisions. However, if the external auditors require the adjustment of £70m, the Council

will be in deficit in 2022/23. This would require a S114(3) Notice specifically for 2022/23.

- 2.5 The more significant problem for the Council is that the work which has been done in preparation for the 2023/24 Council Tax Setting in February or March 2023 has identified that expenditure the authority is projected to incur in each year of the period 2023/24-2026/27 will exceed resources (including sums borrowed) available to the Council to meet that expenditure. The combination of the ongoing budget requirements of these legacy budget adjustments, fundamental structural issues within the Council's finances such as the toxic debt burden of negative equity from historic uncontrolled borrowing and the national and global issues the local government sector is currently facing has undermined the progress being made on the financial recovery. The S151 Officer has concluded that this necessitates a S114(3) Notice to be issued.
- 2.6 It is clear that in order to balance the Council's budget in 2023/24, and later years, further assistance will be required beyond the Capitalisation Directions usually deployed by central government. Extraordinary support beyond Capitalisation Directions could include write off of all or part of the Council's outstanding debt, permission to repay debt over a longer period and/or at a lower rate of interest or permission to increase the Council Tax beyond the referendum cap.
- 2.7 The Council has begun a dialogue with the Department for Levelling Up, Housing and Communities (DLUHC) but it is unlikely that it will receive confirmation of potential solutions to the Council's unbalanced budget before February 2023, despite government officials working very closely with Council officers in a very supportive manner.
- 2.8 This S114(3) notice is being issued in accordance with the statutory guidance to instigate formal immediate action to avoid a negative general fund balance within the next financial years of the budget cycle based on current forecasts. The purpose is to make clear to all Members of Croydon Council as well as staff and residents that the Council faces an extremely serious financial situation which currently has no solution in sight. By 2023/24, expenditure is forecast to be significantly greater than income resulting in a financial deficit being forecast, with insufficient reserves available to fund this.
- 2.9 In reaching the conclusion to issue this S114(3) notice today, I have had to make a number of judgements. At the time of writing this report there is a forecast general fund deficit forecast for 2023/24 financial year in excess of £77m, assuming a council tax increase at the Council Tax Referendum Level of 5% set by government for 2023/24. There are also potential risks in the treatment of 2019/20, 2020/21 and 2021/22 costs arising from the ongoing external audit of the accounts. The Council does not currently have a fully deliverable robust action plan to avoid a negative general fund balance next financial year.

2.10 In reaching my professional judgement I have taken into account the continuing work on the Budget for 2023/24 and the Medium Term Financial Strategy and on the planned application to DLUHC for assistance. However I do not consider these measures are certain in delivering the funds the Council needs at this time to deliver a balanced budget next year. While positive conversations are continuing with DLUHC there continues to be no certainty that any application for assistance will actually be approved. Time to the end of the financial year is rapidly running out and I now consider that if I do not issue this S114(3) notice today I will not be undertaking my statutory duties as the Council's S151 Officer.

2.11 The remainder of this report sets out:-

- The s114 legal background
- The historical background to the Council's financial position
- Medium Term Financial Strategy Outlook
- Conclusions
- Next steps.

3 S114 Legal Background

3.1 Under the Local Government Finance Act 1992 local authorities are required by law to have a balanced budget. However, what is meant by balanced is not defined in law and the CFO is required to use their professional judgement to ensure the local authority's budget is robust and sustainable.

3.2 S114(3) requires the CFO to report to all the authorities' Members if there is, or is likely to be, an unbalanced budget. This is usually undertaken in consultation with the Head of the Paid Service and the Council's Monitoring Officer.

3.3 As the Chartered Institute of Public Finance and Accountancy (CIPFA) state in their publications, such a notice is only given in the gravest of circumstances and the issuing of a S114(3) notice should not be seen as a failure. I can assure all Members that the decision to issue this notice has been carefully considered in consultation with the Mayor, the Cabinet, the Chief Executive, the Council's Monitoring Officer and the Corporate Management Team all of whom support this step. It is being issued today as I am not being presented with the evidence that gives assurance that that a sufficient level of savings options and delivery of savings can be implemented during the remainder of this financial year or in next year to balance the 2023/24 budget.

3.4 A S114(3) notice has serious operational implications. Section 115 (3) of the Local Government Finance Act 1988 states that the:

'Full Council must meet not later than the end of the period of 21 days beginning with the day on which copies of the report are sent to consider and respond to this notice.'

3.5 The service of a copy of this report upon you starts the beginning of a 'prohibition period' regarding new expenditure which ends on the first business

day after the day upon which the Council considers the report. During this prohibition period the authority must not enter into any new agreement which may involve the incurring of expenditure (at any time) by the authority indeed any such contract entered into during this period would be deemed void under section 115(6) of the Act.

- 3.6 In practice this means that all new spending is prohibited (i.e. a spending freeze is imposed) between now and the first business day after the day of the full Council meeting. All new expenditure must stop with immediate effect, this includes, amongst other things, the appointment of new permanent or temporary staff, all avoidable spend for example on ICT, supplies and services, equipment, expenses and overtime payments. The use of Purchase Cards (Pcards) is not allowed, except in emergency circumstances.
- 3.7 Subsection (6B) requires that authority for the purposes of subsection (6) shall:
- (a) be in writing,
 - (b) identify the ground on which it is given, and
 - (c) explain the chief finance officer's reasons for thinking that the ground applies.
- 3.8 Subsection (8) states that if subsection (6) is not complied with, the Council shall be taken not to have had power to enter into the agreement (notwithstanding any option to do so under contract or otherwise). Therefore, the Council's actions will be deemed unlawful.
- 3.9 During this time the Council will continue to have financial commitments in relation to statutory responsibilities and the Council already has a process in place that allows proposals for urgent spending to be considered and if appropriate approved by me as CFO. This is in the form of a daily Spend Control Panel chaired by myself, or my deputy S151 Officer or another manager within the Council's Finance team. The CFO may only authorise expenditure which improves the Council's situation, prevents it from getting worse or prevents it from recurring.
- 3.10 S116 requires the Council to notify its external auditors of the report and the time, date and place of the full Council meeting. The external auditors also need to be informed of the outcome of the meeting as soon as practicable. The external auditors have been kept informed of the emerging financial position and the planned work. The external auditors will need to consider the implications of this report on their statutory functions and the implications for their opinion on the 2019/20, 2020/21 and 2021/22 accounts which remain unsigned.
- 3.11 CIPFA guidance recommends that informal contact is made with the Department for Levelling Up, Housing and Communities, lead Members and statutory officers in advance of issuing a S114 report, to undertake some scenario testing and to ensure a robust action plan to address the issues raised. The Mayor and the Cabinet have been kept up to date on the emerging

budget situation, as have the Corporate Management Team including the key statutory officers and there has been regular liaison with DLUHC officials.

- 4 The historical background to the Council's financial position
- 4.1 The “Opening the Books” programme initiated by the Executive Mayor has revealed further historic legacy issues that have undermined the ability of the Council to not only balance its budget but also become financially and operationally sustainable over the current agreed medium term financial strategy. In particular, the level of debt the Council has to service means its general revenue budget is unable to meet the needs of the people of Croydon.
- 4.2 In October 2020, the Council’s external auditor, Grant Thornton, issued the first of two reports in the public interest (RIPI) into Croydon Council which stated that for many years the Council had failed to pay due regard to the seriousness of its financial position and the urgency with which action needed to have been taken.
- 4.3 In November 2020, the then Director of Finance, Risk and Assurance and S151 Officer published the first of two Section 114 notices. These notices made clear to all Members of Croydon Council as well as staff and residents that the Council faced an extremely serious financial situation in that financial year (2020/21). It was also made clear that the Council’s expenditure was predicted to be significantly greater than its income resulting in a financial deficit being forecast, with insufficient reserves to fund this. The financial year ended with an overspend of £67m, thus confirming the conclusions of the external auditor in the RIPI of the seriousness of the Council’s financial position.
- 4.4 In December 2020, the Council submitted a formal request to the Government (then MHCLG) for £150m of extraordinary financial support otherwise known as a Capitalisation Direction. The Government appointed an Improvement and Assurance Panel (IAP) following the outcome of a non-statutory rapid review report and sought assurance from them on the £150m request. The Government agreed to the extraordinary financial support subject to continued positive assurance from the IAP.
- 4.5 The Council agreed the Croydon Renewal Plan to address the issues highlighted in the RIPI and the S114 notices to ensure the Council could move to becoming a sustainable local authority, in financial, governance and operational delivery terms. However, the early implementation of the Renewal Plan began to reveal further worrying aspects of the Council’s operations and a lack of resilience that needed significant improvement.
- 4.6 Since then, the Council has made progress in delivering the Renewal Plan, as recognised by the Improvement and Assurance Panel and the Minister of State for Equalities and Levelling Up, Housing and Communities who noted the Council’s “significant progress” and that the “foundations for a sustainable future were being established”. The Council is in its third year of receiving

extraordinary financial support and has benefitted from the opportunity to capitalise revenue expenditure of £145m so far.

- 4.7 The two RIPI's and the two S114 notices revealed truly significant deficiencies in the Council's capabilities in financial planning, financial management, risk assessment, governance and a serious deterioration in the Council's financial and operational resilience to withstand external challenges.
- 4.8 As such, and despite significant efforts to fully identify the risks and liabilities the Council faced for the December 2020 submission, it was very likely that further issues were likely to arise that it was not possible to account for in the original £150m request. The March 2021 Regina Road revelations and the deficiencies in the Housing repairs service are an example of this.
- 4.9 Then in March 2022 it was reported to Cabinet and Full Council that a significant issue in relation to Croydon Affordable Homes/Croydon Affordable Tenures (CAH/CAT) had been identified that could mean that adjustments would be required to the accounts for both 2019/20 and 2020/21 and that the adjustments could result in an in year (2022/23) charge to the Council's reserves of £73m.
- 4.10 The S25 comments of the Corporate Director of Resources and S151 Officer in that Council Tax setting report noted that such a significant adjustment to the Council's reserves could result in the Council facing another S114 notice needing to be published. Since then, significant work has been undertaken by officers, external partners and with the external auditor to ensure this historic legacy financial issue is correctly accounted for. This further work has identified that the legacy adjustment required in relation to CAH/CAT is likely to be a reduction to reserves of £9m which is still significant. This is not yet fully resolved and a further adjustment, reducing reserves by a further £61m, may still be necessary.
- 4.11 From both the delivery of the Council's Renewal Plan and the more recent Opening the Books project, initiated by the Mayor in July 2022, further historic legacy issues have been identified that the Council needs to resolve in order to close the three years of outstanding accounts. As well as the CAH/CAT adjustment, further legacy adjustments have been identified for the 2019/20, 2020/21, 2021/22 and 2022/23 accounts arising from historic accounting errors. These total a reduction to reserves in those years of an estimated £74.6m.
- 4.12 The RIPI outlined in some detail the significant level of the Council's debt and its borrowing and highlighted that in three years (2017/18 – 2019/20) the Council borrowed some £545m. The impact of the Council's borrowing and the toxic debt burden the Council is having to service after historic uncontrolled borrowing has become critical to the sustainability of the Council's revenue budget. The Council owes £1.6bn (including £300m HRA debt) and this costs the Council at present £47m a year to service before the Council can spend any money on services for the people of Croydon. The Council also has significant levels of negative equity on its assets.

- 4.13 Given the emergence of these further historic legacy issues, the significance of the impact of the toxic debt burden on the Council's budget and the lack of financial and operational resilience the Council has to withstand major shocks in the national and local economy, the original 2020/21 Croydon Renewal Plan and the accompanying transitional Capitalisation Directions are unable to cope with the now more fully understood financial position. This is despite significant savings of some £90m and £50m in asset sales being delivered over the past two years.
- 4.14 Many of the legacy issues identified also need to be adjusted in the Medium Term Financial Strategy on an ongoing basis, creating a gap of £47.9m in every year moving forward before any future challenges are accommodated.
- 4.15 The Financial Performance Reports for 2022/23 have set out some of these challenges from mistakes in the budget set for the year. For example three areas in particular have caused a £19m overspend in the current year:-
- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better assessed in the assumptions for projected activity in 2022/23
 - New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
 - A deficit in the Housing Benefit budget for 2021/22 should have been recognised earlier. It was only picked up at the very end of the year and therefore was not built into the 2022/23 budget.

5 Medium Term Financial Strategy Outlook

- 5.1 There are a myriad of economic and financial issues facing the whole country and the Council is not immune from these. As well as the legacy issues set out above, the Council is facing the same challenges as other councils, namely rising inflationary costs, the impact of the cost-of-living increases on its residents and businesses and more recently rapidly increasing interest rates. Croydon has been able to act more prudently than many other councils and set aside a £20m ongoing budget for additional pressures from inflation in 2022/23 but further growth will be required in the later years of the MTFS.
- 5.2 Croydon also faces structural issues that have important implications for its annual budget. Croydon is home to many vulnerable children due to having the highest number of children and young people in any London borough and for many years being the main port of entry for unaccompanied asylum seeking children and young people. Croydon also has the highest number of residential and care homes of any London borough which creates a different intensity of demand for services to older adults. Croydon experiences a disproportionate level of emergency and temporary accommodation costs compared to other London boroughs and we are home to over 1,000 asylum seekers living in local

hotels. The Council also has a disproportionately high level of outstanding borrowing, much of which is not asset backed ie it is toxic debt.

- 5.3 The costs arising from historic financial and operational mismanagement, structural challenges in the borough and the current national economic and financial uncertainties have been worked through. The conclusion is that, in order to balance its budget, Croydon needs to reduce its spending by £130m next financial year alone (before any council tax increase) which is simply untenable out of a net budget of some £300m. The current financial projections for 2023/24 to 2026/27 are set out in Appendix A.
- 5.4 This reduction equates to 43% of the Council's net budget, a reduction the Council is not able to safely meet in 2023/24, 2024/25 or 2025/26 without significant and extraordinary financial support from central government. It is also likely that further cost pressures will arise in the latter two years of the next MTFS period.
- 5.5 The estimated ongoing legacy issues that need to be adjusted for in the base budget are as follows.

	£m
Parking and Traffic income over-estimate	13.8
HRA/General Fund alignment correction	9.5
Housing Benefit budget error	9.0
One off benefit of NHS income built into the ongoing budget	5.0
Minimum Revenue Provision correction	2.6
Correction of private sector landlord licensing income wrongly credited to the general fund (covers the cost of the scheme once this is in place)	1.5
Capitalisation of salaries correction	1.3
Housing structural deficit	5.2
Total additional cost of corrections	47.9

- 5.6 On top of these legacy issues, the other components to the £130m required reduction in the Council's 2022/23 budget are: the inherited budget gap of £27m from the March 2022 budget setting; plus the £19m in savings and 3% council tax increase already planned for 2023/24; the impact of increased interest rates on the £300m in temporary borrowing that needs to be financed; and other new pressures facing all local government from increased inflation and demand pressures.

- 5.7 Given the scale of the continuing financial challenge, the Council will need to continue to reduce spending for years to come. To balance the books, the Council is going to need to reduce its expenditure significantly in each of the next three years. That will mean difficult decisions about the services we are able to provide and ultimately, as set out in the Mayor's Business Plan, the Council will need to do less and spend less in the future.
- 5.8 Although still far from identifying sufficient savings to meet the projected budget gap for 2023/24, a range of savings proposals have been developed through a series of Star Chambers over the summer. A Transformation Programme has also been developed. The proposed savings arising from this work are set out in the Medium Term Financial Strategy 2023/24 to 2025/26 Update report to be discussed at Cabinet on 30 November 2022.

6 Conclusions

- 6.1 The combination of these historic legacy, national and global issues have all undermined the progress being made on the financial recovery and has necessitated that, as the Council's S151 Officer, I must take the decision to issue this S114(3) Notice. I have concluded that the expenditure the authority is projected to incur in each year of the period 2023/24-2026/27 will exceed resources (including sums borrowed) available to the Council to meet that expenditure.
- 6.2 It should not be underestimated quite how damaged some of the Council's financial and governance capabilities have been. Delivering the genuine operational and sustainable transformation needed will not happen overnight. While the 2020 Report in the Public Interest (RIPI) from the Council's external auditors, Grant Thornton, identified the root causes of the problems, the depth of the problems facing Croydon was not able to be fully understood at that time.
- 6.3 Significant new issues have been uncovered since late 2020. It is clear that the original 2020/21 Croydon Renewal Plan and the accompanying transitional capitalisation directions were a response to the known issues at that time. Two years on, the Council has made significant progress but now needs to correct further legacy issues which have been identified as necessary to sustainably resolve Croydon's historic financial challenges.
- 6.4 It is estimated that given the scale of the historic financial, governance and operational mismanagement which needs resolving, it is unlikely the Council will be able to become sustainable without significant and extraordinary financial support from central government.
- 6.5 That is why the Mayor has instructed officers to begin discussions with Government to request a funding package that assists the Council with its legacy financial issues and provides extraordinary financial support to safely balance the Council's ongoing budget whilst providing capacity to deliver the Council's transformation plans safely and sustainably. Discussions have been held with the IAP and they have advised the Council to be prudent in its

assumptions about the level of change and the pace of change that can be sustainably delivered.

- 6.6 The Medium Term Financial Strategy 2023/24 to 2025/26 Update report for Cabinet on 30 November 2022 has been published alongside this S114(3) Notice that sets out in more detail the reasons why I have reached this conclusion. It describes the immediate measures that are required under the S114(3) Notice.

7 Next steps

- 7.1 The requirement of this S114(3) notice is that the Council must meet within 21 days of issue, in order to consider this report and decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. At this stage I am unable to offer remedies to ensure the Council is able to set a balanced budget in 2023/24 and future years and elected Members must take responsibility to make choices and decisions to reduce costs immediately to ensure the Council is able to have measures in place to enable it to set a balanced budget in 2023/24 and future years. This will not be possible without significant and extraordinary support from central government.
- 7.2 Elected Members must by law agree to cease all non-essential expenditure and reduce the Council's operational and service delivery costs immediately. In practice, throughout this financial year the Council has been operating with a very stringent spending control process in place that allows proposals for urgent spending to be considered and if appropriate approved. This is in the form of a daily Spend Control Panel chaired by the S151 Officer or another manager within the Council's Finance team.
- 7.3 The timetable for activity over the coming months is as follows.

Activity	Timescale
Issue S114 Notice	22 November 2022
Medium Term Financial Strategy 2023/24 to 2025/26 Update to Cabinet	30 November 2022
Papers issued for Full Council	2 December 2022
Full Council Meeting	12 December 2022
Statutory deadline for Full Council to agree the 2023/24 Budget and Council Tax	11 March 2023

- 7.4 Negotiations will be ongoing with central government over the coming months in the lead up to Council Tax Setting in February or March 2023.

Jane West
Corporate Director of Resources and S151 Officer
22 November 2022

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Appendix B

Proposed Directorate savings

Assistant Chief Executives	£m	£m	£m
Delete Director of Service Quality, Improvement and Inclusion Post	-0.122		
New grave sites at Mitcham Road and Queen's Road to raise additional income	-0.091		
Visual Tribute system at Croydon Crematorium to raise additional income	-0.031		
Reinstatement of an elections canvass budget	+0.065		
Reduced support in the Mayor's Office	-0.040		
Corporate Learning and Development budget	-0.100		
Adult Social Care and Health			
Active Lives post deletion	-0.060		
Absorption of inflation within existing budgets	-0.500		
Fees and charges increase in line with DWP	-0.150		
Close Whitehorse Day Centre (Facilities Management cost only)	-0.038		
Closure of the Cherry Orchard Garden Centre	-0.180		
Transitions demographics growth bid	+0.463		
Transitions historic inflation growth bid	+0.278		

The managing demand programme will deliver a revised operating model for Adult Social Care & Health.	-0.150		
Staff vacancy factor of 5%	-1.000		
PPE growth hand-back and swap with COMF money.	-0.325		
Sustainable Communities			
Reduced Museum activity	-0.071		
Removal of a school crossing patrol budget that is no longer required	-0.100		
Further use of Community Infrastructure Levy instead of General Fund funding where appropriate	-0.250		
Reduce Highways investment for one year only	-1.000	+1.000	
Remove remaining budget that previously used to fund Adult Social Care Transport (discontinued in 2020)	-0.050		
Redesign leisure sports development service	-0.045	-0.045	
Fund the General Fund element of the Croydon Museum through the Growth Zone fund for a period of 2 years whilst transforming the service delivery model	-0.200		
Children, Young People and Education			
Restructure Youth Engagement Team	-0.202		
Reduced demand for legal services	-0.570		
Growth reduction	-0.800		
Service efficiencies through hybrid working	-0.500		
Staff vacancy factor of 5% across Quality, Commissioning and Performance Improvement	-0.253		
Non-staffing spend across Quality, Commissioning and Performance Improvement	-0.036		
Increase Health/Public Health contribution to integrated commissioning team	-0.057		
Complete the service redesign across the education division	-0.044		
Income generation in Systemic and Clinical Practice	-0.045		
Review children with disabilities care package budget	-0.200		

Growth reduction	-0.400		
Service efficiencies through hybrid working	-0.080		
Reduction in Council contribution to the Safeguarding Partnership	-0.020		
Housing			
Growth to fund base budget requirement	+3.286		
Reverse previous savings	+1.889		
Vacancy factor to be deducted from salary budget	-0.302		
Housing Needs restructure	-1.000		
Occupancy checks	-0.400	-0.300	
Discretionary placement review	-0.600	-0.450	
Income collection improvement		-0.200	
Income recovery / reduce split rooms net spend	-0.300		
Housing Association recharge and nominations	-0.078		
Repurpose general needs voids for emergency accommodation		-0.175	-0.175
Emergency accommodation dynamic purchasing systems implementation	-0.125	-0.125	
Demand management net reduction of placements		-0.239	-0.414
Resources			
Premier Supplier commission	-0.100		
Improvement costs met from reserves	-0.500		
Net saving from duplicated interest budget	-1.600		
Recovery of housing benefit overpayments	-0.663		
Council Tax Support Scheme	-1.200		
Reduction in running costs in Finance including Revenues, Benefits, Business Rates and the Debt Team	-0.100		
Additional Court Cost income	-0.500		
Additional HRA charge for insurances	-0.500		

Additional commercial rent income	-0.130		
Reduction in banking contract budget	-0.022		
Contribution from pensioners budget being underspent	-0.040		
Vacancy factor to be deducted from the General Fund salary budget	-0.355		
Total	-10.319	-0.534	-0.572

Appendix C

Transformation Plan

1. Background

In late 2020, the Council approved the Croydon Renewal Plan. This comprehensive plan drew together a wide range of improvement actions and projects which had been identified through external and internal reviews, with a particular focus on improving the Council's governance systems, structures and processes and a savings programme to address the serious financial challenges.

The plan was developed at a time when the Council was subject to a S114 notice, where expenditure far exceeded the available budget. The External Auditors had also issued a Report in the Public Interest, identifying a range of failings in the Council's governance and financial structures.

The Croydon Renewal Plan enabled the Council to secure Government support in the form of a capitalisation direction. This allowed the Council to utilise up to £120m of capital funding to support revenue costs over a period of three years. The Government appointed an Improvement and Assurance Panel to provide external advice, challenge and expertise to the council, along with assurance to the Secretary of State that the council was delivering against the renewal plan.

The new Executive Mayor has made clear that his number one priority is to balance the books and make Croydon a financially sustainable Council which listens to residents and provides good quality services. One of Mayor Perry's first acts was to launch an 'Opening the Books' review to assess the Council's financial assumptions and outstanding historic accounting issues. Despite progress being made across the renewal plan, the scale of the financial challenge facing Croydon should not be underestimated. The 'Opening the Books' review has identified substantial accounting corrections that have one off and ongoing implications for the Council's budget.

It is crucial that the Council begins to take a transformational approach rather than continuing to salami slice budgets; this Transformation Plan, with a programme of cross-directorate transformation projects, sets out this new approach to a more modern way of working, that is cost effective and responds to different needs from different residents. Ultimately Croydon Council will become smaller, doing less but – crucially – doing it well.

The programme is being developed but already consists of over 30 projects, many of which require careful reform of the large budget services providing vital adult and children's social care support

2. Progress on transformation to date

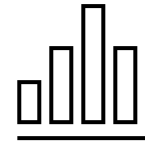
Over the past two years the Council has delivered numerous improvements in its governance and financial management. This has included making over £90m in savings in 2021/22 and 2022/23 and generating £50m in asset sales.



Implementation of a new telephony system, providing improved reliability, adaptability and data



The Housing Improvement Board has launched, which is overseeing the improvement programme for our tenants



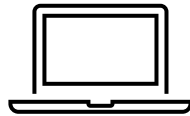
Launched improved financial reports alongside internal training



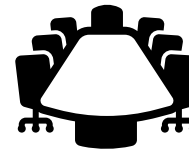
Implementing an Adults Improvement Plan



Establishing a Children's Improvement Board



Rationalising our ICT infrastructure, whilst improving use of digital opportunities in services



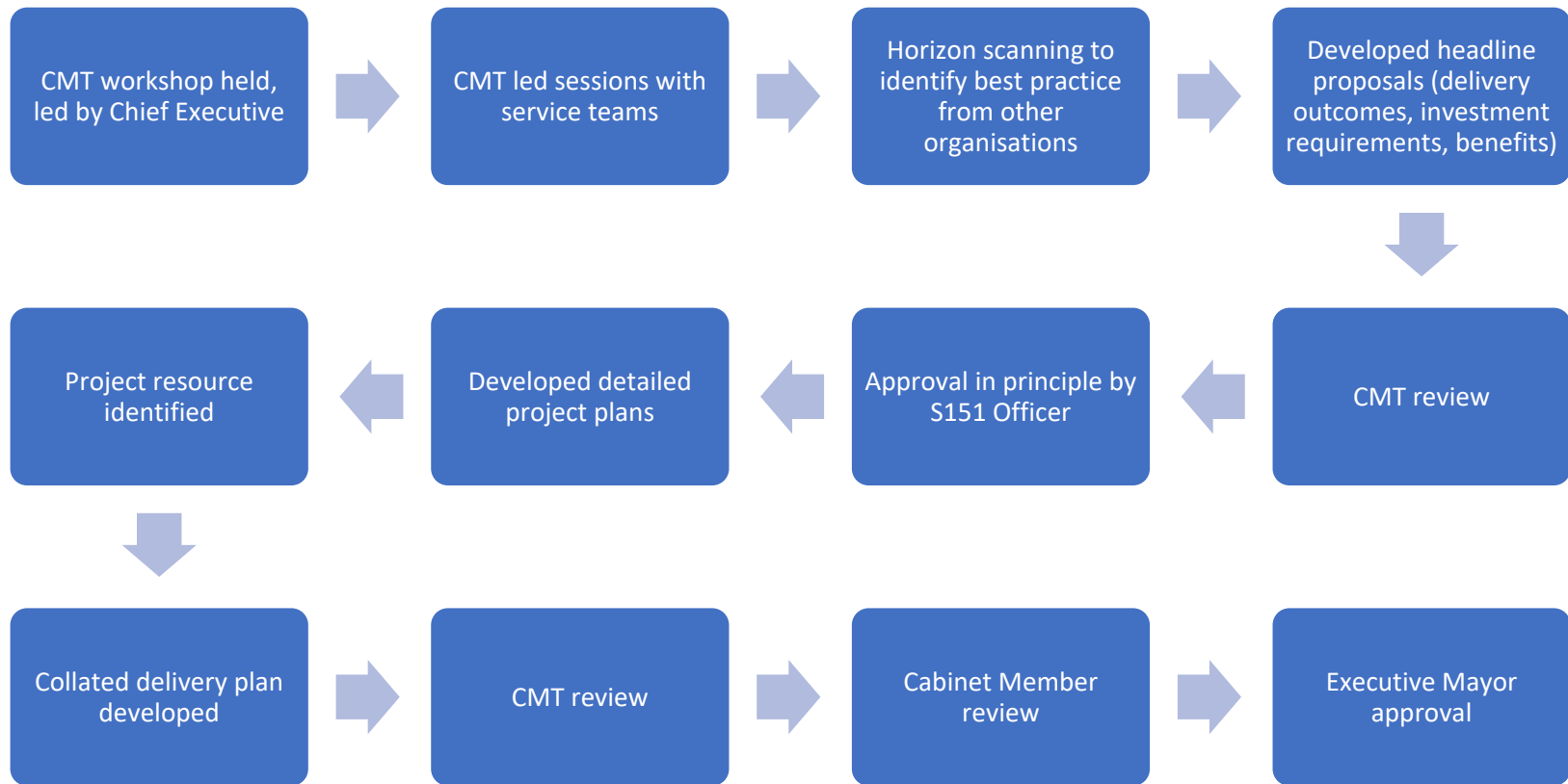
Implemented improved governance structures



£90m savings deliver over two years

3. The process for developing the transformation plan

This Transformation Plan is about taking a new approach to change in Croydon Council. Change needs to happen across service silos, looking at redesigning services, processes and structures to be more cost effective and to better respond to our residents different needs. Transforming Croydon Council will result in a smaller organisation that does less – but does it well for the benefits of our residents. This approach has to be owned across the organisation, delivered collectively and the plan has been developed in the same way.



4. Summary of projects

There are 39 individual programmes across 7 transformation portfolios. Further details of each programme are set out in the appendix.

Cross Cutting Projects		Housing	Sustainable Communities	Assistant Chief Executive
Community Equipment Services – Financial Viability and Options	Income and Debt Review - Fees, Charges & Debt Management Review	Temporary Accommodation Case Review	Building Control Transformation	Digital Workforce Review
Business Intelligence Review	Workforce Transformation – HR Transformation	Housing Occupancy Checks	Parking Policy 2022	
Family Justice Service review	Continuing Care Review	Housing Needs Restructure	Planning & CIL transformation	Adults Social Care
Croydon Campus	Customer Access Review	Rent Accounts & Data Cleanse		Transitions Commissioning
Commercial & Income Opportunities	Passenger / SEN Transport transformation	Dynamic Purchasing System - Emergency Accommodation	Children, Young People & Education	Domiciliary Care Re-model
Resilient Communities and Community Hubs	Strategic Planning & Commissioning	Housing Association Recharges	Managing Demand at the Front Door	Reablement & Hospital Discharge
Voluntary Sector review		Supported Housing Review	Shared costs of care and education	Review Social Care Placements
			Reduction in spend on children and young people in care	Mental Health S117 project
			SEND review	
Resources				
Supported Exempt Accommodation Review	MTFS – PFMI Contract Manager			
Asset review	Housing Benefit review			

5. Governance

As set out in the appendix, each programme has the following in place to ensure successful delivery:

- Senior accountable officer
- Senior responsible officer
- Project manager

The **Senior Accountable Officer (SAO)**, is ultimately accountable and has a Yes/No say or, the right to veto

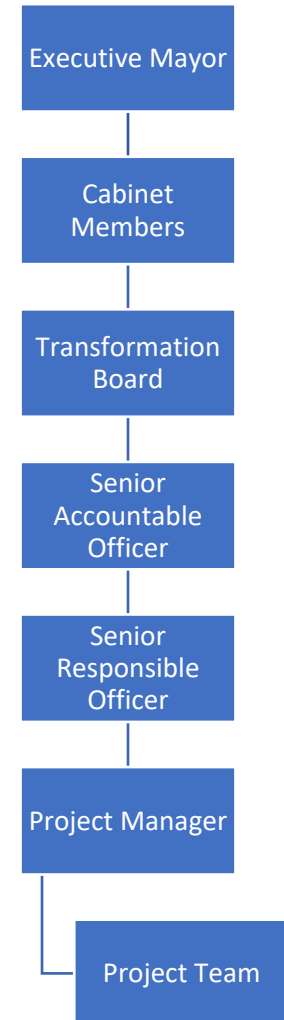
The **Senior Responsible Officer** is the individual responsible for ensuring that a programme or project meets its objectives and delivers the projected benefits. The **(SRO)**: is the visible owner of the overall business change and should be recognised throughout the organisation

Project managers plays the lead role in planning, executing, monitoring, controlling, and closing out the project. They are responsible for the entire project, the project team and resources, the project budget, and the success or failure of the project – in some instances the SRO and PM are one and the same.

In addition to the project roles, an organisation wide portfolio management resource is in place within the Assistant Chief Executive's directorate.

A new Transformation Board will be established to receive highlight reports for all projects and programmes. This will ensure that:

- Progress against key milestones are monitored
- Progress against agreed outcomes are monitored, with project teams accountable for delivery
- Resources requirements are understood and prioritised to the most important areas and to ensure that there is capacity to deliver transformation in additional to BAU activities
- Project risks are escalated where additional action is required



Annex: Transformation Projects

Name of project	Description	Invest	Efficiency Target
Cross Cutting			
Community Equipment Services – Financial Viability and Options	Review Community Equipment Services to establish management model	Nil	TBC
Business Intelligence Review	Better use of in-house data to improve income	Nil	£1m
Family Justice Service review	To explore alternative funding models for domestic violence services	£100k	£350k per annum from 2024/25
Croydon Campus	To reconfigure Croydon Campus including Town Hall, BWH and Davis House introducing a Community Hub to improve customer experience	£250k (only £125k required in 2022/23)	TBC
Commercial & Income Opportunities	To maximise income from a range of commercial and trading services. Look at income performance and opportunities for growth	TBC	TBC
Resilient Communities and Community Hubs	Use library buildings as multi-use community hubs to provide an improved service offer in one location and free up assets	£250k (only £100k required in 2022/23)	£430k (deliverable from 24/25) capital of receipt target of £2m

Name of project	Description	Invest	Efficiency Target
Strategic Planning & Commissioning	Manage demand for statutory services by planning and commissioning new models of delivery	£290k over 2 years (only £90k required in 2022/23)	Add detail here
Customer Access Review	Develop a customer service model that uses digital, voice and face to face in the most efficient way.	£200k	Delivers previous savings of £2.5m already built into the Medium Term Financial Strategy in March 2022.
Voluntary Sector review	Reshape the voluntary sector expenditure to commission locally where possible, provide support and reset relationships	Nil	£2m
Income and Debt Review - Fees, Charges & Debt Management Review	To correctly price fees and charges and improve management of demand	£50k	£500k
Workforce Transformation – HR Transformation	Review target operating model and support organisational change, reduce requirement on agency staff	£78k	TBC
Passenger/SEN Transport transformation	To review the approach to providing passenger transport to SEN children and adults - that includes consideration of personal travel plans and new commissioning approach	£100k	£600k per annum from 24/25 Cost avoidance only
Assistant Chief Executive's			
Digital Workforce	To establish future workforce model that reflects a smaller council delivering	£80k	£1m

Name of project	Description	Invest	Efficiency Target
Review	statutory services in the most cost-effective way & satisfies the need to deliver services to the council		
Adult Social Care and Health			
Transitions Commissioning	Develop pathway across Children's & Adults to commission enabling services	£82k	TBC
Domiciliary Care Re-model	Remodel end to end process for provision of Domiciliary Care	£110k	TBC
Reablement & Hospital Discharge	Establish community reablement service	£60k	TBC
Review Social Care Placements	Review all care packages	£605k (only £300k required in 2022/23)	TBC
Mental Health S117 project	Improved processes and procedures for meeting the Section 117 after-care needs, reviewing cases, with an expectation there will be saving opportunities linked to the disproportionate share of funding between the council and health.	178k	TBC
Adult Social Care Transformation	The final year of the ongoing Adult Social Care transformation programme.	£1,100k	Savings of £9,665k in 2023/24 per the March 2022 MTFS
Strategic Operating	TBC	TBC	TBC

Name of project	Description	Invest	Efficiency Target
Model Design Partner			
Children, Young People and Education			
CSC managing demand at the front door	Maintain reduction in demand for statutory services	£110k	£200k
Review joint funding arrangements across education, health and care	Review all joint funding arrangements across education, health and care	£110k	£250k from 2024/25
Fostering service transformation	Develop a new approach to in-house Foster Care	£92k	£225K
Transformation of Calleydown respite centre	TBC	TBC	TBC
Extend locality SEND support	More children with SEND attend local schools	£240k	TBC
Housing			
Temporary Accommodation Case Review	To review circumstances of households placed in temporary accommodation on a discretionary basis and to formulate an exit plan for those to whom the Council does not owe a main housing duty.	£291k	£1.05m

Name of project	Description	Invest	Efficiency Target
Housing Occupancy Checks	Approximately 2000 statutory homeless households are in emergency and temporary accommodation. Currently, no regular checks are carried out in relation to occupancy or welfare. Conducting occupancy checks will enable LBC to end the homelessness duty to approximately 100 households.	£291k	£700k
Housing Needs Restructure	The Housing Needs service must be restructured to improve the Council's early intervention and demand management. To deliver the savings, a transformation lead must be recruited.	£60k	£300k
Rent Accounts & Data Cleanse	Recruitment of a data cleanse officer will ensure the Housing directorate has accurate information on the reasons for accommodating households in temporary accommodation. The officer will enable accurate reporting of temporary accommodation numbers to the government which will positively impact the Homelessness Prevention Grant (HPG).	£26k	£0k (N.B. GF data cleanse will facilitate the delivery of the Housing Occupancy Checks efficiencies below)
Dynamic Purchasing System - Emergency	An emergency accommodation DPS with a framework of providers will formalise arrangements, ensure best value and compliance, and make the	£92k	£250k

Name of project	Description	Invest	Efficiency Target
Accommodation (Requires further work, was re-submitted 13/09/22)	Council more effective.		
Housing Association Recharges (Approved)	Transformation request for a Housing Liaison officer who will be focused on the governance of all relevant contracts and nomination agreements to maximise properties the Council can use to move households out of emergency and temporary accommodation.	£59k	£78k
Supported Housing Review (Requires further work and has not been re- submitted)	A senior commissioning lead should be recruited to carry out the review of the Council's housing related contracts across the Housing and ASC&H directorates to formalise arrangements, ensure best value and compliance, and address areas of overlap in provision.	£80k	TBC
Supported Exempt	Review SEA and establish occupation and charging principles	TBC	TBC

Name of project	Description	Invest	Efficiency Target
Accommodation Review			
Resources			
Asset Review	Reprofile asset portfolio	TBC	TBC
MTFS – PFMI Contract Manager	Introducing & improving PFI Contract management	TBC	TBC
Housing Benefit Review	Reduction in Benefit payments	TBC	£1m
Sustainable Communities			
Building Control Transformation	Develop a new operating model to meet current and new statutory obligations	£350k in year one + (£100k capital investment for IT investment) (only £100k is required in 2022/23)	£300k per annum once transformation programme delivered
Croydon Museum Transformation	To determine the best future and funding model for Croydon Museum to ensure its long-term stability and funding	TBC	TBC
Parking Policy 2022	Develop a new Parking & Enforcement Strategy	£200k	400k per annum
Planning & CIL	Transformation of Planning Service e.g. CIL & S106 Strategy, including	£200k	£250k per annum from 2024/25

Name of project	Description	Invest	Efficiency Target
Transformation	digital/ICT automation	£100k investment in ICT (only £100k is required in 2022/23)	
Total		£5.934m (only £4.604m of funding is required in 2022/23)	

Appendix D - Medium Term Financial Strategy Financial Model

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Net remaining budget gap quoted in March 2022	27.389	8.699		
Add back the Council Tax included as a saving	6.600	6.600		
Add in Housing Benefit pressure	9.000	0.500	0.500	0.500
Add in SCRER Pressures				
- Parking and Traffic including £3.4m unachievable saving	13.800			
- Building Control	0.700			
- Selective Licensing	1.500			
- SEND pupil numbers	0.700			
Corporate Items risk budgets removed	-9.369			
Add in unachievable income saving	2.000			
Business rates pressure	1.000			
General Risk and Contingency		5.000	5.000	5.000
MRP	2.600			
Inflation – pay and other costs	10.000		17.000	17.000
World economy improves taking pressure off inflation			-5.000	-5.000
Cost of living demand pressures	10.000			
Refuse contract retender costs and ongoing increase	0.500		2.500	
Salaries wrongly capitalised	1.250			
Interest rates increase	10.000	5.000		
Loss of Homelessness Prevention Grant	3.000			
HRA/GF realignment	9.500			
NHS Funding	5.000			
Revised gap	105.170	25.799	20.000	17.500
New Government Funding				
Business Rates Freeze - S31 Grant Compensation	-3.000			
Better Care Fund	-2.800	-1.300	4.100	

Appendix D - Medium Term Financial Strategy Financial Model

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Funding made available through the delay in the Adult Social Care Reforms	-6.100	-2.900	9.000	
Total	-11.900	-4.200	13.100	0.000
Savings				
Assistant Chief Executive's				
Delete Director of Service Quality, Improvement and Inclusion Post	-0.122			
New grave sites at Mitcham Road and Queen's Road	-0.091			
Visual Tribute system at Croydon Crematorium	-0.031			
Reinstatement of an elections canvass budget	0.065			
Reduced support in the Mayor's Office	-0.040			
Corporate Learning and Development budget	-0.100			
Adult Social Care and Health				
Active Lives post deletion	-0.060			
Absorption of inflation within existing budgets	-0.500			
Fees and charges increase in line with DWP	-0.150			
Reduce by one day centre (Facilities Management cost only)	-0.038			
Closure of the Garden Centre	-0.180			
Transitions demographics growth bid	0.463			
Transitions historic inflation growth bid	0.278			
The managing demand programme will deliver a revised operating model for Adult Social Care & Health.	-0.150			
Staff vacancy factor of 5%	-1.000			
Personal Protective Equipment (PPE) previous budget growth reversed as it can be charged to the Contain Outbreak Management Fund grant.	-0.325			
Sustainable Communities				
Reduced Museum activity	-0.071			
Removal of a school crossing patrol budget that is no longer required	-0.060			

Appendix D - Medium Term Financial Strategy Financial Model

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Further use of Community Infrastructure Levy instead of General Fund funding where appropriate	-0.250			
Delay previously planned Highways growth for one year only	-1.000	1.000		
Remove remaining budget that previously used to fund Adult Social Care Transport (discontinued in 2020)	-0.050			
Redesign leisure sports development service	-0.045	-0.045		
Fund the General Fund element of the Croydon Museum through the Growth Zone fund for a period of 2 years whilst transforming the service delivery model	-0.200			
The charging of a percentage of salaries in Planning and Regeneration to income sources other than General Fund eg Growth Zone, Community Infrastructure Levy and external grants	-0.115		0.017	
Children, Young People and Education				
Restructure Youth Engagement Team	-0.202			
Reduced demand for legal services	-0.570			
Growth reduction	-0.800			
Service efficiencies through hybrid working	-0.500			
Staff vacancy factor of 5% across Quality, Commissioning and Performance Improvement	-0.253			
Non-staffing spend across Quality, Commissioning and Performance Improvement	-0.036			
Increase Health/Public Health contribution to integrated commissioning team	-0.057			
Complete the service redesign across the education division	-0.044			
Income generation in Systemic and Clinical Practice	-0.045			
Review children with disabilities care package budget	-0.200			
Growth reduction	-0.400			
Service efficiencies through hybrid working	-0.080			
Reduction in Council contribution to the Safeguarding Partnership	-0.020			

Appendix D - Medium Term Financial Strategy Financial Model

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Housing				
Housing structural deficit	3.286			
Reverse previous savings from 2022/23 which are not deliverable	1.889			
Vacancy factor to be deducted from salary budget	-0.302			
Housing Needs restructure	-1.000			
Occupancy checks	-0.400	-0.300		
Discretionary placement review	-0.600	-0.450		
Income collection improvement		-0.200		
Income recovery / reduce split rooms net spend	-0.300			
Housing Association recharge and nominations	-0.078			
Repurpose general needs voids for emergency accommodation		-0.175	-0.175	
Emergency accommodation dynamic purchasing systems implementation	-0.125	-0.125		
Demand management net reduction of placements		-0.239	-0.414	
Resources				
Premier Supplier commission	-0.100			
Improvement costs met from reserves	-0.500			
Net saving from duplicated interest budget	-1.600			
Recovery of housing benefit overpayments	-0.663			
Council Tax Support Scheme	-1.200			
Reduction in running costs in Finance including Revenues, Benefits, Business Rates and the Debt Team	-0.100			
Additional Court Cost income	-0.500			
Additional HRA charge for insurances	-0.500			
Additional commercial rent income	-0.130			
Reduction in banking contract budget	-0.022			
Contribution from pensioners budget being underspent	-0.040			
Vacancy factor to be deducted from the General Fund salary budget	-0.355			
Total savings net of growth	-10.319	-0.534	-0.572	0.000

Appendix D - Medium Term Financial Strategy Financial Model

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Transformation				
Income and Debt Review	-0.500			
Workforce Transformation – HR Transformation				
Business Intelligence	-1.000			
Housing Benefit Review	-1.000			
Family Justice Service Review		-0.350		
CSC managing demand at the front door	-0.200			
Voluntary and Community Sector Review	-2.000			
Community Equipment Service Transitions				
Temporary Accommodation Case Review	-1.050			
Digital Workforce Review	-1.000			
Customer Access Review (delivers £2.5m in savings previously included in the March 2022 MTFs, spread across 2023/24 and 2024/25)				
Resilient communities and community hubs		-0.430		
Review of adult social care placements				
Review joint funding children's placements and arrangements across education, health and care		-0.250		
Fostering service transformation	-0.225			
Domiciliary Care Re-model				
Reablement & Hospital Discharge				
Mental Health S117 project				
Strategic Planning & Commissioning				
Commercial & Income Opportunities				
Croydon Campus				
Building Control Transformation		-0.300		
Croydon Museum Transformation (cost avoidance)				
Parking Policy	-0.200	-0.200		

Appendix D - Medium Term Financial Strategy Financial Model

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Transformation of Planning Service e.g. CIL & S106 Strategy, including digital/ICT automation		-0.250		
Total Transformation	-8.475	-1.780	0.000	0.000
Remaining gap	74.476	19.285	32.528	17.500
Reverse capitalisation contribution		80.000	60.000	40.000
Previous year gap		-2.824	4.661	32.589
MRP on 2024/25-2026/27 Capitalisation (20 years straight line)		4.000	3.000	2.000
MRP on Legacy Capitalisation of £74.6m (20 years straight line)	3.700			
Additional interest	3.000	3.200	2.400	1.600
Application of capital receipts (£50m - 2022/23 onwards for four years)	-3.000	-3.000	-3.000	-3.000
Transformation Investment	10.000	-5.000		
Remaining gap	88.176	95.661	99.589	90.689
Less potential Council Tax at 5% for 2023/24 and 2024/25 then 3% thereafter	-11.000	-11.000	-7.000	-7.000
Less further savings deemed deliverable annually		-20.000	-20.000	-20.000
Shortfall	77.176	64.661	72.589	63.689
Capitalisation for illustration (but not preferred option)	-80.000	-60.000	-40.000	-15.000
-Surplus/+Shortfall	-2.824	4.661	32.589	48.689
Total of future years capitalisation direction modelled for illustration				195.0
Total of legacy capitalisation request (CAH assumed at £9m not the £70m full risk)				74.6
Total capitalisation direction request				269.6

Appendix E - Potential Disposals

Reducton in libraries as part of the Community Hubs Transformation Project	
Ramsey Court	
Family Justice Centre following service relocation	
Samuel Coleridge-Taylor Centre	
89 Whitehorse Road	
Cherry Orchard Garden Centre	
Car park sites	
Review of depots and car pound	
Review of invstment properties:-	
Davis House	
Colonnades	
Vulcan Way	
Imperial Way	
Enterprise Close	
Existing disposal sites previously identified:-	
11 Heather Way	
Boulogne Road	
Cemetery Lodge	
Purley Way Pavilions	
Norwood Grove Mess Room	
Total estimated capital receipts	£100m

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Agenda Item 7

REPORT TO:	Scrutiny & Overview Committee 14 November 2022
SUBJECT:	MEMBERSHIP OF THE SCRUTINY SUB-COMMITTEES
LEAD OFFICER:	Simon Trevaskis – Senior Democratic Services & Governance Officer – Scrutiny
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Councillor Rowenna Davis – Chair of the Scrutiny & Overview Committee
PUBLIC/EXEMPT:	Public

ORIGIN OF ITEM:	In accordance with the Scrutiny and Overview Procedure Rules set out in Part 4E of the Council's Constitution, it falls within the remit of the Committee to approve changes to the membership of its Sub-Committees.
BRIEF FOR THE COMMITTEE:	The Scrutiny & Overview Committee is asked to: - <ol style="list-style-type: none">1. Agree the changes to the membership of the Scrutiny Sub-Committees proposed by the Conservative Group2. Agree the allocation of a non-voting co-optee representing service users to the membership of the Health & Social Care Sub-Committee.3. Note that this newly created role will replace the non-voting Co-optee from the Croydon Adult Social Services User Panel.4. Agree the appointment of the former CASSUP Vice Chair to fill the new co-optee role for the remainder of 2022-23.

1. MEMBERSHIP OF SCRUTINY SUB-COMMITTEES

1.1. As set out in paragraph 2.4 in the Scrutiny and Overview Procedure Rules in the Council's Constitution, the Scrutiny and Overview Committee must agree any changes made to the membership of its sub-committee during the municipal year.

1.2. The Committee is asked to agree the following changes proposed by the Conservative group:-

Health & Social Care Sub-Committee

- Councillor Fatima Zaman replacing Councillor Alasdair Stewart as Sub-Committee member.
- Councillor Alasdair Stewart to fill the vacant reserve position

Streets & Environment Sub-Committee

- Councillor Danielle Denton to replace Councillor Adele Benson as Sub-Committee Member

- Councillor Adele Benson to replace Councillor Nikhil Sherine Thampi as a reserve on the Sub-Committee.

2. HEALTH & SOCIAL CARE SUB-COMMITTEE CO-OPTEE

- 2.1. To provide insight from the perspective of service users into its work, the Health and Social Care Sub-Committee added a co-optee (non-voting) to its membership from the Croydon Adult Social Services User Panel (CASSUP) in September 2021.
- 2.2. Since this co-opted role was created, it had been filled by the Vice-Chair of CASSUP, Yusuf Osman. Mr Osman has been an excellent addition to the sub-committee, using his own insight and experience to significantly strengthen the level of scrutiny delivered.
- 2.3. It has recently been advised that CASSUP had been discontinued as part of a review of how the Council engages with service users. A replacement Board is being created, but in the interim it is proposed that Mr Osman be invited to continue in a co-opted role on the Sub-Committee, until the new Board has been established.
- 2.4. The Committee is therefore requested to approve the replacement of the existing CASSUP co-optee (non-voting) role with a Service User Representative co-optee role on the membership of the Health & Social Care Sub-Committee and confirm the appointment of Yusuf Osman to fill this role.

CONTACT OFFICER: Simon Trevaskis – Senior Democratic Services & Governance Officer – Scrutiny

Contact: simon.trevaskis@croydon.gov.uk

Agenda Item 8

REPORT TO:	Scrutiny & Overview Committee 7 December 2021
SUBJECT:	Scrutiny Recommendations
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Councillor Rowenna Davis – Chair of the Scrutiny & Overview Committee
PUBLIC/EXEMPT:	Public

ORIGIN OF ITEM:	<p>The Scrutiny & Overview Procedure Rules in the Council's Constitution requires recommendations from Scrutiny Sub-Committee's to be submitted to the Committee for its comment and consideration, before approving their submission to the appropriate decision maker.</p> <p>The Cabinet response to recommendations made by the Scrutiny & Overview Committee is provided for the Committee's information.</p>
BRIEF FOR THE COMMITTEE:	<p>The Scrutiny & Overview Committee is asked to</p> <ol style="list-style-type: none">1. Approve the recommendations made by its Sub-Committee's for submission to the Executive Mayor for his consideration.2. Review the response provided by Mayor to recommendations made by the Scrutiny & Overview Committee.

1. EXECUTIVE SUMMARY

- 1.1. This report sets out for the consideration of the Committee the recommendations arising from recent meetings of its Sub-Committee. These are presented in accordance with the Council's Constitution for approval by the Committee for submission to the appropriate decision maker.
- 1.2. This report also sets out the response from the Mayor in Cabinet to recommendations made by the Scrutiny & Overview Committee. This is provided for the information of the Committee.

2. SCRUTINY SUB-COMMITTEE RECOMMENDATIONS

- 2.1. Paragraph 1.5 (iii & iv) of Part 4E – Scrutiny and Overview Procedure Rules of the Council's Constitution sets out the requirement that recommendations made by Scrutiny Sub-Committees should be submitted for the consideration of the Scrutiny & Overview Committee, to approve their submission to the relevant decision maker.

- 2.2. The exception to this requirement is for specific powers delegated to Sub-Committee relating to the scrutiny of Health Services and the duties and functions of the Council as an Education Authority. For these matters, the relevant Sub-Committee can make direct recommendations.
- 2.3. Set out in Appendices 1 to 6 are recommendations arising from meetings of the Children & Young People Sub-Committee and the Streets and Environment Sub-Committee.
- 2.4. The Committee is asked to review these recommendation and confirm its approval for them to be submitted to the next available meeting of the Cabinet for consideration.

3. CABINET RESPONSE TO SCRUTINY RECOMMENDATIONS

- 3.1. The rights of scrutiny to make recommendations to the Cabinet, Council, non-Executive Committee, Partner Agency or Partnership Board is set out in Section 8 of Part 4E – Scrutiny and Overview Procedure Rules of the Council's Constitution.
- 3.2. When making a recommendation to the Cabinet, a response needs to be given within two months to confirm whether the recommendation has been accepted or not. If accepted, this response should include how the recommendation will be implemented.
- 3.3. To ensure the Committee can monitor the response given to its recommendations, this report will be included as a standing item on each agenda, setting out in Appendix 7 the response from the Cabinet to the recommendations of the Committee.
- 3.4. The Committee is asked to note the responses given.

CONTACT OFFICER: Simon Trevaskis – Senior Democratic Services & Governance Officer - Scrutiny

APPENDICES TO THIS REPORT

Appendix 1 to 6: Recommendations from Scrutiny Sub-Committees

Appendix 7: Cabinet Response to Recommendations Made by the Scrutiny & Overview Committee.

Appendix 1 - Children & Young People Sub-Committee; Item: Children's Centre Contract - Insourcing of the South Locality Children's Centre Delivery, 27 September 2022

Recommendation Number	Recommendation	Political Lead	Officer Lead
Recomm.1	That the Sub-Committee be invited to visit the Children's Centres with the Cabinet Member in the North or Central areas, with a visit to a Children's Centre in the South once this has had a chance to bed in.	Councillor Maria Gatland	Shelley Davis

Appendix 2 - Children & Young People Sub-Committee; Item: Early Help, Children's Social Care and Education Dashboard, 27
September 2022

Recommendation Number	Recommendation	Political Lead	Officer Lead
Recomm.1	That all future versions of the report provide commentary for any indicators with a RAG rating of red or amber.	Councillor Maria Gatland	Debbie Jones

Appendix 3 - Streets & Environment Sub-Committee, Item: Housing Needs Transformation Plan, 4 October 2022

Recommendation Number	Recommendation	Political Lead	Officer Lead
Recomm.1	The Sub-Committee agreed that signposting of Housing Needs services should be improved on the Council website.	Councillor Lynne Hale	Susmita Sen
Recomm.2	The Sub-Committee recommended that the service should commence a proactive communications drive to all residents in Temporary Accommodation to encourage reporting of poor conditions, which ensured that residents were reassured that reporting issues would not result in them losing their homes.	Councillor Lynne Hale	Susmita Sen
Recomm.3	The Sub-Committee recommended that the Housing Needs service ensure that occupancy checks are conducted in line with best practice and trauma informed practice.	Councillor Lynne Hale	Susmita Sen
Recomm.4	The Sub-Committee noted the interdependency between the Housing Improvement Plan work on voids and the Housing Needs Transformation Plan and asked that the directorate look at how the work on void turnarounds affected plans to reduce the time that customers spent in Temporary Accommodation.	Councillor Lynne Hale	Susmita Sen

Appendix 4 - Streets & Environment Sub-Committee, Item: Healthy Streets and Active Travel (including Healthy Neighbourhoods, School Streets, Vision Zero, Cycling and Walking Strategy) Update, 4 October 2022

Recommendation Number	Recommendation	Political Lead	Officer Lead
Recomm.1	The Sub-Committee recommended that key stakeholders were identified and engaged before the implementation of any new Healthy Neighbourhood schemes.	Councillor Scott Roche	Heather Cheesbrough/Steve Iles
Recomm.2	The Sub-Committee recommended that the Council look at developing a cohesive Active Travel policy that brought all these schemes together in a coherent and strategic way that provided a narrative that residents could easily understand.	Councillor Scott Roche	Heather Cheesbrough/Steve Iles
Recomm.3	The Sub-Committee recommended that there needed to be better communications with residents about the outcomes of Healthy Neighbourhood and School Street schemes that were in their localities.	Councillor Scott Roche	Heather Cheesbrough/Steve Iles
Recomm.4	The Sub-Committee recommended that the Council investigate developing a Kerbside Strategy to work in an integrated way alongside the Walking and Cycling Strategies.	Councillor Scott Roche	Heather Cheesbrough/Steve Iles
Recomm.5	The Sub-Committee recommended that the Council investigate attracting an e-bike hire scheme into the borough, possibly through Section 106 funding.	Councillor Scott Roche	Heather Cheesbrough/Steve Iles

Appendix 5 - Streets & Environment Sub-Committee, Item: Waste Contract Performance Paper, 8 November 2022

Recommendation Number	Recommendation	Political Lead	Officer Lead
Recomm.1	The Sub-Committee were of the view that improvements to communications with residents needed to be a priority and should include updating the website and an explanation of street grading.	Councillor Scott Roche	Steve Iles
Recomm.2	The Sub-Committee recommended that communication with residents who had submitted reports on the 'Love Clean Streets' app needed to be improved to notify them on the resolution of the report.	Councillor Scott Roche	Steve Iles
Recomm.3	The Sub-Committee recommended that Veolia and the Council work with Friends and Residents groups to resolve issues with repeat missed collections.	Councillor Scott Roche	Steve Iles
Recomm.4	The Sub-Committee were of the view that the option to 'raise an enquiry' needed to be more prominent when residents were trying to submit a missed collection report on the Council website.	Councillor Scott Roche	Steve Iles
Recomm.5	The Sub-Committee requested that the Cabinet Member for Streets and Environment provided a full update on his data gathering and plans for reducing fly tipping in Croydon.	Councillor Scott Roche	Steve Iles
Recomm.6	The Sub-Committee asked that a street cleansing schedule is produced and published on the Council website in a similar way to waste collection schedules.	Councillor Scott Roche	Steve Iles

Recomm.7	The Sub-Committee recommended that the action plan that had resulted from the Service Improvement Notice was published to the Council website to increase transparency.	Councillor Scott Roche	Steve Iles
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Appendix 6 - Streets & Environment Sub-Committee, Item: Cabinet Report - Waste Collection and Street Cleansing Contract, 8 November 2022

Recommendation Number	Recommendation	Political Lead	Officer Lead
Recomm.1	The Sub-Committee recommended that a Cross-Party working group be established to input into the development of any new Service Delivery Options for Waste Collection and Street Cleansing.	Councillor Scott Roche	Steve Iles

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SCRUTINY RECOMMENDATION	CONCLUSIONS	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
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Report: Call In: Asset Disposal as part of the Interim Asset Disposal Strategy (Considered by Scrutiny & Overview Committee on 27 April 2022)

1. It is recommended that local Members are kept informed on the progress made with finding a new venue for the New Addington Boxing Club.	The commitment from the Cabinet Member for Resources and Financial Governance and council officers to working with the New Addington Boxing Club to find a new venue was welcomed.	Councillor Jason Cummings	Accept The Asset Team have been working with ward councillors and Cllr Stranack to find a new site.	Jane West		In process	
2. It is recommended that the Council continued to support the New Addington Boxing Club until its search for a new home has been successfully concluded.	Confirmation was also welcomed that there were two potential options under consideration as a future home for the boxing club. The Committee agreed that the Council had a moral obligation to support the club with its search for a new home and should continue to assist with this search even if it was not resolved before the end of the year	Councillor Jason Cummings	Accept As part of the site finding exercise, the Health Authority's contractor is also considering help (either financial or practical with building modification works) to assist in the relocation during 2022 calendar year	Jane West		End Dec 2022	
3. It is recommended that the process used by the Council when delivering large scale projects is reviewed to ensure that an appropriate level of consultation and community engagement can be	The concerns raised by the Committee about the level of community engagement on this asset disposal echoed previously raised concerns about how the Council consulted on capital projects. It was agreed that the process for delivering any such	Councillor Jason Cummings	Accept Local Engagement has always been key to such matters and ward councillors have previously been kept informed through written correspondence. As this has not proven to be	Jane West		End Dec 2022	

SCRUTINY RECOMMENDATION	CONCLUSIONS	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
built into the process as standard practice.	projects needed to be reviewed to ensure there was sufficient time to build an appropriate level of consultation into future projects.		successful in this instance, it maybe, that more formal briefings via Teams / On Site / Face to face are piloted to ensure a better outcome.				

Report: Update from Executive Mayor (Considered by Scrutiny & Overview Committee on 27 June 2022)

Page 98	<p>1. That the SRAs of Cabinet Members are revisited, in consultation with London Councils' Independent Panel on the Remuneration of Members in London, in light of the reduced responsibilities of Cabinet Members and the financial position of the Council and the need to protect public finances.</p>	<p>The Committee were of the view that more detail was required to effectively scrutinise the plans resulting from the Executive Mayor's priorities. Members were encouraged that the Executive Mayor was supportive of scrutiny and the planned addition of a Housing Scrutiny Sub-Committee as well as the planned adoption of a published six-month Forward Plan.</p> <p>Members welcomed plans on co-production of services and community engagement but felt that this lacked detail.</p>	<p>Executive Mayor Jason Perry</p>	<p>While the Executive Mayor has not currently chosen to delegate decision making responsibilities, similarly to under the previous 'strong Leader' model, Cabinet Members hold a range of responsibilities as set out in the Cabinet Member role profile received by Ethics Committee in September 2021 which states:</p> <p><i>'A Cabinet Member holds strategic responsibility for, and is accountable for, a named portfolio of services, including the initiation of specific relevant policy. They provide collective and individual leadership as part of the Cabinet. The Cabinet Member represents and champions the Council on outside organisations, and contributes the Council's</i></p>	<p>Stephen Lawrence-Orumwense</p>		
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SCRUTINY RECOMMENDATION	CONCLUSIONS	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPT/ REJECT RECOMMENDATIONS (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
			<p><i>perspective to national, regional and sub-regional bodies, feeding back insights and learning to inform the Council's decision-making.'</i></p> <p>The current Special Responsibility Allowance (SRA) for a Croydon Cabinet Member was agreed by Council on 23rd March 2022. This set the Cabinet Member SRA level at £27,503.20. This is significantly below the most recent London Councils' Independent Panel on the Remuneration of Members in London report which recommended an SRA for Cabinet Members of between £39,860 and £47,271.</p> <p>However officers have been asked to review all SRAs ahead of the Budget setting process for next year.</p>				
2. To meet the Executive Mayors central priority of creating a Council that listens to residents, there needs	The Committee were of the view that more detail was required to effectively scrutinise the plans resulting from the Executive Mayor's	Mayor Jason Perry	A new Corporate Plan is currently in development and will be supported by the development of a new	Elaine Jackson			

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<p>to be an overarching Community Engagement Strategy to guide when and how the Council will engage with the local community. This should set out the Executive Mayor's vision for community engagement in the design of services and strategies and how the Council will actively look to engage with hard-to-reach groups</p>	<p>priorities. Members were encouraged that the Executive Mayor was supportive of scrutiny and the planned addition of a Housing Scrutiny Sub-Committee as well as the planned adoption of a published six-month Forward Plan.</p> <p>Members welcomed plans on co-production of services and community engagement but felt that this lacked detail</p>		<p>communications and engagement strategy setting out how the Council will engage with the local community.</p>				
<p>3. That consideration is given to the utilisation of citizen's assemblies to engage with residents on contentious topics such as carbon reduction and healthy neighbourhoods, alongside recommendations on resident engagement in the Independent Governance Review from 2020.</p>	<p>The Committee were of the view that more detail was required to effectively scrutinise the plans resulting from the Executive Mayor's priorities. Members were encouraged that the Executive Mayor was supportive of scrutiny and the planned addition of a Housing Scrutiny Sub-Committee as well as the planned adoption of a published six-month Forward Plan.</p> <p>Members welcomed plans on co-production of services and</p>	<p>Mayor Jason Perry</p>	<p>Listening to Croydon is a key part of the Mayor's agenda including introducing new forums for residents to be able to contribute to decision making and hold the political leadership to account.</p> <p>The Council can consider the use of different engagement techniques as part of the Healthy Neighbourhood programme as part of the engagement process but it is necessary to follow formal statutory processes for Traffic related schemes.</p>	<p>Nick Hibberd</p>	<p>Potentially additional cost but not known at this stage</p>		

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	community engagement but felt that this lacked detail						
4. Given the Mayor's acknowledgment that there was greater value for KPIs to be independently tested, the Committee would request to be involved in developing the KPIs which will monitor and evaluate the performance of implementing the Executive Mayor's priorities.	<p>The Committee were of the view that more detail was required to effectively scrutinise the plans resulting from the Executive Mayor's priorities. Members were encouraged that the Executive Mayor was supportive of scrutiny and the planned addition of a Housing Scrutiny Sub-Committee as well as the planned adoption of a published six-month Forward Plan.</p> <p>Members welcomed plans on co-production of services and community engagement but felt that this lacked detail</p>	Mayor Jason Perry	<p>Accept</p> <p>The proposed KPIs will be developed to align with the Mayor's Strategic Plan. These will be shared with the Scrutiny and Overview Committee for comment.</p>	Elaine Jackson	None	End November 2022	
5. The role of Youth Mayor should be reviewed to ensure that it can be an effective mechanism for youth engagement and be involved in developing the Youth Safety Strategy.	The Committee were of the view that more detail was required to effectively scrutinise the plans resulting from the Executive Mayor's priorities. Members were encouraged that the Executive Mayor	Mayor Jason Perry	<p>Accept</p> <p>The role of Youth Mayor will be reviewed in due course.</p>	Debbie Jones			

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	<p>was supportive of scrutiny and the planned addition of a Housing Scrutiny Sub-Committee as well as the planned adoption of a published six-month Forward Plan.</p> <p>Members welcomed plans on co-production of services and community engagement but felt that this lacked detail</p>						
<p>6. That it was essential to launch a campaign for fairer funding if the Secretary of State does not respond satisfactorily to the initial letter from the Executive Mayor.</p>	<p>The Committee were of the view that there was insufficient detail on how the Executive Mayor's priorities would be funded. As the Section 151 Officer confirmed that other areas would need to be deprioritised make way for new spending, the Committee agreed that further information was needed to understand the risk of deprioritising services. The Committee welcomed plans to introduce a 'bidding unit' to bring in more external funds for Croydon.</p> <p>Members supported a fairer funding campaign</p>	<p>Mayor Jason Perry</p>	<p>Accept</p> <p>The Administration will continue to argue for fair funding and engage with Government at all levels to make the case.</p>	<p>Jane West</p>		<p>Regular meetings to discuss the Council's financial position are being held by the Chief Executive and the Corporate Director of Resources with senior civil servants in the Department for Levelling UP, Housing and Communities.</p> <p>Once a new Government is in place, a letter will be sent by the Mayor to the new Secretary of State setting out the challenges faced by Croydon but also the</p>	<p>November 2022</p>

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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 103</p>	<p>dependent on the Secretary of State's response to the Executive Mayor's letter on the matter. The Committee felt that there were risks in seeking additional income that addressed Capital but not Revenue funding which did not alleviate budgetary pressures which were compounded by inflationary pressures</p>				<p>No</p>	<p>actions being taken to return the Council to financial sustainability.</p> <p>No action has been taken by government in 2022 to progress any changes to the local government funding regime. There is now insufficient time to make any changes for 2023/24 and therefore a further 'roll-over' of the current arrangements is expected into 2023/24.</p> <p>The Mayor and senior officers will continue to engage with government on the issue of local government financing</p>	
<p>7. That a paper on the number of properties built by area, and application approval rates alongside appeal outcomes information should be requested to inform the meeting of the</p>	<p>The Committee was concerned that the risks of revoking SPD2 and the timescales of implementing replacement documentation had not been well considered and that legal advice on</p>	<p>Councillor Jeet Bains</p>	<p>Reject - The SPD2 revocation Cabinet Report outlines the resource requirements associated with the revocation of SPD2 and the recommendation of a replacement residential extensions and alterations SPD. The implications of the Levelling Up and</p>	<p>Nick Hibberd</p>	<p>The SPD2 revocation Cabinet Report sets out the final implications at paragraphs 5.1.5 & 5.1.6.</p>		

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Streets, Environment & Homes Sub-Committee.	<p>the revocation had not been provided in advance of the meeting. Members were concerned that the level of resource in the planning service had not been considered and that work would need to be duplicated once the Levelling Up Bill came into effect.</p> <p>Members were of the view that the Local Plan itself did not provide sufficient protections in the absence of a design code once SPD2 was revoked</p>		<p>Regeneration Bill will need to be considered once the content and requirements of the final Act are known.</p> <p>Reject - Planning applications are determined in accordance with the development plan, unless material considerations indicate otherwise. For the type of proposals formally covered under SPD2, the development plan is the Local Plan 2018 and London Plan 2021. Proposals are considered against the development plan as a whole. However, Local Plan 2018 Policy DM10 – Design and Character and London Plan 2021 H2 – Small Sites are likely to be engaged most regularly for this form of development.</p>		None		
8. That a risk analysis on the revocation of SPD2 was provided to the Streets, Environment & Homes Sub-Committee including timescales for the replacement guidance to be enacted.	The Committee was concerned that the risks of revoking SPD2 and the timescales of implementing replacement documentation had not been well considered and that legal advice on the revocation had not been provided in advance of the meeting.	Councillor Jeet Bains	Reject – The SPD2 revocation Cabinet Report outlines the considerations and justification for the immediate revocation. The SPD2 revocation Cabinet Report covers the legal advice and legislation regarding revocation.	Nick Hibberd	None		

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	<p>Members were concerned that the level of resource in the planning service had not been considered and that work would need to be duplicated once the Levelling Up Bill came into effect.</p> <p>Members were of the view that the Local Plan itself did not provide sufficient protections in the absence of a design code once SPD2 was revoked</p>						
<p>9. That a revised strategy for achieving carbon neutrality by 2030 is delivered as a priority, setting out a clear roadmap for how the target will be achieved and explaining the rationale for the measure that have not been included.</p>	<p>The Committee welcomed the revisitation of Croydon's Carbon Reduction Plan, as there was concern that current plan was inadequate for meeting the Council's net zero targets. It was hoped that this would lead to the Plan being strengthened, made more strategic and with a clear road map for delivery.</p> <p>Members felt that there was little detail on the reduction of private vehicle usage and road traffic and hoped that more explicit proposals</p>	<p>Councillor Scott Roche</p>	<p>Accepted</p> <p>The council will review the carbon neutral action plan and set out how it will lead to reduce carbon emission in the borough.</p>	<p>Nick Hibberd</p>	<p>Not known at this stage.</p>	<p>A progress report will be added to the cabinet forward plan for February 2023</p>	

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	on this were forthcoming						
10. For more information to be provided on how future revisions to the Local Plan will help to achieve climate change targets.	<p>The Committee welcomed the revisitation of Croydon's Carbon Reduction Plan, as there was concern that current plan was inadequate for meeting the Council's net zero targets. It was hoped that this would lead to the Plan being strengthened, made more strategic and with a clear road map for delivery.</p> <p>Members felt that there was little detail on the reduction of private vehicle usage and road traffic and hoped that more explicit proposals on this were forthcoming</p>	Councillor Jeet Bains	<p>Accepted</p> <p>The Local Plan Review will set climate change (carbon reduction) targets that accord with national and London Plan planning policy</p>	Nick Hibberd	This recommendation will be funded from the Local Plan Review budget	The timetable will be as set out for the Local Plan Review to be published in due course.	

Report: Responsive Repairs Contract (Considered by Scrutiny & Overview Committee on 14 June 2022)

1. That the scope for bringing all or part of the current responsive repairs service in house is evaluated as a priority to ensure that the outsourcing delivery		Councillor Lynne Hale	<p align="center">ACCEPT</p> <p>A risk based evaluation has already been undertaken which has informed our approach.</p>	Susmita Sen	Financial implications of accepting the recommendation were outlined in the June 2022 Repairs	Not applicable	
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<p>model proposed by the Council offers the best outcomes for residents.</p>			<p>The evaluation identified that the best outcome for residents would be achieved by continuing to contract services from the private sector, with the contact centre brought in house.</p> <p>Considering the time constraints and current capability and capacity of the organisation the risk to insourcing additional elements of the service were assessed as being too high.</p> <p>Subject to future review, provision has been built into tender documents to allow further insourcing of services at a later date.</p>		<p>Reprocurement Cabinet report.</p>		
<p>2. That there should be periodic reviews of the delivery model, including an options appraisal on the benefits of insourcing either all or part of the service, to ensure the optimal structure is in place</p>		<p>Councillor Lynne Hale</p>	<p>ACCEPT</p> <p>Regular reviews of the service should be undertaken to determine if the service provided is fit for purpose.</p> <p>We would want an annual open book approach, with a more detailed review ahead of extension points.</p>	<p>Susmita Sen</p>	<p>Not applicable</p>	<p>Review of performance undertaken annually, the first review being after the first full year of operation – 2024/25.</p>	

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3. That the current re-procurement and delivery of the new responsive repairs contract should be informed by best practice and experience from other local authorities		Councillor Lynne Hale	<p>ACCEPT</p> <p>Scrutiny reviewed the approach to ensuring best practice is adopted. This should be reviewed on a regular basis and should include (but not limited to) review of benchmarking of performance data through benchmarking organisations such as HouseMark, benchmarking with other organisations through London Council's for example and peer reviews.</p>	Susmita Sen	Not applicable	<p>Reviews already undertaken as part of the preparation for tender.</p> <p>Review of best practice should be an ongoing exercise, with specific focus at the annual reviews.</p> <p>The first annual review will be after the first full year of operation – 2024/25</p>	
4. That the key performance indicators created to performance manage the new contracts are reviewed by Scrutiny before they are signed off.		Councillor Lynne Hale	<p>REJECT</p> <p>Scrutiny have had the opportunity to shape the KPIs through scrutiny meetings. If there are further recommendations they can be considered as these are developed.</p> <p>However – we would want to keep Members abreast of the procurement development ahead of final contract award.</p>	Susmita Sen	Not applicable	Not applicable	Not applicable
5. That provision for a compensation scheme for residents who experience poor performance , and paid		Councillor Lynne Hale	<p>REJECT</p> <p>We recognise that the complaints system has not always worked for residents. As part of the</p>	Susmita Sen	Not applicable	Not applicable	Not applicable

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for by the contractor, is included in the contracts for the new service. The Committee would ask to be kept updated on the outcome of this work.			housing improvement plan we will be working with residents to review the complaints and compensation approach to bring in line with best practice and the ombudsman				
6. That the use of technology to improve the level of communication with residents needs to be set as a minimum expectation in the tender specification.		Councillor Lynne Hale	ACCEPT	Susmita Sen	Not applicable	Review of performance undertaken annually, the first review being after the first full year of operation – 2024/25. This will review the resident experience, including communication/ technology.	
7. That Housing Services commits to ensuring that the Tenant Handbook is updated and distributed to all residents to ensure they are aware of the level of service they can expect, how to access these services, how to complain when the expected service is not delivered along with confirmation of their dedicated Housing Officer.		Councillor Lynne Hale	REJECT We recognise that we need to listen to our residents better and respond to their needs. The Residents' Charter will pave the way for resetting the relationship with residents and reworking our services and standards.	Susmita Sen	Not applicable	Not applicable	Not applicable

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8. That a political commitment is given to ensuring that the caretaker/handyman service for Council housing is fully resourced and trained		Councillor Lynne Hale	<p style="text-align: center;">REJECT</p> <p>We cannot predetermine future decisions on specific services however we will ensure that all housing staff have the necessary skills, training and support to deliver the best outcomes for residents.</p>	Susmita Sen			
9. The expectations of the Council on contractors to improve the culture of the staff transferred through TUPE needs to be clearly set out in the contract, with accompanying performance measures to track progress.		Councillor Lynne Hale	<p style="text-align: center;">ACCEPT</p> <p>Our requirements have been shaped by residents, and are set out in the contract. Residents are involved at the evaluation stages specifically looking at the culture and resident experience.</p>	Susmita Sen	Not applicable	<p>Complete.</p> <p>Resident focus groups help shape the expectation which is within the tender documents. Residents are part of the evaluation panel to assess tenders</p>	
10. That sufficient capacity is allocated to ensure the delivery of the culture change programme within the Housing Service can be progressed as far as possible by the time the new contracts are awarded.		Councillor Lynne Hale	<p style="text-align: center;">ACCEPT</p>	Susmita Sen	The financial implications of ensuring that there is sufficient staffing capacity to deliver the culture change programme is currently being assessed.	An update on staff capacity to deliver the culture change programme and the Housing Improvement Plan will be provided to November 2022 Cabinet.	31 st January Streets, Environment & Homes Scrutiny Sub-Committee
11. That the estimated figures provided for the cost of the contract are reviewed and replaced with a cost range, to take account of		Councillor Lynne Hale	<p style="text-align: center;">REJECT</p> <p>The cabinet paper already recognises the uncertainties in the</p>	Susmita Sen	Not applicable	Not applicable	Not applicable

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the uncertainty in both the national and world economy.			<p>market and estimated figures are exactly that – an estimate.</p> <p>The value is based upon 4 years of data from the open book reviews with inflationary uplift applied based upon the Office for Budget Responsibility's forecast.</p>				
<p>12. That the tender documents explicitly set out the Council's social value priorities it expects bidders to deliver, particularly in terms of local employment, supporting the local suppliers and climate change commitments.</p>		Councillor Lynne Hale	<p style="text-align: center;">REJECT</p> <p>The tender documents have articulated the Council's social value priorities. Unlike previous contracts which were not properly monitored, measurable KPIs for social value will be included in the final contracts.</p> <p>We would want to keep Members abreast of the procurement development ahead of final contract award.</p>	Susmita Sen	Not applicable	Not applicable	Not applicable
13. That the measures to track the delivery of the social value aspect within the new contracts are reviewed by Scrutiny before they are signed off.		Councillor Lynne Hale	<p style="text-align: center;">REJECT</p> <p>Scrutiny have had the opportunity to shape the KPIs through the scrutiny meetings. If there are further</p>	Susmita Sen	Not applicable	Not applicable	Not applicable

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			recommendations they can be considered as these are developed.				

Appendix 7b - Opening the Books Review

SCRUTINY RECOMMENDATION	CONCLUSIONS	DEPARTMENT AND CABINET MEMBER RESPONDING	ACCEPTED / PARTIALLY ACCEPTED / REJECTED (inc. reasons for rejection)	IDENTIFIED OFFICER	ANY FINANCIAL IMPLICATIONS	TIMETABLE FOR IMPLEMENTATION OF RECOMMENDATIONS IF ACCEPTED (ie Action Plan)	DATE OF SCRUTINY MEETING TO REPORT BACK
Report: Opening the Books Review (Considered by Scrutiny & Overview Committee on 21 July 2022)							
<p>1. It was recommended that the project to maximise the functionality of the Fusion Oracle financial software should be treated as a priority and resourced accordingly, given the potential high level of risk in the Council budget.</p>	<p>It was noted that Council's financial software, Fusion Oracle had been successfully used at other local authorities and that there was a separate project underway to full embed the Fusion Oracle finance system across the Council. The Committee agreed that this work should be a priority, as it would be part of the bedrock for delivering robust financial monitoring systems, that could allow the identification of issues at an early stage. If the outcome from this project was less than optimal there was a significant risk that the budgeting errors of the past could be repeated.</p>	<p>Cllr Cummings, Cabinet Member for Finance</p>	<p>Partially Accepted</p> <p>Agreed in principle, but there will be cost implications from the changes envisaged and will need to be agreed and accepted as part of Spend Control panel processes.</p>	<p>Jane West, Corporate Director of Resources</p>	<p>Financial implications will become clearer once the scope of works is agreed with the Council's delivery partner.</p>	<p>Key improvements to the financial monitoring processes being discussed with the Council's delivery partner envisage a go live for April 2023</p>	
<p>2. It was recommended that the Administration engages in pre-decision scrutiny at an early stage in the budget setting process to consult on significant changes to service provision.</p>	<p>It was recognised that it was very likely some extremely difficult choices would need to be made to deliver the level of savings required by the Council. It was highlighted that Scrutiny could be used by the Administration as a resource to test any significant service changes to or the discontinuation of services.</p>	<p>Cllr Cummings, Cabinet Member for Finance</p>	<p>Accepted</p> <p>Please see the timescales for engagement</p>	<p>Jane West, Corporate Director of Resources</p>	<p>None</p>	<p>The scrutiny work programme includes:</p> <p>Budget Scrutiny - 6 December 2022</p> <p>Budget deep dive – 10 January 2023</p> <p>Final budget scrutiny session – 14 February 2023</p>	

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<p>3. It is recommended that a robust training plan is prepared on the budget setting process for Members to ensure all have the requisite skills and knowledge to make an informed judgement on the proposed budget at the Budget Council meeting.</p>	<p>Given there had been a significant influx of new Councillors following the election in May, there was a need to provide training for all Members on the budget setting process and should include the production of a guide mapping out the process.</p>	<p>Cllr Cummings, Cabinet Member for Finance</p>	<p>Accepted</p> <p>The Local Government Association have agreed to provide Budget scrutiny training and will seek to expand to all Members</p>	<p>Jane West, Corporate Director of Resources</p>	<p>A budget already exists for Member training.</p> <p>A session for Scrutiny Members is planned as part of the Budget Scrutiny programme.</p> <p>There may be no additoinal cost to opening the session to all Members, or the LGA may fund a session.</p>	<p>November / December 2022.</p>	

Agenda Item 9

REPORT TO:	Scrutiny & Overview Committee 6 December 2022
SUBJECT:	SCRUTINY & OVERVIEW COMMITTEE WORK PROGRAMME 2022-23
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Councillor Rowenna Davis – Chair of the Scrutiny & Overview Committee
PUBLIC/EXEMPT:	Public

ORIGIN OF ITEM:	The work programme of the Scrutiny & Overview Committee and its Sub-Committees is included as a standard item on each agenda.
BRIEF FOR THE COMMITTEE:	The Scrutiny and Overview Committee is asked: - <ol style="list-style-type: none">1. To note the most recent version of the Work Programme.2. Consider whether there are any other items that should be provisionally added to the work programme as a result of the discussions held during the meeting.

1. **SCRUTINY & OVERVIEW COMMITTEE WORK PROGRAMME 2022-23**

- 1.1. Appended to this report is the most recent version of the 2022-23 Work Programme for the Scrutiny & Overview Committee and its sub-committees. This is provided to give the Committee the opportunity to review its upcoming schedule and consider whether any changes need to be made.
- 1.2. The Work Programme can be found at Appendix A.

CONTACT OFFICER:

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Appendices

Appendix 1: Scrutiny Work Programme 2022-23

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By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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