

Scrutiny & Overview Committee

Meeting held on Thursday, 21 July 2022 at 6.30 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

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

Also Present: Councillor Jason Cummings

PART A

37/22 **Minutes of the Previous Meeting**

The minutes of the meeting held on 27 June 2022 were agreed as an accurate record.

38/22 **Disclosure of Interests**

There were no disclosures of interest declared at the meeting.

39/22 **Urgent Business (if any)**

There were no items of urgent business.

40/22 **Opening the Books - Returning the Council to Financial Sustainability**

The Committee considered the 'Opening the Books – Returning the Council to Financial Stability' report, the recommendations of which had been agreed by the Executive Mayor at the Cabinet meeting on 6 July 2022. The report set out the rationale for the decision taken by the Executive Mayor to allocate a budget of up to £500,000 to undertake a review of the Council's finances, including bringing in external consultants. The purpose of the Committee scrutinising this report was to review the proposals as well as taking a wider look at the Council's finances.

The Cabinet Member for Finance, Councillor Jason Cummings, attended the meeting and introduced the report. It was highlighted that the Council's finances had received significant attention over the past two years due to both the Council's own actions and external pressures creating a perfect storm. There had been unforeseen issues that had arisen in the past two years that were still hanging over the Council's budget including continued uncertainty over the past three year's accounts, which still needed to be signed off. To continue the financial recovery of the Council, the new Administration had identified the Opening the Books review as a means of discovering any further issues within the Council's budget to ensure that going forward it was on a firm financial footing.

It was recognised that there was not sufficient capacity within the Council's existing workforce to deliver this review, therefore it was necessary to bring in additional external resource. As part of the process, Council staff would receive training to ensure they the right skills were in place to manage their respective budgets going forward.

The Council's Chief Executive, Katherine Kerswell, advised the Committee that the approach would mirror the approach used by the Rapid Review in November 2020. It would also complement the review undertaken by PWC on the Council's liabilities and companies. A member of the Improvement & Assurance Panel had agreed that any such review should be seen as good practice, as it would increase the Council's understanding of its balance sheet.

Following the introduction, the Committee was given the opportunity to question the information provided in the report. The first question sought further information on the plan to upskill staff as part of the process. It was confirmed that the external consultancy firm delivering the project was working on a brief for the training based upon a needs analysis. Once this work was complete, a training programme based upon this would be delivered. Training would be provided to all budget managers and finance officers, to ensure that all involved knew what best practice was and understood the expected financial culture. Once this initial training had been completed, an assessment would be provided by the consultant to outline whether further training was required. At this stage, another assessment of the Council's financial maturity would be made, to judge the progress made since the previous assessment in 2021.

In addition to training, the importance of creating a culture of financial discipline across the Council was emphasised, with an update on the progress made in changing the organisational culture requested. It was agreed that instilling a culture of financial discipline was vital to the transformation of Croydon. Although the training would help to provide budget holders with the right tools to manage their budgets, an organisational culture of sticking to budgets where possible and escalating concerns when a budget started to go off track was essential.

An update was requested on the progress made with signing off the previous three years accounts, with it questioned whether this would affect the scope of the review. It was confirmed that work continued towards signing off the outstanding accounts, and there was an expectation that all three would be signed off over the course of the year. Once this work had been completed, it would be important to get the finance staff back into a normal routine of annual accounting processes.

In response to a question about what a successful outcome from the review would look like, it was advised that by the end of the programme the Council should, with a reasonable degree of confidence, know what to expect in its budget. The review should lead to improved processes for signing off the accounts and help to increase the experience of internal staff, which would reduce the need to employ external consultants in the future.

It was questioned whether the review would be informed by best practice at other local authorities. It was advised that a lot of guidance had been provided by CIPFA, who provided a national overview as they worked with councils across the country. One of the purposes of the review was to bring experienced people from outside the Council to review current processes against best practice.

It was confirmed that there had not been a full competitive tender process used to commission the review, as there was only a limited number of specialists able to deliver the work required. Although up to £500,000 had been allocated for the cost of the work, the cost of the initial review was approximately £30,000. Should further work be identified following the initial review, it would be paid for from the total £500,000 budget and would require a separate commissioning process.

Regarding timescales, it was confirmed that the initial review was intended to be a short, diagnostic process. People had been appointed to carry out the work, with the initial outcome expected by the end of October. At the present time, a report was scheduled to come to the Cabinet meeting in January 2023 to outline what further work was needed. Any significant issues highlighted by the process would also be picked up through monthly budget monitoring.

In response to a question about whether the review would include the Council's finance software, it was advised that the system used by the Council, Fusion Oracle, was known to be sound as it was widely used elsewhere. There was an existing project underway to ensure that its functionality was maximised to best support the budget monitoring process.

Given there were a number of examples of the Council's budget being thrown off track by financial errors in the recent past, it was questioned whether progress had been made on ensuring there was greater control of the budget. It was acknowledged that historically financial forecasting had not been accurate enough, which had resulted in a significant deficit which needed to be recovered in this year's budget. The training delivered to staff as part of the Opening the Books review and work to integrate the financial software would help to improve the quality of budget forecasting going forward. There were also monthly performance assurance meetings with each Corporate Director and their Directors to review their forecasts, which was leading to greater accuracy.

It was suggested that the past culture of the Council when setting its budgets may have veered towards optimism bias, with overconfidence on the probability of delivery. As such it was questioned whether the approach of the new Administration would differ and whether there was a robust system in place to flag issues at an early stage. It was confirmed that the new Administration's approach was to start budget discussions from a position of the worst-case scenario. The budget monitoring process reports continued to be refined to ensure issues were flagged at the earliest possible. There needed to be additional flags built into the Fusion Oracle system which would be picked up as part of the project looking at the system. It was

acknowledged that in general the local government sector needed to improve its programme management, financial planning and projecting.

In response to a question about the potential impact of inflation upon the budget, it was highlighted that the Council had been quite prudent in its accounting for inflation when setting the budget in March. Allowance had been made for a 5% inflationary increase which was higher than many local authorities. However, with the inflation rate currently closer to 10% it was likely to feed through into the budget if the rate continued at this level for an extended period of time. In particular, the rising fuel and food costs were likely to have an impact. The Council continued to lobby the Government for additional support to mitigate against the cost of inflation.

Regarding the management of contracts held by the Council with external providers, reassurance was given that work was underway to create a forward plan of contracts. This would enable the Council to make an informed decision when approaching the end of a contract rather than allowing them to automatically renew.

An update was requested on the work to identify savings for 2023-24. It was confirmed that to identify the £42.9m savings required was a huge piece of work and was likely to require a balance of tough short-term decisions and longer-term transformation. The process had already started with the initial outcome from this work likely to be available for consultation in October & November. A shortfall of £8.9m had also been identified in the current year's budget, with work ongoing to bridge this gap. The Committee requested that it be kept informed on the outcome of the work to address the budget shortfall.

In response to a question about the approach to identifying savings, it was confirmed that the Star Chamber process would be used again as it was tried and tested. As part of the process to identify savings, the Council was benchmarking its services against those delivered in other boroughs to identify best practice. Given the amount to be saved, the key questions to answer were whether the Council was able to deliver the range of services it currently did and whether the ones that it had to provide were being delivered in the right way.

It was confirmed that the new Administration was liaising with the Government appointed Assurance and Improvement Panel, to test their proposals. It was also confirmed that the Panel was seen as an excellent resource who were supportive, but also provided a robust challenge, with a focus on the pace of change and delivery.

It was questioned whether there had been any changes made to the 2022-23 budget from delivering manifesto promises. It was confirmed that there had not been any changes as of time of the meeting. Work continued on the delivery of the Low Traffic Neighbourhood projects agreed by the previous Administration, although delivery had been delayed resulting in a £5.1m budget risk.

Following the conclusion of its questioning the Committee considered whether there were any recommendations they wished to make based on the information provided.

Conclusions and Recommendations

Following a thorough review of the Opening the Books Review report, the Scrutiny & Overview Committee agreed that commissioning a diagnostic review of the Council's finances was a reasonable action for the new Administration to take and took reassurance from the confirmation that there would be an emphasis on delivering value for money in the outcomes of the review.

Given there had been repeated instances of past Council budgets being destabilised by unforeseen costs, it was agreed that this would have been mitigated to some extent with more robust forecasting and budget monitoring processes. As such, the Committee welcomed provision of training for budget managers and finance officers as part of the Opening the Books review, which would help to improve and standardise the forecasting and budget monitoring processes used across the Council.

Reassurance was taken from the confirmation provided by the Cabinet Member for Finance that the Administration would be taking a 'worst case scenario' approach to setting the budget. which contrasted with the process for setting previous budgets that may have been influenced by an 'optimism bias'. The emphasis on changing the financial culture of the Council towards an organisation that openly reported issues at an early stage was commended by the Committee.

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.

Recommendation 1: That the project to maximise the functionality of the Fusion Oracle financial software was treated as a priority and resourced accordingly, given the potential high level of risk in the Council budget.

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.

Recommendation 2: 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.

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.

Recommendation 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 budget at the Budget Council meeting.

41/22

Cost of Living Crisis Review

The Committee considered a report set out in both the agenda and the accompanying supplement, summarising the feedback received from two meetings it had held to investigate the impact of the cost of living crisis upon the borough. The first meeting had invited local community leaders and representatives from the community and voluntary sector to share their experience of the impact from the rising cost of living. The second meeting was with council officers whose services had direct contact with residents.

Feedback from the meeting with community and voluntary sector groups found a number of common issues for residents around engaging with the Council, such as digital exclusion financial literacy and general illiteracy. There was also concern from the organisation about their own ability to continue to provide support given rising costs and agreed that a greater level of communication between themselves and the Council was needed to maximise the support provided to residents in the borough. A fully summary of both meetings can be found in the agenda for this meeting.

The Cabinet Member for Finance, Councillor Jason Cummings, agreed that the cost of living crisis was impacting upon everyone and highlighted that it was those with the least options who were being hit hardest. Although the Council had a role to play in supporting residents, particularly through connecting people to support, the scale of the issue was such that further intervention from the national Government was required. The Council needed to ensure it was delivering the best outcomes it could as efficiently as possible.

Members of the Corporate Management Team were also in attendance at the meeting and provided their initial feedback to the findings of the Committee. It was acknowledged that digital exclusion was a big issue, and the contact centre was being reviewed to make it easier for residents to get in contact with the Council. The library service provided free access to computers and printing, with 3,800 hours available per week. Library staff were also able to provide practical support such as help with setting up email addresses, preparing job applications and assisting with other applications. Croydon Adult Learning and Training (CALAT) also worked to promote digital literacy and exclusion including providing laptops for those who were unable to afford them.

It was highlighted that the Council's website had been updated to ensure that information about the support available was easily located from the frontpage of the site. This page also signposted to other organisations that may be able to provide support. It was agreed that this webpage was both useful and comprehensive.

It was noted that the Household Support Fund was available online, however concern was raised, based on anecdotal reports, about the Council's use of enforcement to collect Council Tax arrears. Assurance was provided to the Committee that the use of enforcement was on hold, with support provided instead wherever possible.

It was acknowledged that there were always more ways in which the Council could engage with the voluntary sector, and the new administration had been clear that it wanted to see improvement in this area. The Community Fund only made up 10% of the funding invested into the sector by the Council, with the vast majority delivered through outcomes-based commissioning. The level of support provided to organisations with the bidding process was an area that would be improved.

In concluding this item, the Committee agreed that the scale of the cost of living crisis was such that it would be impossible for them to be able to scrutinise it in one meeting. Instead, it was agreed that specific areas highlighted, such as digital exclusion, the Council's relationship with the voluntary sector and the rising cost of fuel would be scheduled into the work programme throughout the year.

Resolved: That items related to the cost of living crisis would be added to the Scrutiny Work Programme for review throughout the year.

42/22 **Scrutiny Work Programme 2022-23**

The Committee considered a report set out on pages 35 to 42 of the agenda, which set out a range of potential items for consideration by Scrutiny as part of its work programme in the year ahead. It was confirmed that the Scrutiny Chairs would work to refine this list before the next meeting by scoping items for possible scheduling in the work programme.

It was also confirmed that discussions continued about the possibility of splitting the workload of the Streets, Environment & Homes Sub-Committee by setting up a new Homes Sub-Committee. A further update on the outcome of these discussions should be available for the next meeting.

Resolved: That the draft work programme is noted.

43/22 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 9.10 pm

Signed:

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Date:

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