

Scrutiny & Overview Committee

Meeting held on Monday, 14 October 2024 at 6.30 pm in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillors Leila Ben-Hassel (Chair), Alasdair Stewart (Vice-Chair),
Ellily Ponnuthurai, Sue Bennett, Simon Fox and Catherine Wilson (reserve for
Cllr Eunice O'Dame)

Also Present: Councillor Jason Cummings – Cabinet Member for Finance, Stuart King –
Leader of the Opposition

Apologies: Councillor Eunice O'Dame

PART A

66/24 Election of Deputy-Chair of the Scrutiny & Overview Committee

At the start of the meeting, the Committee Chair, confirmed that Councillor Ellily Ponnuthurai had replaced the Deputy Chair, Councillor Rowenna Davis as a member of the Committee, following the Full Council meeting on 9 October. As such the first item of business for the meeting was to appoint a new Deputy-Chair for the remainder of the council year.

Resolved: That Councillor Ellily Ponnuthurai is appointed as Deputy-Chair of the Scrutiny and Overview Committee for the remainder of the 2024-25 council year.

67/24 Minutes of the Previous Meeting

The minutes of the meeting held on 17 September 2024 were agreed as an accurate record.

68/24 Disclosure of Interests

There were no disclosures of interest made at the meeting.

69/24 Urgent Business (if any)

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

70/24 2024-25 Period 4 Financial Performance Report

The Committee considered a report set out in the Agenda Supplement that provided an overview of the latest budget position for 2024-25 covering Period 4 (July 2024). This report was included on the agenda as part of the Committee's ongoing scrutiny of the delivery of 2024-25 budget.

In attendance for this item were the following: -

- Councillor Jason Cummings – Cabinet Member for Finance
- Katherine Kerswell – Chief Executive
- Jane West – Corporate Director for Resources and Section 151 Officer
- Kiri Bailey – Head of Commercial, Housing & Litigation Law

During the introduction to the report, the following points were noted: -

- The overall budget position had improved by £3.3m since the period 3 report, with the forecasted overspend now standing at £20.6m.
- The improved position was the result of a variety of small improvements within departments and the reallocation of £2m funding previously allocated to transformation, which was not forecasted to be used within the current year.
- There had been a Pan-London meeting of Councils held at the Guildhall last week to discuss the financial challenges faced. As the Council produced monthly financial monitoring reports rather than quarterly, like other authorities, it allowed greater oversight of the financial position.
- It was reiterated that it was still the intention of the Administration to manage the in-year overspend without having to use the General Fund Reserve.

Following the introduction, the Committee proceeded to ask questions about the information provided. The first question was whether any indication could be given on the future direction of travel in managing the forecasted overspend. It was advised that the next monthly financial monitoring report was still being prepared, so any prediction was subject to change as the report was finalised. At this stage, no significant change was expected in the next report, although it was hoped that there might be further positive improvement.

The next question asked why £2m had been transferred from the corporate fund and reallocated towards managing the overspend, and whether this was an indication of the challenge of managing demand at a departmental level. In response, it was highlighted that given the level of overspend forecasted, a whole Council approach was needed, as there was no indication that the level of demand experienced within the services would reduce. As part of this approach, £2m from the corporate budget that had previously been earmarked for transformation projects, but unallocated to in-year projects, had been reallocated towards managing the overspend. It was confirmed that this reallocation would not result in the cancellation of any planned transformation projects.

Clarification was sought by the Committee on the use of reserves to manage the forecasted overspend. It was advised that the Corporate Earmarked Reserve would be used in the first instance to mitigate any in-year overspend. At this stage, it was not envisioned that the General Fund Reserve would be used, unless there were no other reserves or unspent income to mitigate the budget position. It was highlighted that the level of General Fund Reserve held was determined by the Section 151 Officer as part of the budget setting process each year and was held for use in emergency situations.

It was noted by the Committee that the overspend had only emerged over the summer and as such it was questioned why it had not been picked up earlier. It was advised that the overspend was spread across different departments, with awareness coming at different times, with increased demand for temporary accommodation first noted in February and March, while others were at later points. The full picture could only be quantified towards the end of the summer during the preparation of the Period 2 and 3 reports. It was noted that all London boroughs were experiencing similar budget pressure points, none of which had been picked up during the budget setting process.

As a follow-up, it was questioned whether the budgetary pressures were just consistent with other London boroughs or whether it was a broader issue across the local government sector. It was advised that the pressures across London were fairly uniform, with some variation, such as all boroughs facing pressure on temporary accommodation budgets apart from Barking and Dagenham Council and Newham Council. It was highlighted that Newham Council had previously requested a capitalisation direction of £100m from the Government across the life of their Medium Term Financial Strategy to manage its anticipated temporary accommodation costs. Budgetary pressures arising from the cost of children's placements and SEND transport costs were a national issue.

It was highlighted that many local authorities were experiencing budgetary pressures within Adult Social Care, which had not been mirrored in Croydon. This was attributed to the skill level of staff within the service enabling them to mitigate the cost pressures without impacting upon the service offered to residents. This had resulted in other boroughs looking to learn how Croydon was able to deliver Adult Social Care while managing the cost pressures.

An update was requested on the work to bring Sycamore House online for temporary accommodation, as this would help to lower demand within the Homelessness service. It was advised that work continued on resolving the fire safety issues within the block, although it was not expected to be available until late in the current financial year, which meant it was unlikely to have a significant impact on the in-year overspend.

It was questioned whether the possibility of working in collaboration with other local authorities to find joint solutions to the demand for temporary accommodation had been explored. It was advised that a high level of demand meant there was a dynamic market, with local authorities competing

against each other for accommodation. Where the Council delivered additional capacity, there would be other boroughs looking to take advantage of this housing for their own residents. There had been discussions about a single homelessness service across London, but this had not been progressed. Although the Council was not working with other local authorities on the provision of housing, it did meet with other boroughs to share information and discuss strategies.

As a follow-up, it was questioned whether jointly commissioning nightly accommodation with other boroughs would help to manage the escalating cost for this type of accommodation. It was advised that it may be possible for a couple of boroughs to work together to try to achieve a preferential rate, but this would be challenging due to the high level of demand which allowed providers to approach different councils in order to achieve the highest rate. It was also advised that it would not be efficient to block book accommodation as the service responded to demand on a nightly basis. If accommodation was block booked, it could lead to a significant overspend on provision that was not necessarily needed.

The next question related to the management of the historic debt accumulated by the Council between 2017 to 2020 and the potential risks arising from this. It was advised that the borrowing from this period was for a range of different investments such as the refurbishment of Fairfield Halls. This debt had been taken on a short-term basis from other local authorities, and there were no arrangements made for longer-term loans through the Public Works Loan Board. As the short-term loans now needed to be refinanced, it would lead to increased repayment costs due to the rise in interest rates since the loans were originally taken.

It was highlighted that at the previous committee meeting on 17 September, it was advised by the Cabinet Member for Finance that further detail on the recovery plan to address the forecasted in-year overspend was unlikely to be reflected in the period financial monitoring reports until Period 5. Given that further detail was not available in the Period 4 report, an update was requested. In response, the following list of measures to address the overspend was noted:

- The Children's Service was working with its transformation partner, IMPOWER, to identify and deliver short-term saving wins.
- The first round of feedback from departments across the Council on potential savings was expected later in the week.
- Tightened Spend Control Panel procedures have been put in place, which include all Housing Revenue Account spending.
- There had been clear messaging to staff across the organisation not to spend money if it can be avoided.

- A new Agency Staffing Extension Panel had met last week and had asked all departments to reduce their agency spend, with a 20% reduction targeted across the whole Council.
- A Contracts Panel had been established, which would be asking all directorates for plans on how to reduce the cost of their contracts.
- All budget holders had been asked to confirm where they knew there was likely to be an underspend in their budgets.

As a follow-up, it was questioned how the recovery plans would feed into the development of the 2025-26 budget. It was advised that the recovery work may lead to the identification of potential savings opportunities for future years, which would be considered as part of the Star Chamber process.

In response to a question about whether the need for in-year savings could present a risk to service delivery, it was advised that at this stage none of the cuts being considered would put any services at risk.

Looking back, it was questioned what were the signs that the costs for children's placements, temporary accommodation, and SEND transport were stabilising when the budget was set in March, as from councillors' casework the level of homelessness cases was increasing. In response, it was advised that within the 2023-24 Outturn Report, it detailed a £3m overspend in the Children's Service, with the indications being these costs were stabilising. The pressure within Housing in the latter part of 2023-24 had also reduced. As such, there were no signs at the time of setting the budget that there would be an exponential increase in costs for these three areas.

It was noted that the new Government has introduced the Renters Rights Bill and as such it was questioned whether this would have an impact on the housing budget. It was advised that there could possibly be a spike in evictions as landlords left the housing rental market, but it was difficult to foresee at this stage the potential long-term impact on the market. It was highlighted that improved data collection was helping the service understand the reason why people were becoming homeless, with external landlord evictions responsible for 21% of cases. The biggest reason for homelessness was the result of family breakdown.

It was noted that the Streets & Environment Sub-Committee had recently reviewed SEND transport at its last meeting on 8 October 2024, which had led to a recommendation that a more joined-up, council-wide approach was taken to address the pressures within the service. It was noted that some of the cost for SEND transport was due to the need for some of the young people to travel outside of the borough to schools that met their needs. It was recognised that young people tended to have better outcomes with shorter journeys, which led to a discussion at the Sub-Committee meeting about new in-borough provision. It was noted that options for new SEN provision were being considered, but these would take two to three years to bring online. It

was confirmed that 560 children required transport to schools outside of the borough in the last academic year. The average cost per child for this was £14,000.

In response to a question about the short-term plans to manage the cost of the service, it was advised that it was a statutory service the Council had a duty to provide. However, this duty needed to be delivered as cost-effectively as possible, with muster points an option currently under consideration. There was also work underway to explore different ways to utilise the fleet outside of peak times to generate rental income. The best option for reducing costs was to reduce journey times, which would only be achieved through longer-term planning on in-borough provision.

At the conclusion of its questioning, the Committee discussed its conclusions and recommendations on the information provided

Actions

Following its discussion of the latest Financial Performance Monitoring report, the Committee agreed the following actions to follow-up outside of the meeting: -

1. The Committee agreed that it would look to engage with other Housing Scrutiny Chairs across London to discuss best practice in managing demand for temporary accommodation.
2. The Committee agreed that a briefing would be held on the recovery plan, once developed. The Committee was advised this would be within a few weeks.

Conclusions

Following its discussion of the latest Financial Performance Monitoring report, the Committee reached the following conclusions: -

1. The Committee welcomed the improvement from Period 3 to Period 4 and noted that the improvement was mainly due to releasing unallocated transformation funding held corporately. Greater improvement on a departmental level would come from implementation of the Recovery Plans currently in development.
2. The Committee welcomed the renewed commitment from the Cabinet Member for Finance to keeping Scrutiny updated on any substantive changes to the Council's in-year financial position.
3. The Committee welcomed the commitment of the Administration to not using the General Fund Reserve as a means for balancing the year-end budget, unless absolutely necessary, focussing instead on the delivery of in-year savings.

4. The Committee noted that the financial challenges within the in-year budget were mirrored at other London boroughs and local authorities across the country and was encouraged by the confirmation that there was ongoing collaboration with other boroughs on the shared challenges.
5. The Committee understood that 20% of homelessness cases resulted from private sector evictions, with the majority of cases caused by family breakdown. The Committee welcomed the embedding of the NEC system in Housing, which now enabled the better recording the causes of homelessness, allowing the service to better understand demand which should lead to more robust future planning.

Recommendations

Following its discussion of the latest Financial Performance Monitoring report, the Committee agreed to submit the following recommendations for the consideration of the Cabinet: -

1. The Committee welcomed the commitment of the Administration to reviewing whether there would be benefit in the SEND transport budget sitting within the Children and Young People directorate, considering they are the client department and would recommend that the outcome from this review is reported back to the Committee, as part of the budget setting process.

71/24 2025-29 Medium Term Financial Strategy Update

The Committee considered a report set out in the agenda supplement which presented an updated Medium Term Financial Strategy (MTFS) for 2025 to 2029 and initial budget savings proposals for 2025-26. This report was included on the agenda as part of the Committee's scrutiny of the budget setting process.

In attendance for this item were the following: -

- Councillor Jason Cummings – Cabinet Member for Finance
- Katherine Kerswell – Chief Executive
- Jane West – Corporate Director for Resources and Section 151 Officer
- Kiri Bailey – Head of Commercial, Housing & Litigation Law

A copy of the presentation delivered by the Council's Section 151 Officer, Jane West, can be found on the following link –

<https://democracy.croydon.gov.uk/documents/b15010/Agenda%20Supplement%20Item%206%20-%20MTFS%20Update%20Presentation%2014th-Oct-2024%2018.30%20Scrutiny%20Overview%20Commi.pdf?T=9>

Following the introduction, the Committee proceeded to question the information provided in the Cabinet report. The first question asked whether there had been any indication from the Government when they would be confirming the 2025-26 financial settlement for local authorities. It was advised that no confirmation had been provided at the time of the meeting, but it was not anticipated that it would be much earlier than the previous Government, which tended to be late in December. It was hoped that going forward a multi-year settlement would be provided, which would give greater financial certainty for local authorities.

It was noted that the MTFs included £52m of growth for 2025-26, but only £19m of savings. As such, it was questioned why the level of savings was so much lower than the growth. In response, it was highlighted that, as noted in the period monitoring report, three services were experiencing significant overspends, which made it difficult to identify savings. The level of growth was needed to right-size the budget based on the current level of demand and increased costs. The current increased level of demand for services had been modelled into the MTFs, but there was no indication that there would be a further increase going forward. There had been conversations with other local authorities across London to try to understand the potential future demand for temporary accommodation. If there was a significant increase, it would have a serious impact on the sustainability of local government in London.

In response to a question about how the budget deficit of £187m compared to other boroughs, it was noted that there was not a huge sample size at this stage, as Croydon was presenting its updated MTFs earlier than many other boroughs. Of those available, some were higher and some lower, although Croydon would always be at the higher end of the spectrum due to its population size.

Further information was requested on the savings included within the £19m. It was advised that savings included those arising from the transformation work in both Adults and Children's services with their respective transformation partners. No savings from the transformation work of BCG had been included at this stage, although it was anticipated that savings would be realised across the life of the MTFs. A request was made for further clarification to be added to the list of savings to outline the different types of savings, such as those that were invest-to-save, those that are service reductions, etc.

It was questioned what could be expected in terms of the cost of debt repayment going forward. In response, it was advised that over the past four years interest rates had gone up, which meant that although the level of general fund debt had decreased, payments had increased. Going forward, the cost of debt repayment would be dependent on the timing of when the Council was able to refinance the different elements of its debt, with it possible that some of the short-term loans could be refinanced at lower rates. The biggest issue was the continuing requirement for capitalisation, which

increased borrowing, with it likely that further capitalisation would be needed if it was not possible to close the current in-year budget gap.

Given the budget gap, it was questioned whether there was a risk of the Council needing to issue a Section 114 notice. It was advised that the guidance from the Department for Housing, Communities and Local Government was that capitalisation was their preferred solution rather than local authorities issuing a Section 114. Looking forward, the budget would be difficult to balance without an exceptional solution rather than ongoing capitalisation.

In response to a question about how the Council's financial challenges would be communicated to residents, it was advised that the budget consultation would be used to bring residents up to speed. There had also recently been a webinar for staff, 50-60% of whom lived in the borough, to help them understand their role in the delivery of the budget.

Following a recommendation made by the Scrutiny & Overview Committee last year that the budget consultation was subject to independent review prior to being launched, it was confirmed that it would be reviewed by the communications team at the Local Government Association, once the MTFs had been agreed by Cabinet. The Committee requested to be updated on the outcome of this review.

The next question asked what the key risks across the life of the MTFs were, other than demand pressures. It was advised that the MTFs report presented the best and worst-case scenarios based on current assumptions. Other risks included the uncertainty of having a new Government in place who were undertaking a spending review, the potential impact on the Council's wage bill from an increase to employer National Insurance contributions, and there was still concern about inflation and the cost of borrowing. The Council also worked in partnership with the Police and the Health Service, who were facing their own budget pressures, which could result in cost shunting that would be difficult to predict.

In response to a question about the Council's approach to asset disposal, it was confirmed that a report setting out the assets for disposal in tranche 3 of the Asset Disposal Plan was being finalised. The Improvement & Assurance Panel had acknowledged that the Council had increased the pace of its disposals, although the third tranche was likely to include more complex proposals that could require service reorganisation and office moves, which would take time to deliver. The income targeted in 2025-26 from asset disposals would be delivered from sales across the three tranches, as the time taken to progress sales meant the tranches were overlapping.

The final question of the session asked whether consideration would be given to increasing Council Tax above 4.99%, if the new Government increased the cap. It was advised that 4.99% had been included in the MTFs as an assumption based on the current cap. If the Government changed this and

allowed a higher cap, then the level proposed would need to be reviewed in that context, taking account of the fact that the level of Council Tax in Croydon was already the second highest in London. It was highlighted that the Mayor had given a commitment to not exceeding the cap.

At the conclusion of the item, the Committee discussed their conclusions and recommendations based on the information provided. The Chair also thanked the Cabinet Member and officers for their engagement with the questions of the Committee

Actions

Following its review of the updated Medium Term Financial Strategy, the Committee agreed the following actions to follow-up outside of the meeting: -

- The Committee agreed it would look to explore how other local authorities are communicating with their residents about their financial challenges, separately from the budget consultation.
- The Committee agreed that a briefing would be requested on Tranche 3 of the Asset Disposal Plan, once the Cabinet report was available, ahead of the Cabinet meeting.
- The Committee recognised that their understanding of the management of the Council's debt and treasury management would benefit from further training, which would be arranged ahead of its consideration of the 2025-26 Budget.

Conclusions

Following its review of the updated Medium Term Financial Strategy, the Committee reached the following conclusions: -

- The Committee recognised that the Council's financial position remained extremely fragile, particularly managing London-wide and national challenges to the local government sector, on top of the Council's existing debt burden.
- The Committee acknowledged and commended the transformation work of the Adult Social Care service, which meant they were better able to manage demand and as a result were outperforming other London boroughs.
- The Committee acknowledged and recognised the current uncertainty, as the draft MTFS was being considered in advance of the Government Autumn Statement. It recognised further uncertainty as the new government's approach to local authority finance, including any future council tax referendum cap level, had not yet been announced. This meant that there would need to be further options appraisals for closing the 2025-26 budget gap, which would in turn lead

to changes in the estimates and projections set out in the draft MTFS presented at the meeting.

- The Committee concluded that given the financial challenges facing the Council from its debt burden, in addition to increasing demand and growth pressures, meant that the 2025-26 Budget would be riskier than previous years, even if greater certainty was provided in the new Government's Autumn Statement. The Committee also concluded that a service delivery was likely to be at greater risk as a result.

Recommendations

Following its review of the updated Medium Term Financial Strategy, the Committee agreed to submit the following recommendations for the consideration of the Cabinet: -

3. The Committee recognised the importance of all Members understanding the in-year financial challenges. As such, it recommends that an all-Member briefing is arranged in a timely manner.
4. The Committee felt that it was important for residents to be made aware of the challenging in-year financial position and the impact upon the Medium Term Financial Strategy. As such, it recommends that residents are regularly updated on the in-year financial challenges and related impact on the MTFS as part of the Council's email newsletter to residents.
5. As the Council's ability to gather data more effectively had improve, the Committee recommends that it be better used within the Budget report, due in February 2025, to demonstrate the robustness of assumptions informing budget decisions.
6. The Committee recommends that 2025-29 Medium Term Financial Strategy report provides greater clarification on the way it reports savings proposals (Appendix B) by providing a sub-category to Transformation items in the 'Savings Type' column e.g invest to save, new ways of working, service redesign etc.
7. Following the Administration's confirmation that the Committee's recommendation from last year, for the budget consultation plan to be independently reviewed, the Committee recommends that the feedback from the LGA's review of this year's Council's Budget Consultation is shared with the Committee ahead of its launch.
8. Given the importance of prevention in managing demand in those services experiencing the greatest overspends, the Committee recommends that further detail on prevention workstreams is included within the Budget report.

72/24 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 9.34 pm

Signed:

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Date:

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