

## Scrutiny & Overview Committee

Meeting of held on Tuesday, 4 September 2018 at 6.35 pm in Council Chamber - Town Hall

### MINUTES

**Present:** Councillors Sean Fitzsimons (Chair); Jerry Fitzpatrick; Stuart Millson; Joy Prince and Andy Stranack

**Also Present:** Councillor Hamida Ali, Richard Chatterjee, Jason Cummings, Patsy Cummings, Simon Hall, Yvonne Hopley, Gareth Streeter

**Apologies:** Councillor Sherwan Chowdhury and Robert Ward

### PART A

#### 12/18 **Minutes of the Previous Meeting**

It was noted that an amendment was required on minute 13/18 bullet point 4 to read Corporate Plan rather than Corporal Plan.

**Resolved:** That the minutes of the meeting held on 10 July 2018 were agreed as an accurate record, subject to the aforementioned amendment.

#### 13/18 **Disclosure of Interests**

There were none.

#### 14/18 **Urgent Business (if any)**

There were no items of urgent business.

#### 15/18 **Report of the Chief Executive / Head of Paid Service**

The Committee received a presentation from the Chief Executive and Head of Paid Service of Croydon Council, Jo Negrini, which covered the proposed new operating model and an update on staffing at the Council.

A key activity at present for the Council was the production of the new Corporate Plan, which would be considered by the Cabinet at their meeting on 28 September. This would set out the priorities for the next four years and reflected commitments made in the Labour Manifesto. The purpose of the new operating model was to set out how these priorities would be achieved. During the course of the Chief Executive's presentation the following points were noted:-

- It was estimated that the population of Croydon would grow to 445,000 by 2031. This would mean that it was growing faster than most of other areas of London. Croydon also had the youngest population of any London borough.
- Croydon was cited in both the Local Enterprise Partnership for London and the Coast to Capital Local Enterprise Partnership as a key economic area.
- £105m had been removed from the base budget since 2011/12 and when countered against a rising demand for services from local residents provided a significant challenge. This meant that the Council had to rethink how it could deliver its services differently, such as working with people at an earlier stage and ensuring that the different services offered across the Council were coordinated.
- Over the past 12 months the Council, in conjunction with the NHS, had conducted a major data gathering exercise to establish which services were most used by residents across the Borough, with a view to establishing how best to preventing issues becoming more serious problems.
- Analysis of the data had demonstrated that different parts of the Borough had significantly varying needs which would enable the Council to focus services to where they were most needed.
- Through this process it had become clear that there was a need for increased collaboration with partners, such as the NHS and community groups, to ensure that all available money was being spent on the key priorities for the borough. It would also be essential to involve residents in the design and delivery of services to gain public buy-in of the new model.
- As part of the process the organisational design of the Council was being reviewed, with a different model of working being trialled to establish whether it would achieve the intended outcomes or not. This new model would be tested in three localities in the Borough, namely Thornton Health, New Addington and Coulsdon.

It was questioned how Members would be given the opportunity to feed into the process of developing the new operating model. It was confirmed that Officers had been working with the Administration on the development of the new operating model, but once work started on the design and delivery of services in localities across the Borough Officers would also increasingly work with local Ward Members.

As a follow up, it was questioned how Cabinet Members would retain an overview of what was being implemented. In response it was confirmed that Cabinet Members would be provided with regular updates including performance information on the areas within their Portfolios.

Given the potential scope of the new operating model, it was questioned how this would impact upon other existing areas of the Council's business. In response it was highlighted that it had been a conscious decision to introduce the new model initially through pilot schemes so as not to impact upon the other good work of the Council. This would allow the Council to test the potential benefits of the new operating model and provide stability before consideration was given to a more fundamental change.

In response to a question about the cost of implementing the new pilots, it was confirmed that at this stage the only additional revenue resource was for a dedicated programme director, as the pilots would be operated within existing teams. There may need to be some capital expenditure to ensure that the right hub was available at each of the three pilot locations.

It was questioned whether the Council had the appropriate facilities to host the pilot schemes in the three aforementioned locations. It was highlighted that a key criteria for any building would be flexibility, as it was not about making mini-Council offices. It was more likely that the hubs would involve some form of co-location with partners or through the use of existing facilities such as libraries.

It was noted that one of the themes of the Labour manifesto was empowerment and providing people with the opportunity to have control over their own lives. Although it was acknowledged that it could be viewed as an underlying theme across the Corporate Plan, it was suggested that further thought should be given to strengthening this theme by including it as a separate priority within the Corporate Plan.

In response to a question about how the new operating model would allow services to be responsive to local need, it was highlighted that successful delivery would be dependent on the information and data available for each area. At present the Council delivered a one size fits all service. If the pilots were successful then it could be transformative with services designed specifically for local areas.

There was a concern that the model could be taking a too top down approach and as such it was questioned how input from local residents could be used to inform services. In response it was highlighted that any project from the Council would initially start out from a top down approach, but with locality based work, it would allow officers to learn from the experience of residents and build trust within the local community.

In response to a question about the different types of information used to inform the database for the project and whether research from the Fairness Commission had been included, it was advised that a wide variety of information was being used. Information provided by Councillors on their local areas would also form a valuable source of information for the project as it developed.

It was highlighted that being able to communicate the new approach to local residents would be key to the new model, as it was essential to take people

along with the Council to ensure successful delivery. The pilots would give the Council the opportunity to develop new methods of communication with local communities on a smaller scale.

In response to a question about the potential risks, it was highlighted that although the long term future for public services was largely unknown, it was likely that greater collaboration would be essential. There were also other unknowns such as the impact of Brexit, which meant that public services would need to be more creative about how services were delivered going forward.

From the section of the Chief Executive's presentation focusing on the Council's staff, the following points were noted:-

- The Council employed 3,132 members of staff, 66.19% of which were female, 56.19% were Black, Asian and minority ethnic (BAME), 8.17% had a declared disability and 5% had a declared sexual orientation other than heterosexual/straight. However non-disclosure rates were 25%, which was considered to be high, with an aim to get this closer to 10%.
- The last Staff Survey had been carried out in January 2018 and had a response rate of 75%, which was particularly encouraging in light of the 46% response rate of the previous survey in 2014. Highlights from the survey included 88% of staff recommending Croydon Council as an inclusive employer, 92% of staff feeling valued by their team and 87% of staff feeling valued by their line manager.
- From the Survey, there appeared to be a concern amongst staff that there was limited opportunity for upward progression within the organisation with only 23% of staff feeling supported in their career progression. It was highlighted that work had been undertaken to improve access to secondments and provide increased opportunities for staff to act up, but it was recognised that this work would benefit from greater coordination.
- There was also a view that some of the HR policies and practices were inconsistent and as such the staff networks would be involved in helping to address some of the identified weaknesses within the organisation.
- A new appraisal process had been implemented for staff. Previously appraisals had been linked to pay increases, but were now much more focussed upon good conversations with staff. The current appraisal rate was 88%, but it was acknowledged that this still required improvement.
- A lot of work had been put into updating the Council's diversity training, including the recent roll out of unconscious bias training, with a view to tackling issues on BAME and disability employment.

- Four separate Leadership Development Programmes had been developed, namely the Leadership Programme for Croydon, Leadership Effectiveness and Career Development for BAME Staff, Women's Leadership Development Programme and Realising your Potential and Career Development for Aspiring BAME Managers. To date there had been 224 participants, including 120 BAME staff, with 42% of the graduates successfully achieving career progression. The Council was also in the top 30% of employers in the Stonewall Workplace Equality Index.

The Chairman of the Committee, Councillor Sean Fitzsimons, thanked the representatives from the Staff Networks for their attendance and asked what the most important issues were for the members of their networks. The representatives from the both the Carers and Women's Network advised that the consistent application of the agile working policy was the most important issue for their members. The representative from the BAME network advised that the most important issue for his members was the opportunity for progression within the organisation.

As a follow up, it was questioned whether the Groups felt that progress had been made to deliver improvements on these issues. It was advised that senior officers were aware of the consistency issues around agile working and steps were being taken to introduce improvements. It was also advised that the Women's Network would be looking to survey their members to gain a greater understanding of how the policy was implemented at a local level. The BAME Network representative highlighted that there had been improvements for staff career progression opportunities with the introduction of the leadership programmes, a mentoring scheme and increased secondments opportunities.

Given that the Ofsted report had presented a different view of staff morale, it was questioned whether the Staff Survey results provided a true reflection of staff views. In response, it was highlighted that the return rate for the Staff Survey had been 75%, with a good range of responses from across the Council. It was advised that senior management was aware that there had been an issue with staff not receiving appraisals, which fed into the issues raised by Ofsted.

The improvement to representation within the workforce of the Council was welcomed by the Committee and seen as very encouraging.

In response to a question about whether agency staff had been given the opportunity to complete the Staff Survey, it was confirmed that they had, but the responses for these staff had not been separated from other staff for the purposes of the meeting, but could be made available to the members of the Committee.

The use of agency staff was highlighted as a potential concern, particularly whether these staff would have the same awareness of the corporate ethos as permanent staff. As such it was questioned how it could be ensured that agency staff were instilled with the corporate approach? It was advised that in

some areas of the Council, such as Children's Services there was a high proportion of agency staff employed, who were often on higher wages than permanent staff, which brought challenges. A requirement for agency staff to have supervisions had been brought into effect, which would help to ensure that they were familiar with the ethos of the organisations. A focus was also placed on temporary staff becoming permanent through providing support and opportunities for career progression at the Council.

It was noted that a Back to Basics initiative was being planned and as such a future update was requested once available.

It was requested that it would be useful to have a follow up report on staffing at the Council in twelve months, including an further information on the level of agency staff employed and an update from the Staff Networks.

### **Conclusion**

Committee welcomed the report, and proposed pilots to test the proposed New Operating Model.

Committee also welcomed the improvement in staff satisfaction and the actions taken to achieve this, in particular we welcomed the active engagement of the staff networks, and acceptance that previous organisational restructuring hadn't worked.

### **Recommendations**

1. That the Cabinet gives further consideration to how the Labour Manifesto pledge to empower local people and communities can be made more explicit within the new Corporate Plan priorities.
2. That detailed analysis from the staff survey, providing information on a departmental level and also relating to Agency staff is shared with the Members of the Scrutiny & Overview Committee.
3. That further information is provided to the Scrutiny & Overview Committee on the outcomes from the Back to Basics initiative, once it is available.
4. That a further report on staffing be brought back to the Scrutiny & Overview Committee in 12 months.

#### **16/18 Work Programme 18/19**

The current work programme for 2018/19 was agreed.

#### **17/18 Update on Financial Strategy 2018/22 - Asset Investment**

The Cabinet Member for Finance and Resources, Councillor Simon Hall, introduced the report, highlighting to Members that it had been a priority in the Labour Party election manifesto to use the borrowing power of the Council to improve service delivery and increase income generation. The Asset

Investment Strategy set out in the report formalised this commitment using a balanced approach.

The Executive Director for Resources advised that local authorities were increasingly pursuing property investment as a means of increasing income and as such the different approaches employed by other authorities had been used to highlight best practice in designing the Council's own strategy as well as being informed by the framework provided by the Chartered Institute of Public Finance and Accounting (CIPFA).

The Chairman, Councillor Sean Fitzsimons, welcomed the paper, but questioned whether it linked into the Council's strategy for dealing with its existing debt. In response it was confirmed that a key intention of the Strategy was for each investment to deliver a net income above the cost of borrowing. It was not expected that this would lead to an additional burden on Council Tax Payers, with the risks carefully reviewed before any decision to proceed on each purchase.

As a follow-up it was questioned whether there were the requisite skills with the Council to build and manage an investment portfolio. It was confirmed that an element of professional advice would be required on each decision and some investments may be in need of a strong asset management presence which would need to be bought in and factored into the costs. The Council does have a certain level of expertise in this area within the workforce, but it additional support would need to be brought for the more technical aspects.

The Cabinet Member, Councillor Simon Hall, highlighted to the Committee that there were risks in pursuing this approach, which increased as more was invested, even with a balanced portfolio. It was also highlighted that there would be a focus within the strategy of pursuing investment opportunities within the borough, unlike some other local authorities who invested across a wide geographical area.

The main risk factors were questioned along with the Council's ability to mitigate against any such risks. It was confirmed that any valuation report on an investment would include a number of different valuations including redevelopment for other uses. Additionally the risks involved in each investment would be thoroughly reviewed prior to purchase and steps to mitigate against these identified where possible.

It was questioned whether the Asset Investment Strategy would have an effect upon the Council's ability to borrow to build public assets? It was highlighted that the Council was already borrowing funds to build new housing and that the intention of the strategy was to increase income for other options.

It was also questioned how the different factors were balanced when deciding if an investment should be pursued or not. It was advised that should one factor raise significant concern, then it may be enough to rule out an investment, but it would need to be balanced against the other factors involved as part of the whole picture.

Although the decision to focus on investment within the Croydon area was welcomed, it was also highlighted as a potential risk should the property portfolio become too heavily focussed in a small area. In response it was confirmed that most local authorities would be predominantly invested in their local area, but this would be factored into the risks considered as part of any investment. It was highlighted that the Council did have a more diverse investment portfolio in the Council's pension fund. It was also highlighted that property in Croydon was relatively cheap in comparison with much of London

Although the principles underlying the strategy received a general level of support amongst the Committee there was concern raised about the transparency of the process and in particular how Members of the Opposition would be kept informed of investments and whether the process would benefit from greater oversight.

In response it was confirmed that in developing the Asset Investment Strategy it had been designed to address these concerns, however there was an issue relating to the short timescales for commercial negotiation that restricted the amount of consultation that could be arranged, but briefings on decisions could set up. As a solution it was suggested that it may be of benefit to brief lead opposition Members and possibly the Chairman of the Scrutiny Committee prior to a decision being taken.

There was a general consensus that the ten criteria set out in the strategy provided a good basis for decision making, although there were differing views expressed on focusing investment solely in Croydon. There was a suggestion that an additional criteria to allow consideration of the reputational risks in certain investments should also be considered.

### **Conclusion:**

The Scrutiny Committee welcomed the report, and its explanation of the Council's proposed decision-making matrices, but we also note that it was produced after the first bid had been lodged, and without this paper it would not have been possible to judge the soundness of the acquisition.

### **Recommendation**

That the Cabinet improves how the Minority Group is formally briefed prior to decisions being taken on individual investments as part of the Asset Investment Strategy, and ensure the briefing is done early in the process.

Any future asset acquisition paper should refer back to the proposed matrices and the judgements the Council has made to recommend approval of the purchase.

18/18

### **Call-In : Acquisition of the Freehold interest in the Croydon Park Hotel as a commercial investment**

Councillor Andy Stranack introduced the Call-In item, outlining the reasons why the key decision to acquire the freehold interest in the Croydon Park

Hotel had been called in. These reasons included the decision being made over summer holiday period which raised concern over the transparency of the process, there did not seem to be a clear framework in place for the decision to be made, there was concern that the purchase was inconsistent with the budget and that it was not in keeping with Council policy.

The Committee agreed (3 votes for and 2 against) that it would review the decision and allocated 30 minutes for this item.

Councillor Simon Hall, the Cabinet Member for Finance and Resources, advised the Committee that in making the decision the risks and rewards had been analysed and it was felt that the property represented good value as an investment. The asset included a long lease with the current tenant and from the valuation it was estimated that the return would be in excess of £1m per annum over the cost of borrowing. There was also good potential for the future redevelopment of the site should the hotel no longer prove to be viable.

The Executive Director for Resources highlighted to the Committee that the existing Cabinet Asset Strategy, which was agreed in 2014, included provision for income generation, but Asset Investment Strategy (the previous item) had been brought forward to put a framework in place for future asset investment. The Efficiency Strategy also included provision for pursuing commercial opportunities and the investment would contribute towards the delivery of 2018/19 budget.

The Chairman outlined that having reviewed the process and the information provided it was for the Committee to decide the outcome of the call-in. It having been confirmed that there was an existing principal in place for asset investment, which was supplemented by the previous item on the agenda, the Committee would have to decide whether there remained valid reasons for the call-in based on the four criteria outlined in the original call-in request, namely:

- i) The decision is outside the policy framework;
- ii) The decision is inconsistent with the budget;
- iii) The decision is inconsistent with another council policy; and
- iv) Other:-

“The decision was not open and transparent. There has been no opportunity for questions to be raised by back bench Councillors and the public to verify compliance with policies and the budget, and that the purchase is a sound investment. ”

Councillor Jason Cummings raised concern that as the purchase was predicated on an expenditure of money to receive a return, the financial information provided raised questions about the tenants continuing ability to pay their lease. The accounts showed a loss of £290,000, with reserves of £140,000 and having previously been sold in July 2017 still showed a loss. As such it was questioned should the tenant default on their payments, if it would still be a good acquisition and how was the covenant strength rated?

The Executive Director gave reassurance that the company set up to manage the property had never been late in making their payments and there was no suggestion that they were struggling to pay. The new owners had made improvements to property and the valuation report provided valuations for other uses including redevelopment. The sale was being conducted on the open market with four other interested bidders.

It was also confirmed that the covenant strength provided was not a strong covenant strength. The strength was provided by the sites location and its redevelopment potential. The valuation took into account the weak covenant strength and that the tenant was fully paid up and looking to make further investment in the property.

Councillor Stuart Millson advised that he would be reluctant to support the Cabinet decision as he was concerned that the framework had not yet been adopted and as such felt the purchase to be premature. It was also felt to be questionable whether this particular investment was too much of a risk with public money.

On the basis that the information provided gave sufficient reassurance that the risks of the investment had be fully considered and that all points raised had been answered it was agreed that no further action was necessary and that the decision could proceed as originally intended (four votes in favour and 1 against).

**Recommendation**

That no further action is required and the decision can be implemented.

19/18 **Exclusion of the Press and Public**

Not needed.

The meeting ended at 10.55 pm

**Signed:**

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**Date:**

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