

REPORT TO:	CABINET 14 December 2020
SUBJECT:	The Croydon Renewal Improvement Plan - Update
LEAD OFFICER:	Katherine Kerswell, Interim Chief Executive
CABINET MEMBER:	Councillor Hamida Ali, Leader of the Council
WARDS:	All

SUMMARY OF REPORT:

This report provides an update on the development of the Council's submission to MHCLG in support of a capitalisation request and the Croydon Renewal Improvement Plan. These will set out how the Council is responding to the various reviews and recommendations that have highlighted areas for improvements.

The Improvement Plan builds on the new priorities and ways of working adopted by Council, and brings together over 400 recommendations that have been received with the support of external expert advisors, including the MHCLG Rapid Review. The report also provides summary of the Council's approach to programme and project management and performance management to strengthen our systems in these key areas.

The Interim Chief Executive, in accordance with the delegation provided by Council, will submit these to MHCLG for consideration. This is expected to take place on 15 December 2020.

FINANCIAL IMPACT:

There is no direct financial impact arising from this report. The submission to MHCLG is needed for the Government to formally consider the request for exceptional financial support for the council in order to resolve the second Section 114 notice that has been issued on 2 December 2020. Without this support the council will be unable to deliver a balanced budget this financial year and over the period of the Medium Term Financial Strategy. Delivery of the Improvement Plan will be essential to the Medium Term Financial Strategy and ensuring the Council moves to a sustainable financial position.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out below:

RECOMMENDATIONS:

- i. Note the updates in relation to the Croydon Renewal Improvement Plan; and
- ii. Note that the Chief Executive, in accordance with the delegation approved by Council on 28 November, will submit to MHCLG the

proposal for a capitalisation direction on 15 December and provide an update to the Cabinet meeting as this progresses.

1. Executive Summary

- 1.1 At the previous Cabinet and Council meetings it was agreed that the Council develop a submission to MHCLG in support of a capitalisation request. This would include the Croydon Renewal Improvement Plan, setting out how the Council would respond to the various reviews and recommendations that have highlighted substantial need for improvements.
- 1.2 Chief officers, working with the Leader and Cabinet, have been developing the submission and Improvement Plan. This report provides a summary of progress and outline of the key elements that will form our submission and Improvement Plan.
- 1.3 The Improvement Plan builds on the new priorities and ways of working adopted by Council, and brings together over 400 recommendations that have been received with the support of external expert advisors. This included the MHCLG Rapid Review. Alongside the Improvement Plan, the Council is adopting a new Programme and Project Management framework and performance management to strengthen our systems for monitoring and reporting performance in order to provide transparency and assurance on delivery of these critical activities.
- 1.4 The MHCLG submission will outline the current financial position and three year forecasts, together with the recovery plan. This incorporates the savings proposals that are currently the subject of public consultation.
- 1.5 The Interim Chief Executive, in accordance with the delegation provided by Council, will submit these to MHCLG for consideration. This is expected to take place on 15 December 2020.

2. Background

- 2.1 As reported to recent Cabinet and Council meetings, the Council has experienced a challenging financial period, culminating in a Section 114 notice being issued on 11 November 2020 and again on 2 December 2020. Under the Section 114 notice the Council has implemented a range of spending restrictions.
- 2.2 Whilst the challenging financial period followed reductions in annual funding from national government due to its austerity programme, it is clear that the situation was made more difficult as a result of decisions and actions taken by the council.

- 2.3 In September 2020 the Cabinet and then Full Council, resolved that despite substantial in year savings being identified, additional financial support was required. The Interim Chief Executive was requested to make a formal approach to MHCLG to seek a capitalisation direction to enable the 2020/21 budget to be balanced as required by law. Discussions have continued with MHCLG.
- 2.4 The Croydon Renewal Plan has been developed to deliver fundamental transformation of the Council's systems of internal control, governance and management were required to underpin any financial recovery.
- 2.5 The Croydon Renewal Plan will form a key element of the submission to MHCLG and will need to provide assurance against a number of key issues:
- Implementing the actions in response to the External Auditor's Report in the Public Interest (RIPI), that set out the systemic issues that led to the Council's current situation.
 - Strategic review of the Council's companies and other entities and the governance and oversight of these arrangements
 - Structural deficits in the children's social care and adult social care budgets, which have developed over time and now present a substantial overspend pressure against the Council's approved budget
 - Improving the Council's general fund and earmarked reserves
 - Improving the Council's governance arrangements, including financial reporting, risk management, programme and project management
 - Implementing the recommendations of the independent finance review, which was previously reported to the General Purposes and Audit Committee in October 2020
 - Any recommendations from the MHCLG non- statutory Rapid Review team who recently undertook a comprehensive assessment of the Council's position, with a report submitted to MHCLG at the end of November 2020.
 - Responding to the very clear feedback from staff through the recent staff survey, focus groups and webinars.
- 2.6 Work has already commenced on the required improvements. With new political and managerial leadership in place, the council has developed a wide-ranging improvement plan. A number of improvements have already been implemented. There is monthly budget monitoring and reporting. A redesigned budget-setting process incorporating challenge, benchmarking, and external independent expert advice has been used to identify and validate savings. Social care panels review placements and packages to ensure their suitability and affordability.
- 2.7 The Council has utilised a range of independent external support to inform and develop our improvement actions. This has included financial expertise, support from the Local Government Association and experienced subject matter experts. The Council has welcomed this external support and challenge and recognises the benefit it provides in driving improvement. Given the scale and breadth of improvement required, the Council formally resolved on 30

November 2020 to consult on terms of reference and membership for an externally and independently chaired Croydon Renewal Improvement Board. This is due to be considered by Cabinet and Council in January for final approval. Ongoing discussions with MHCLG will include how any such Board links with their requirements.

3. Croydon Renewal Improvement Plan

3.1 The pandemic and financial context have changed the focus and key priorities for the Council, The new Leader and her team worked quickly to identify a framework of new “Priorities and Ways of Working” which were adopted by Council on 30 November 2020. These replaced the Corporate Plan 2018-2022 and will shape the Council’s approach to its improvement work, service delivery and to help prioritise scarce resources.

3.2 The new priorities are:

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on tackling ingrained inequality and poverty in the borough. We will follow the evidence to tackle the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe. To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.

3.3 New ways of working were also adopted as follows:

- We will practise sound financial management, being honest about what we’ve spent and what we can afford.
- We will focus on what we, uniquely, can do as the local authority as the democratically elected leaders of our borough. This means we will focus on our core services, and a small number of evidence-based outcomes that deliver our priorities. But we will also continue to use our democratic mandate to convene our partners around a common purpose and to make a clear case for a better deal for Croydon.
- We will aim to become a much more transparent, open and honest council. We will involve residents in our decision making. But we will also need to be clear with residents about what we can do, and what we can’t. When we have to say no, we will do so with compassion and take the time to explain our decisions.

3.4 These form the context for our Improvement Plan. The high level improvement plan, previously approved at Cabinet, has been updated based on feedback from MHCLG. A revised summary is set out in appendix 1.

3.5 The Croydon Renewal Improvement Plan will give effect to nearly 400 recommendations arising from the independent expert-led reviews of the council's governance, financial management and subsidiary companies. A key component is the financial recovery plan, with proposals for savings and income generation over the next three years. The Improvement Plan will incorporate further actions arising from reviews that have not yet reported.

4. Financial Recovery Plan

4.1 There is a reported forecast overspend of £30m this financial year excluding Covid19 expenditure funded by grant. In addition, the council must provide for additional emerging risks of £40m, of which £31m relates to Brick by Brick, the council's arm's length development company. In total, the council is seeking a direction to capitalise £70m of revenue expenditure in the current year so that it can contain spending within available resources and build sufficient resilience to support its improvement journey.

4.2 The council's medium term financial strategy shows that after identifying £81.5m of spending reductions and efficiencies savings to be delivered over three years, there remains an ongoing deficit of £78.7m.

4.3 The council has sought further opportunities to close this gap and has identified that by reducing expenditure on social care to the London average per head of population, the council will create an opportunity to realise further reduction in spending. Recognition of the very specific costs arising from the role Croydon Council plays as one of the national port of entry authorities for UASC is needed from the Home Office, DfE, MHCLG and others. This is essential in resolving issues concerning its expenditure on unaccompanied asylum seeking children, where it is a significant outlier on both volumes and cost. This is because Croydon is a national point of entry and we have to manage the volumes of these children entering the capital on behalf of the rest of the country. Our submission will emphasise the importance of agreeing financial support for this area of work separate to our capitalisation requirements.

4.4 Further council-wide measures to reduce expenditure have been identified including a review of assets enabling significant disposals, management restructuring, digitisation and service redesign to enable more people to self-serve and to support the improvement and efficiency of internal business systems. These measures are expected to generate the necessary savings to close the remainder of the gap.

4.5 The initial review of assets has identified operational assets valued at £47.9m that will be vacated for disposal over the MTFs period, subject to securing best value consideration in disposal taking into account the very changed market conditions following Covid. In addition the council is currently exploring disposal options for its investment properties.

4.6 In order to provide the necessary time for these measures to be deployed and take effect, a direction allowing the council to capitalise revenue expenditure in the period 2021/22 to 2023/24 is sought up to £80m, making a total of up to £150m of additional borrowing overall including the current year, 2020/21.

4.7 The forecast capitalisation requirement is summarised in the table below.

Table: Forecast Capitalisation Requirement							
	2020/21 (£000)	Incremental			Cumulative		
		2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)
Forecast Budget Gap		108,354	26,852	25,088	108,354	135,206	160,294
Service reductions and efficiencies		(43,329)	(21,635)	(16,567)	(43,329)	(64,964)	(81,531)
MTFS Budget Gap	0	65,025	5,217	8,521	65,025	70,242	78,763
In year spending pressures	58,111						
In year savings	(27,900)						
Month 6 Forecast	30,211						
Additional in year savings	(500)						
Emerging risks:							
1. Brick by Brick	31,000						
2. Other	9,000						
Budget Gap	69,711	65,025	5,217	8,521	65,025	70,242	78,763
MTFS Financial Recovery Plan		(15,025)	(30,217)	(28,521)	(15,025)	(45,242)	(73,763)
Total	69,711	50,000	(25,000)	(20,000)	50,000	25,000	5,000
Capitalisation requirement	(70,000)	(50,000)	(25,000)	(5,000)	(50,000)	(25,000)	(5,000)

4.8 The intention is to front-load the service reductions and efficiency savings as much as possible to reduce the amount of borrowing required. This is in addition to fulfilling the council's responsibilities in respect of staff and public consultation and mitigation of any risk to Covid delivery and the vulnerable. This will ensure that the programme is delivered on a realistic but challenging timetable.

4.9 The changes required to place the council on a financially sustainable footing inevitably mean a reduction in the range of services and facilities for the people of Croydon, with a review of libraries and the loss of some leisure facilities. They also entail possible further job losses for council staff. In several areas services will be reduced to the statutory minimum. The council's strong partnerships with other statutory agencies, businesses and the voluntary and community sectors, evidenced so strongly during the coronavirus pandemic, will be essential for enabling the council to fulfil its responsibilities within the reduced financial envelope and mitigate the impact on vulnerable residents as much as possible.

5. Council wide improvement

5.1 The Council has assessed the full range of its services against its statutory duties. In most areas, spending will be reduced to the levels required for the Council to fulfil its statutory functions. But Croydon Renewal Improvement Plan is about more than spending reductions. There are measures concerning efficiency, rationalisation of assets, service redesign and digitisation, culture change, governance and management of risk.

5.2 A restructure of the Council's management arrangements is currently proposed for consultation, which will address the capacity and capability needed to deliver Croydon's Renewal Plan and ensure that high quality service delivery is maintained. For this reason it will ensure that the necessary skills and resources required are available for the improvement work, and appropriate management and control of finances and risk management. The restructure is subject to consultation of staff and members, the outcome being taken to Cabinet and Council for final decision and then formal consultation and implementation in accordance with JNC and NJC terms and conditions of service.

5.3 Croydon Renewal Improvement Plan includes actions to effect a change in culture and governance behaviour, as well as changes to processes and systems. The scope includes decision-making, transparency, performance management, accountability and establishing value for money across the council. There are sections concerning behaving with integrity and demonstrating a strong commitment to ethical values; respecting the rule of law; and openness, transparency and engagement. As part of the overall improvement plan, the council's senior leadership recognises that it needs to lead this transformation by ensuring the following:

- Clearly articulate and make transparent the behaviours expected from all staff through to the most senior leadership levels
- Re-induct all staff on the expected behaviours and a clear, transparent performance framework
- Hold all staff accountable for the expected behaviours and results (with consequences for inappropriate behaviours).

- 5.4 The Council will reconfigure its customer facing services with an emphasis on reducing face to face contact and increasing digital access. Croydon is in the process of transforming and digitising its operations, to manage demand better at the front door and operate more efficiently in the back office. Croydon Digital Service (CDS) adopted best practice from industry and the national Government Digital Service in 2018. It has since developed the strategy, capability, standards, processes and technology to transform the Council effectively, while achieving savings. It is already:
- applying user-centred design methodology to meet users' needs fully online
 - ensuring desired outcomes are achieved by continuous testing and releasing project funds in line with agile project phases (discovery, alpha, beta, live)
 - adopting a platform approach: working towards an architecture of "small parts loosely joined", reusing common components across services to join up the user experience, avoid duplicative costs, and reduce the cost of future change, ending reliance on unaffordable software programmers
 - developing a new user-centred website, modelled on GOV.UK, completing in June 2021
 - enabling the whole workforce to use MS Teams, reducing face to face contact, and speeding up decision making and collaboration.
- 5.5 The council's digital team continues to identify income opportunities; proposals include increased income from renting hardware capacity to another local authority, with a contract already in place generating income. Contract procurement will deliver significant savings in 2021/22, based on core IT contracts that expire in May 2022 covering data centre and cloud hosting, end user technical support, IT infrastructure, hosting and networks, mobile phones, print and telephony.
- 5.6 A pipeline of digitisation projects focuses on fixing the basics and driving savings. These will be assessed as invest to save, with an assessment of the return on investment. They include improving and automating contact between the council and residents; moving to remote residents appointments by default (with recognised exceptions); and rationalising and consolidating a large number of websites and electronic forms onto two corporate platforms, saving money on the technical and administrative costs. An end to end process review of Access Croydon and the Contact Centre will consider embedding 'Digital by Default' and making best use of Access Croydon space that becomes available.
- 5.7 The review of capital programme covers all future and current capital projects as well as the asset investment strategy, to reduce and delay projects in order to ensure annual borrowing costs are kept at an affordable level. Capital expenditure has been reduced by £155m (45%) in-year against a programme totalling £343m. This will reduce capital borrowing payments by £1.7m in 2020/21. No further investment will be made in the £200m investment fund.

Opportunities will be taken to manage the borrowing through treasury management arrangements and replace expensive loans as they come up for renewal. The council's policy for providing for debt repayment (MRP Policy) will be reviewed to minimise risk to the council. This will apply to loans to Brick by Brick, which were originally expected to be paid off by the company from sales of the homes it developed.

6. Delivery and Monitoring

- 6.1 To ensure delivery of this comprehensive improvement programme, the council is strengthening systems for monitoring and reporting performance and expenditure, and applying a programme delivery approach to implement the change required.
- 6.2 Our approach has built on best practice advice received from the NHS and local government as well as lessons learned reports from MHCLG and the HMG Infrastructure and Projects Authority. Their 2019-20 Annual report emphasised the principles for project success to improve the delivery of major programmes, which we have used to inform our Improvement Plan and programme management framework. Critically the majority of these components are in the planning / set up phase. This is the phase that the Council is in with the majority of the Improvement Plan.
- 6.3 The Infrastructure and Projects Authority also identified the need for a renewed energy into equipping staff through training and other support. This will be key and is an approach that the Council is also taking, ensuring that we provide training and guidance on our approach, deploy our project management resources effectively and in accordance with the organisation priorities.
- 6.4 Similarly, the former Chief Executive of the Major Projects Authority and Head of the Civil Service identified 4 key areas to meet the challenges of successful project delivery:
 - Strong Leadership
 - Leaders empowered to get the job done, with clear accountability and responsibility for delivery
 - Detailed and substantial planning and analysis of the options against the objectives and detailed understanding of the resource requirements, to ensure successful set up
 - Culture of openness and realism, giving confidence to challenge
- 6.5 Our Programme Framework addresses each of these challenges.
- 6.6 A central Programme Management Office has been set up to ensure consistent, effective management of the various improvement and savings programmes.
- 6.7 This approach will provide timely challenge should milestones be delayed, working with the relevant project managers and senior accountable officers and

Cabinet members to keep projects on track. The PMO will work closely with finance teams who will monitor the level of savings realised, and between them the PMO and finance teams will report on the successes, issues, and risks of the savings programme to all relevant stakeholders.

- 6.8 Whilst the approach has been outlined, and captured the wide range of projects and actions, the planning continues and it is recognised that further response will be needed as the planning / set up phase continues.
- 6.9 The council's performance in relation to KPIs has been reviewed to ensure a culture of honesty and transparency, with development of a new suite of reports under way to provide clarity and accountability for council staff, Members and residents. Regular quarterly performance reporting is being reinstated. Changing the council's culture around performance management is a process that touches every part of the organisation. The leadership team is therefore closely involved in reinforcing the key cultural behaviours required. As is strengthening the reporting to the leadership team regarding any areas of concern around performance, risk and finance.
- 6.10 Work has commenced to develop a robust performance framework for each action in the Croydon Renewal Improvement Plan to ensure delivery and enable challenge where necessary. Work is underway to align the council's performance with the associated risks and expenditure and determine how these will be reported across the organisation. A cycle of planning, monitoring and reviewing KPIs has been established and all existing performance reports across the Children, Family & Education and Health Wellbeing & Adults departments are being reviewed to ensure the right things are being reported at the right time.
- 6.11 A 'stress' report has been designed to scan for any changes over the next three years such as in demand, population demographics and health, using Acorn, a geodemographic segmentation tool detailing the UK's population at household level, to enable the council to anticipate them. Benchmarking is also being undertaken against other London boroughs and the Council's statistical neighbours.

7. CONSULTATION

- 7.1 The Improvement Board membership and terms of reference will be consulted on and brought back to January Cabinet and January Council for final approval.
- 7.2 The Council is in regular discussion with MHCLG regarding the Improvement Plan, and in particular the financial recovery of the Council. This includes MHCLGs expectations for independent external advisors. As part of the consultation on the Improvement Board, the Council will confirm how any such Board will link with MHCLG requirements.
- 7.3 The interim Chief Executive is currently consulting all staff and elected members on a restructure of the Council's management arrangements. The

outcome of that consultation will be brought back to Cabinet and Council for final decision in February and March

8. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 8.1 It is essential that the Council takes steps to address the necessary improvements required to enable Croydon Council to be a financially sustainable council delivering value for money efficient and effective services.

9. OPTIONS CONSIDERED AND REJECTED

- 9.1 Should the Council have chosen not to act, it is very likely that MHCLG could have used their powers for intervention to address the situation. The proposals in this report aim to keep Croydon in local democratic control while working closely with national government, the LGA and others to make the necessary changes to become a financially sustainable and well governed council.

10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 10.1 There are no direct financial implications arising from this report. The approval of a capitalisation direction for this financial year and over the period of the MTFS is essential to ensuring the council has the necessary resources and time to become financially sustainable by March 2024. Without this the Council will be unable to deliver a balanced budget. However, within the Improvement Plan there are a wide range of projects and actions that will be essential to ensuring the Council moves to a sustainable, balanced budget.
- 10.2 The delivery of these projects and actions, and the resulting savings is essential. It is therefore critical that effective monitoring and reporting is in place. This is an area for improvement in itself and the Improvement Plan incorporates a range of recommendations in relation to this.
- 10.3 A key role for the new Croydon Renewal Programme Steering Group will be to ensure delivery, and to prioritise and resource delivery accordingly.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk (S151 Officer)

11. LEGAL CONSIDERATIONS

- 11.1 The Head of Litigation and Corporate Law comments on behalf of the Interim Director of Law and Governance that the Local Government Finance Act 1992 section 31A places the Council under a statutory responsibility to set a balanced budget i.e. the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year must not exceed resources (including sums borrowed) available to it to meet that expenditure.

11.2 Previous legal advice was provided in the November Cabinet report in relation to the key issues the Council needs to consider when delivering a transformation programme.

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

12. HUMAN RESOURCES IMPACT

12.1 Our workforce is fundamental to the success of the improvement plan, and there is a commitment throughout the plan to involve staff in its development and delivery.

12.2 As previously reported, and recognised within the Improvement Plan, services need to be reorganised to meet the financial challenges. There are proposals that impact on the workforce. Consultation has commenced on these proposals in accordance with the council's HR policies.

12.3 The council is consulting with its recognised trade unions in accordance with our collective bargaining arrangements on the proposals and cumulative impact across the workforce. Regular dialogue and engagement will continue throughout the course of the improvement plan.

Approved by: Sue Moorman, Director of Human Resources

13. EQUALITIES IMPACT

13.1 In April 2011 the Equality Act (2010) introduced the public sector duty which extends the protected characteristics covered by the public sector equality duty to include age, sexual orientation, pregnancy and maternity, and religion or belief.

13.2 Section 149 Equality Act 2010 requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

13.3 Having due regard means consciously thinking about the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken. Equalities impact

assessments will be a key part of our governance framework for the Improvement Board, with direct input from the Council's Equality & inclusion Manager.

Approved by: Gavin Handford, Director of Policy & Partnership

14. DATA PROTECTION IMPLICATIONS

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

NO

The Director of Policy & Partnership comments that there are no data protection implications arising from the contents of this report

Approved by: Gavin Handford, Director of Policy & Partnership

CONTACT OFFICER:	Katherine Kerswell, Interim Chief Executive
APPENDICES TO THIS REPORT:	Appendix A: Croydon Renewal Improvement Plan - summary
BACKGROUND DOCUMENTS:	None