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Scrutiny & Overview Committee

Meeting held on Tuesday, 16 February 2021 at 6.30 pm.

This meeting will be held remotely and a recording can be viewed on the council website.

MINUTES

Present: Councillor Sean Fitzsimons (Chair), Councillor Robert Ward (Vice-Chair), Leila Ben-Hassel, Jerry Fitzpatrick, Oni Oviri and Joy Prince

Also Present: Councillors Hamida Ali, Muhammad Ali, Jane Avis, Sue Bennett, Janet Campbell, Jason Cummings, Alisa Flemming, Shafi Khan, Stuart King, Oliver Lewis, Manju Shahul-Hameed, David Wood and Callton Young

PART A

17/21 **Disclosure of Interests**

There were no disclosures of interest made at the meeting.

18/21 **Urgent Business (if any)**

There were no items of urgent business.

19/21 **Budget 2021-22**

The Scrutiny & Overview Committee considered a report setting out the Administration's budget proposals for 2021-22, along with the Section 25 Statement from the Interim Section 151 Officer, Chris Buss, providing his view on the proposed budget. The Committee was asked to review the information provided in order to reach a view on the soundness of the budget proposals and the methodology used to create the budget. The findings of the Committee would be fed into the consideration of the budget at the Council meeting on 8 March 2021.

The Leader of the Council, Councillor Hamida Ali, introduced the item to the Committee, emphasising that the approach taken with setting the budget had been with a full understanding of the serious nature of the budget situation and looked to start to address these challenges. The budget proposed was balanced, but predicated on the Council being successful in its request for a capitalisation directive from the Ministry of Housing, Communities and Local Government (MHCLG). There was a degree of confidence that the Council was doing all it could do to address the budget challenges and it was the view of MHCLG's Improvement & Assurance Panel that there was no viable alternative to capitalisation and it should be agreed.

The budget proposed included a savings programme, increased social care spending based on demand and growth, a review of assets to reduce borrowing costs and looking to reduce commercial liabilities. It was

acknowledged that setting the budget was only the start of the process, particularly given the past history of budgets not being achieved by the Council. An objective of the Council living within its means and keeping to budget had been prioritised. This would be accompanied by increased financial rigour across the organisation to allow real time analysis of the budget. There was a £79m budget gap across the life of the Medium Term Financial Strategy (MTFS), which meant that further difficult choices would need to be taken to address the Council's financial stability and resilience. In addition to the introduction by the Leader, the Deputy Section 151 Officer, Matthew Davis, provided a short overview of the key areas for the Committee's consideration. A copy of this presentation can be found on the following link:-

<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=166&MId=2497&Ver=4>

Following the introductions the Committee had the opportunity to ask questions on the proposed budget for 2021-22. The first area questioned concerned the risks presented by the Council's external auditor, Grant Thornton, still waiting for further evidence before signing off the 2019-20 accounts and the decision of MHCLG on the capitalisation request, which was still to be confirmed. The first question asked when it was likely that the situation with the sign-off of 2019-20 accounts would be resolved. It was advised that there has been a meeting held with the auditors earlier in the day and it was hoped that the situation could be resolved quickly, although it was unlikely to be resolved by the time the Council sets the budget on 8 March and was dependent on the results of further investigation by the auditors.

The main area still to be resolved with the auditors was the use of capital funding in the 2019-20 budget to pay for transformation costs, with the Council in the process of providing evidence to confirm that the funding had been correctly allocated. In the worst case scenario the funding in question would need to be met from the £7m remaining in the General Fund Reserve, but it could equally be the case that the auditors were satisfied with the evidence provided. Another consequence was it would not be possible to close 2020-21 accounts until the 2019-20 had been closed.

In response to a question about the level of General Fund reserves held by the Council, it was confirmed that at the start of the 2020-21 financial year £7m was held. At the end of March 2021, subject to the capitalisation directive being successful, the reserve will be £5m higher. It had been budgeted that an additional £10m would be added to the reserve in 2021-22. There was a risk that the £12m held in the General Fund Reserve by the end of 2020-21 could be offset by an adverse conclusion of the auditors on the use of capital funding in 2019-20, but whether this would happen was unknown at the time of the meeting.

It was questioned how the Council could learn from the mistakes of the past and avoid further challenges from the auditors going forward. It was advised that the Council needed to have a robust mechanism in place to collect evidence for when it was using capital funding for transformation work. It was confirmed that going forward transformation project costs that deliver savings would be held corporately. In advance of the transformation work being agreed, it was expected that a robust business case setting out the key milestones would be prepared for agreement by a Panel. Training and

guidance would be provided for staff when the bidding process for capital funding was launched. The final sign off process would involve Members and progress made in delivering the transformation work would be closely tracked. In response to a question about the consequences for the Council should the capitalisation directive not be agreed, it was advised that should this be the case the Council would need to review its income and expenditure, as it had to set a balanced budget by 11 March. Initial work had been prepared for this eventuality, which would need to be decided with Cabinet, although it was hoped the capitalisation directive would be successful.

As a follow up, it was questioned how the Council's risk appetite would be impacted should the capitalisation directive not be successful. It was advised that the risk appetite of the Council was a political decision and it was not the role of the S.151 Officer to set this. From conversations with MHCLG, the Council should know the outcome of the capitalisation directive by time Council sets its budget on 8 March. Once the figures were known, the S.25 statement may need to be revised to take account of this information.

Concern was highlighted that there had been significant variations in the 2020-21 budget over the year, with it questioned whether any level of certainty could be taken that the figures set out in the report would remain approximately similar. It was advised that the officers were certain as they could be on £64m of the shortfall identified, but the other £31m remained an area of risk. The main risk to the £31m was the payment of interest from Brick by Brick, with a paper due to be considered by Cabinet on 18 February, which aimed to minimise this risk.

In response to a request for an update on the month 10 budget position and whether it was possible that further covid grants may become available, it was advised that the month 10 figure were in the process of being finalised, but there had not been any particular issues flagged at this stage. It was anticipated that a further grant to help offset lost income from fees and charges would be provided before the end of March. There was always the potential for unforeseen, pandemic related, costs to come along, but the estimates had been based on known covid costs. It was requested that should there be a substantial change in the month 10 budget position, that it be reported to the members of the Scrutiny and Overview Committee.

It was questioned how the budget proposals had been tested and whether there could be any degree of confidence that they would be delivered. In response, it was advised that in comparison to previous practice, the proposals for 2021-22 had been well tested and robust mechanisms were being put in place to ensure that they were delivered. If they were not delivered, monitoring would ensure that it was flagged at an early stage, allowing alternatives to be identified. The S.25 Statement had been based on councillors and officers being prepared to make the necessary savings and at this stage the interim S.151 Officer was reasonably reassured that cultural change was being implemented.

In response to a question about what other options had been considered and rejected, and whether a higher raise on council tax had been considered, the Leader advised that the Council would not be requesting permission to raise council tax above the threshold without triggering a referendum. As a 1% council tax increase raised approximately £1.9m, it would require a significant increase to make an impact on the budget shortfall. Furthermore, given the

impact of covid, it would not be fair to impose a higher increase on residents. The conversations with MHCLG had been around other ideas such as the Interim Asset Disposal Strategy rather than asking residents to pay more council tax.

As a follow up, it was questioned whether there was a risk of the government requiring the Council to increase council tax? It was advised that the Secretary of State can issue a direction on what council tax could be increased by, with Northampton Council previously being allowed an additional 1% increase above the threshold. The Council could also request permission for a higher increase, but it had been decided that the Council did not want to do this. A third option would be to go to a referendum.

Apart from Council Tax, it was confirmed that very little else had been taken off the table during the budget development. There had been a suggestion about the possibility of moving bin collections to a three weekly cycle, but this had been ruled out due to the potential saving being offset by other costs such as increased fly tipping.

It was highlighted that it was difficult to make a judgement on the proposed savings, particularly those in Children and Adult Services, without understanding the underlying assumptions on which they were made. It was agreed that this information be made available for the Committee. It was also agreed that it would be important for Scrutiny to have information dashboards available on service performance, if it was going to be able to effectively monitor performance going forward.

In response to a question about whether commissioning and contracts were being reviewed, it was advised that a comprehensive review was underway and would be reported to the Cabinet in April. The aim of the review was to ensure that the Council was getting best consideration for Croydon and may result in further savings. It was confirmed that the commitment of the Council for contractors to pay the London Living Wage remained in place.

In response to a discrepancy in the tables setting out corporate pressures, it was advised that this was likely to be due to the release of a reserve to balance the budget, but this would be checked and confirmed to Committee.

Although it was acknowledged that benchmarking was necessary, concern was raised that it could be crude. Reassurance was requested that the Council was benchmarking services such as social care against authorities with comparable vulnerabilities. It was agreed that it was important to be sure when benchmarking that like for like was being compared. Further work was underway within the Children Service to ensure that benchmarking information took into account both statistical neighbours, as well as other London authorities.

From work to understand the detail of the revenue outturn figures that formed the base of the benchmarking data, it had become evident that local authorities managed to report figures in a variety of different ways. Benchmarking could not be relied upon alone, but it was useful and in many cases was the only indicator available. A lot of local authorities were not facing the same challenges as Croydon with a high level of unaccompanied asylum seeking children (UASC) in the borough, distorting the figures.

As the interim S.151 Officer had been in post less than a week, it was questioned what reassurance could be given on the judgement made in the S.25 statement, particularly when other S.151 Officers had given similar

assurances in the past. The Interim S.151 Officer advised that he had experience of setting budgets in similar challenging circumstances in the past and in those instances the figures had been correct and the budget delivered. As a follow up, it was questioned how the S.151 Officer viewed the cultural change challenge facing the Council and how an assessment could be made on the likelihood of success from the change being implemented. It was highlighted that cultural change was difficult to implement. Since starting to work with the Council in October 2020, there had been evidence that cultural change was starting to take place, with a change in attitude towards the budget.

The Chief Executive emphasised that the Council could put in place a range of systems to monitor the budget, but if they were not used or understood it would not work. The Council was in the process of bringing in a system that would put controls in place to enable effective management of the budget and it was important that staff understood it was not a mechanism to catch them out. It was a key priority that this was delivered and it was hoped that Scrutiny would be able to feed into the process over the coming year. It was suggested that further consideration needed to be given to potential indicators that would allow Scrutiny to make a judgement on the pace of cultural change.

Regarding the improvement journey, it was questioned whether the covid pandemic would hinder the delivery capability. In response, it was highlighted that the Council was on a three year journey to achieve a sustainable balanced budget by March 2024. In some areas of the organisation there were deeply entrenched issues that would take a while to resolve. Funds had been allocated in the budget to bring in additional capacity to support the improvement journey and there was a need to be clear on priorities moving forward. Capacity was strained, but there was also a need to look at capability within the organisation as well. The agreement of the capitalisation directive by MHCLG was key to providing the Council capacity to deliver change.

It was also highlighted to the Committee that the Council had not previously had single corporate reporting across projects. The Programme Management Office was now putting processes in place to enable reporting. Responsible and Accountable Officers had been allocated to each and every project. There would be fortnightly reporting on each project, which would enable action to be taken when anything was not on track.

It was suggested that one mechanism to enhance accountability and ownership would be to pass budgets to lower within the organisation and as such it was questioned whether there were any plans to do this. In response it was advised that there was a need to ensure the proper level of accountability was in place, with the hierarchies being discussed. It was important to emphasise that the work on finance was a shared responsibilities across the organisation and there needed to be a common understanding that financial control was important, which was not the case in some parts of the organisation at the moment. There also needed to be the right tools in place to allow budget holders to manage their budgets effectively. There was a programme of work to ensure the right systems were in place to provide budget holders with up to date information, as budget holders could not be expected to do a good job until the correct tools were in place.

Budget holders also needed to be trained to understand how to ensure their business met the standard required. There had been a clear message from

staff that there needed to be greater accountability within the organisation. Once the systems, processes and training were in place, there would need to be accountability if processes were not being followed or the required standard not achieved.

The Chairs of the three Scrutiny Sub-Committees reported back on their reviews of the budgets within their service areas. The Chair of Children and Young People Sub-Committee highlighted that delivery of the savings proposals was key, with the Sub-Committee's focus having been upon whether the cost savings were realistic and robust. In particular, it was questioned whether the saving of £800,000 through reducing the number of children in care could be safely managed to ensure that children were not negatively impacted.

In response it was advised that there had been a lot of work within the Service over the past two years focused on both preventing children coming into care system and also moving others out of the system safely. Benchmarking and other safeguards had been used at every stage of the improvement journey to ensure that the work remained on the right track. Weekly reporting was used to challenge any performance issues and to review the figures for children entering and exiting the system. This data had been used to develop what was considered to be conservative estimates for the service. There was currently approximately 484 local children under the care orders, with the aim to reduce this to 430 children over the three year of the MTFs. The Cabinet Member for Children, Young People & Learning, Councillor Alisa Flemming, reemphasised that the aim of the service was to ensure that children were in the best place for them, which in many instances was their birth families, including wider family.

In response to a question about the costs for UASC, it was advised that there had been a significant amount of work to break down these costs, with the majority of addition costs being for young people in the leaving care service. The improvements being made to the Accommodation Strategy would be equally important in terms of both quality and cost. Work also continued with the Department for Education to get a fair deal for Croydon. The accounting figures used in developing the budget had been based on the current costs.

It was questioned whether there was likely to be an increase in the number of children subject to a final care order. It was advised that the aim was to reduce the number of children entering the care system and at the other end increasing the number of children returning to their families, where it was safe to do so.

It was also questioned whether the possibility of pent-up demand, because of the pandemic, had been factored into the budget planning. It was advised that the Service had been looking at the potential impact from the pandemic, in terms of both pent up demand and a surge for services, across the safeguarding partnership. A key driver would be the experience of children once they returned to full time schooling. The Service had a good relationship with both schools and the police, and worked together to identify children in need of support. It was confirmed that it would only take a small number of chaotic families to have a significant impact upon the costs of safeguarding children. Growth had been built into the budget to right size the parts of the service supporting families to keep children out of the care system.

In response to a question about whether it would be unacceptable for a social worker to take cost factors into account when deciding whether to take a child into care, it was advised the service worked on assessed demand and while social workers would not be constrained from making the right decision for the child, it also needed to be acknowledged that there was a finite amount of financial resource available.

The Chair of the Streets, Environment & Homes Sub-Committee, Councillor Leila Ben Hassel advised that during the Sub-Committee's consideration of the Place Service budget, there had been concern about the scale of cuts to both statutory and non-statutory services, with it questioned how the impact of the cuts would be monitored. It was also felt that it was easier to make cuts in the Place Service, rather than either Adults or Children Social Care, with concern noted about the balance of the budget profiles, with it highlighted that the budget for Place was already below the London average, before any cuts had been made. There was also concern about how the cuts would impact upon the income generating parts of the Planning Service. Despite the concerns noted, the Sub-Committee had concluded that the proposed budget was well thought through.

The Cabinet Member for Culture & Regeneration, Councillor Oliver Lewis, acknowledged that tough decisions needed to be taken in order to reduce expenditure and services were unlikely to be provided to the same level as at present. The Council would not be able to deliver regeneration in the same way it had planned to before and would need to work with partners to deliver future regeneration. In setting the budget, there was an aim to preserve resource in Planning, as it was recognised there had been an increase in demand over the past year. Resources within the Planning Service had been reprioritised to tackle the backlog of planning applications.

It was questioned whether there was a threat to the income generating capacity within the Planning Service. In response, it was advised that the service had been reshaped to deal with the current capacity issues, with work underway to establish how to deliver the service going forward, to ensure that income was maximised.

In response to a question about whether it had been easier to make cuts in the Place Service, it was highlighted that most of the proposals were either at an advanced stage of delivery or had already been delivered, such as charging for bulky waste collections. The service was working with user groups on the Parks Strategy to ensure a streamlined service could be delivered. There was also a hope that there would be a greater opportunity to use parks for income generation once the pandemic was over. It was also highlighted that the reduction of staff in the Economic Development team would have an impact on their work, but they were working with partners to ensure businesses continued to be supported.

It was reemphasised to the Committee that the scale of the cuts required across the duration of the MTFS meant that savings would need to be considered across every part of the organisation, if the Council was to achieve its aim of living within its means and delivering the set budget. The Chair of the Committee noted that it was a challenge for all Councillors to accept that they will need to make tough decisions and if they were campaigning against a particular savings, then other savings would need to be offered as an alternative.

The Chair of the Health & Social Care Sub-Committee, Councillor Sean Fitzsimons, highlighted that they had raised concern about the proposed savings in the operational budget for Adults and sought reassurance that these could be delivered. The Cabinet Member for Health, Wellbeing & Adults, Councillor Janet Campbell, advised that the savings proposals had been tested during a rigorous budget setting process, with a control panel reviewing all spending. The baseline figures for the savings had been based upon LGA guidelines, which had suggested a 5% reduction, with 7% reduction included as a stretch target to challenge the service. The key challenge was to ensure that the safeguards put in place helped to stabilise costs. Placements were one of the biggest expenses for the Service, with these being reviewed to take account of options other than placements in institutions, including the provision of support to allow clients to live as independently as possible in the community.

As a follow-up, it was questioned how the budget had been tested, with it confirmed that it had been reviewed by the LGA, external partners and corporately within the Council. All areas of the service had been reviewed to identify possible efficiencies.

It was confirmed that there was an intention for the Programme Management Office to produce quarterly progress reports on the implementation of the budget, which would be reported to the Improvement & Assurance Panel, Cabinet and the Scrutiny & Overview Committee.

It was questioned whether there had been any analysis of the potential for unintended consequences as a result of the savings, which may lead to greater costs for the Council over the longer term. Discontinuing the Welfare Support team was highlighted as a saving that could lead to the creation of more significant issues further down the line. In response, it was advised that although there would not be a reliance on the third sector, many charities offered a similar welfare service. Welfare rights would be incorporated into other areas of the Council, such as social care, many of whom already provided similar support. Welfare support would also be provided through the localities work of the Council and its partners. It would be expected that service heads across the Council monitored the impact of the savings, in order to flag any potential issues at an early stage.

At the conclusion of the item, the Chair thanked the Cabinet and all the officers who had attended the meeting for their participation in answering the questions of the Committee.

Conclusions

Following the discussion of the budget proposals, the Scrutiny and Overview Committee agreed that the following conclusions would be reported to Council during its consideration of the Budget on 8 March 2021:-

1. The Committee felt hopeful that the budget could be delivered, following reassurance given on both the robustness of the development process and the achievability of the budget itself. However, given that similar assurances had been provided in previous years, which in hindsight had been optimistic at best, there remained serious concerns that could only be allayed through the actual delivery of the budget.
2. The Section 25 statement from the interim Section 151 Officer, which confirmed that the budget was sound, as long as there was a political will to deliver it, was accepted by the Committee.

3. The Committee felt there should be a certain amount of confidence in the estimation of the growth items included in the budget, given that these had been reviewed by external organisations and were based on worst case scenarios.
4. The priority for the Council to live within its means, while protecting the most vulnerable residents in the borough, was supported by the Committee.
5. There was concern about the deliverability of the Adults and Children's Social Care budgets, particularly the savings which targeted a reduction in the number adults and children in the care system. To ensure that there was not an adverse impact, it was agreed that the budget and performance of these services would be regularly monitored by their respective Scrutiny Sub-Committees.
6. As the delivery of the budget was predicated on changing the culture with the Council toward finance control, it was questioned how it could be demonstrated to the Committee that these cultural changes were being embedded across the organisation.
7. It was felt that there should be Member oversight of the potential risks arising from the savings programme, to ensure there could be confidence that these were being managed appropriately and mitigation identified as needed. Given that risk sat within the remit of the General Purposes and Audit Committee, it would be appropriate for them to receive regular updates on the risks associated with the delivery of the budget.
8. There remained concern that there could be potential, unforeseen consequences arising as a result of the savings programme and further reassurance was required to confirm how these would be picked up through the corporate monitoring process.
9. There was a concern about the potential impact upon the workload of Council staff, which would need to be monitored corporately.
10. It was agreed that there was an onus on all Councillors to ensure the budget was delivered and the right level challenge was provided. Councillors also needed to accept that some service areas would be reduced from their current level.
11. Although the Committee accepted the reassurance that the budget outcome for the remainder of 2020-21 was reasonably certain, it was agreed that should there be any major alterations to the budget going forward over the life of the Medium Term Financial Strategy, it should be reported to the Committee.

Recommendations

The Scrutiny and Overview Committee agreed to make the following recommendations to the Cabinet for further consideration:-

1. That regular monitoring reports on the budget and performance of Children and Adults Social Care is scheduled for meetings of the relevant Scrutiny Sub-Committees throughout 2021-22.
2. That performance indicators are created which allow the Scrutiny and Overview Committee, and the wider political and corporate leadership,

to monitor the effectiveness of the work to implement cultural change across the Council in regard of financial monitoring and controls.

3. That the General Purposes and Audit Committee received regular reports on the risks identified in the budget, to provide reassurance that these were being managed effectively.
4. That an update be provided to the Members of the Scrutiny & Overview Committee to confirm how corporate monitoring of the budget will enable potential, unforeseen consequences arising from the savings programme to be identified at an early stage.
5. That timely updates are provided to the Scrutiny & Overview Committee on any major alterations to the Council's in-year budget over the life of the Medium Term Financial Strategy.

20/21 **Housing Revenue Account 2021-22**

This item was withdrawn from the agenda, as the report was not available in time for the meeting. The Chair put on record the disappointment of the Committee that the report had not been prepared in time to allow for scrutiny of the Housing Revenue Account budget for 2021-22.

21/21 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 10.15 pm

Signed:

Date: