

REPORT TO:	CABINET – 6 December 2021
SUBJECT:	Independent Non-statutory Review: Follow Up – Report
LEAD OFFICER:	Katherine Kerswell, Chief Executive Gavin Handford, Director of Programmes, Policy & Partnerships
CABINET MEMBER:	Councillor Hamida Ali, Leader of the Council
WARDS:	All
COUNCIL PRIORITY	
The Croydon Renewal Improvement Plan builds on all the Council's priorities and new ways of working, bringing together over 400 recommendations and actions that will deliver improvements and financial recovery across the Council.	

FINANCIAL IMPACT

There are no financial implications arising from this report. However, delivery of the report's content is critical to our financial recovery and delivery of the Council's Medium Term Financial Strategy.

The Council's ability to progress concerns along with meeting the recommendations from the various independent reports will influence the government's decision to approve the further release of the capitalisation direction request made in December 2020 to support Croydon's financial recovery.

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

1. RECOMMENDATIONS

The Cabinet is recommended to:

- 1.1 Note the update provided by the non-statutory review team in relation to their original recommendations and milestones;
- 1.2 Note progress made by the Council's response, nine months on, to those same recommendations and milestones.

2. EXECUTIVE SUMMARY

- 2.1 During the autumn of 2020 the Government commissioned a Non-Statutory Rapid Review assessing the Council's financial and governance position. [The report was published in February 2021.](#) On the basis of the findings in that

report and the advice it gave to Government, the Ministry for Housing, Communities and Local Government (MHCLG) (as was) subsequently appointed an Improvement and Assurance Panel at Croydon to support the delivery of the Council's improvement plans and provide regular updates to the Secretary of State.

- 2.2 In support of the Council's overall improvement process, the Leader and the Corporate Management Team invited back two members of the original Non-Statutory review team. This was done in order to receive an independent view of the extent to which the Council was progressing delivery of the various recommendations, the Croydon Renewal Plan and those actions recommended by the original Non-Statutory Rapid Review report.
- 2.3 This report summarises the findings, acknowledgements and recommendations of this independent follow-up report. It highlights where progress has been made and includes any additional recommendations the Council could consider to take stock, learn lessons, or provide the assurances that will be required moving forward.
- 2.4 The Executive Summary of the report begins, "This is a more positive report than that of a year ago". The theme of the report is that progress is being made but the enormity of the improvements required at Croydon were underestimated last year. They welcome the openness and clarity staff had about the amount yet to do, no-one is in denial about the challenge facing the council and commented that expectations about pace needed to be managed in regard to how quickly sustainable change is truly possible and that this is a 3–4-year journey.
- 2.5 The Executive Summary concludes with "Croydon has moved forward in the last year and successfully arrested many of the troublesome characteristics associated with a failing council. But as everyone told us.... There is a lot more to do"

3. BACKGROUND

- 3.1 In response to various reports outlining operational failings and failure in identifying, escalating and addressing governance, assurance or risk, the Council sought and was granted a capitalisation direction by the Department for Levelling Up, Housing and Communities (DLUHC) (then MHCLG). A Capitalisation Direction was agreed for the 2020/21 financial year, with a "minded to agree" position in regard to a further capitalisation direction for 2021/22, plus the possibility of additional 'extraordinary financial assistance' for the remaining two years of the MTFS period, pending final decision.
- 3.2 The submission to DLUHC included amongst other documents the Croydon Renewal Improvement Plan, setting out how the Council would respond to the various reviews and recommendations highlighting need for improvements.

- 3.3 On 26 October 2020 the Secretary of State for Housing, Communities and Local Government appointed a team to undertake a Non-Statutory Rapid Review of Croydon Council focussing primarily on themes aligned to 'Best Value Principles – i.e., governance, culture & leadership, financial stability, services & capacity or capability to improve.
- 3.4 The Rapid Review team was led by Chris Wood and included Alan Gay OBE (Financial reviewer) and Boris Adlam (Commercial reviewer). The team submitted a report to the Secretary of State in November 2020. This was published, alongside the Secretary of State's response, on 1 February 2021.
- 3.5 The full 2020 report and the Secretary of State's response is available at: <https://www.gov.uk/government/publications/london-borough-of-croydonrapid-review>
- 3.6 In their final report the review team made 11 specific recommendations, setting out a set of short to medium term key milestones that the Council should meet to ensure it is able to progress suggested improvements within the timetable set out in the report. All recommendations were accepted by the Council.
- 3.7 Recommendations, including suggested milestones, were incorporated into existing actions and emerging projects as part of the Croydon Renewal Improvement Plan, in accordance with the timescales proposed by the Non-Statutory Review team. The newly developed Programme Management Office (PMO), at the time was tasked with the responsibility of tracking delivery of the overall Croydon Renewal Improvement Plan and other associated programmes.

4. INDEPENDENT NON-STATUTORY REVIEW: FOLLOW-UP

- 4.1 The Chief Executive and the Leader of the Council invited two members of last year's Non-Statutory Review team (i.e., Chris Wood and Alan Gay) to carry out a follow-up review nine months on from the receipt of the original report. The aim was to take stock of progress made and provide additional assurance that the Council remains focussed and on track to deliver the changes identified and achieve the recommendations arising from various reviews and reports - as part of its implementation of the Croydon Renewal Plan.
- 4.2 In addition to examining the Council's performance against the recommendations and the detailed timetable of key milestones set out in last year's report, the Review team was also asked to address a further five specific questions relating to financial performance. Those five questions were:
- What level of confidence can the Council have on the in-year savings programme for 2021/22?
 - What level of confidence can the Council have on the 2022/23 and 2023/24 savings programmes and the impact on the MTFS?

- What level of confidence is there on the Council’s plan to mitigate in year pressures?
- A view on the Council’s assessment of future financial risks and adequacy of the plan to manage those risks.
- A view on the Council’s approach to mitigating the budget gap under different scenarios based on how much financial support is provided.

4.3 As part of their overall follow-up findings the Review team observed “an examination of the Council’s performance against our recommendations show good progress. However, there are some areas where some progress is evident but inconclusive for us to conclude the recommendations has been fully met”. With regards to the “detailed timetable of key milestones for the Council to achieve in the 2021 calendar year, the review team state “all these milestones were achieved by the proposed date (or thereabouts).”

4.4 The findings and observations of Croydon’s response to the 11 original recommendations (incorporated into the Croydon Renewal Plan) last year are summarised in table 1 below using the Review team’s own RAG status.

4.5 Where **Red** means delivered well outside the agreed timeline; **Amber** means delivered with some time delay and **Green** means delivered within the agreed timeline.

	Recommendations	Response	RAG
1.	Single improvement plan	The Croydon Renewal Plan incorporates Croydon Improvement Plan and Financial Recovery Plan	G
2.	Panel of non-Executive advisers	Appointed by MHCLG as Improvement and Assurance Panel	G
3.	2021/22 budget to be scrutinised by Finance Review panel prior to Cabinet/Council	The FRP scrutinised the budget on 14 th and 28 th January	G
4.	Strengthen oversight of Brick by Brick	Clear plan to wind up. New Board members appointed. Shareholder Board created. Finance Director for BBB appointed. A newly created post of Director of Commercial Investment is the primary client	G
5.	Explore alternative uses for Croydon Park Hotel	An alternative use was explored and rejected. The hotel has stood empty for two years with £1m pa holding costs. A sale appears imminent	G
6.	Formalise external audit reporting to comply with Redmond Review	Delays in producing Audit letters for the previous year’s accounts (owing to the accounting treatment of Croydon Affordable Homes) has meant that the formality of “Redmond Review” type meetings has not been possible. However, it is clear that there is closer dialogue between key council officers and the Leader with the external auditor	A
7.	Review after 6 months the implementation of the integrated care IT systems	Reviews were carried out in April 2021	G

8.	Review application of eligibility criteria in Adult Services	Greater controls in place and more budgetary discipline evident. Revised interpretation of the Eligibility Criteria encompassed in an Adult Social Care strategy to be considered by Cabinet early in the New Year	A
9.	Identify opportunities to generate capital receipts	The asset disposal schedule is out of date and is in the process of being reviewed. Some large disposals have been progressed. Officers acknowledge that a formal Asset management Strategy does not exist and that condition surveys on buildings (including Housing stock) have not been carried as expected. Work is underway	A
10.	CEO to produce a revised organisational structure	New structure agreed, which incorporates the detailed features recommended. Recruitment to senior permanent posts has commenced	G
11.	Review and Renew Assurance Framework	Independent chair of GPAC appointed. More experienced officers in statutory posts and a Statutory Officer Board established Stringent controls on spending. An assurance Framework is said to be being produced for February 2022	A

Table 1

4.6 The report concludes that “significant progress has been made against the Non-Statutory Review recommendations, and the recovery effort is well underway. Where the recommendations have not be completed in full, there is progress”.

5. KEY FINANCIAL QUESTIONS

5.1 In regards to the five specific finance performance questions they were asked to tackle the review team’s findings and observations are summed up in the Table 2 below:

<p>Level of confidence on the in-year savings programme 2021/22</p>	<ul style="list-style-type: none"> • There would appear to be reasonable confidence that 2021/22 can be balanced. • A small overspend of around £700k is forecast as at Month 6, and whilst this is not a material problem for the Council it is important that the whole organisation maintains a good grip on its finances; and whilst there are some further financial risks identified, there are also mitigations identified. Of some concern is the delay in the decision on the proposal for LTNs for which the Council has a budgeting income of up to £25m over the MTFS period. Probably the greatest uncertainty and risk will be the outcome of the 2019/20 audit where discussions continue about the accounting treatment of matters relating to Croydon Affordable Homes. • Savings in 2020/21 appear to have been well monitored through the year and there is therefore confidence in their delivery.
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<p>Level of confidence on the 2022/23 and 2023/24 savings programmes and the impact on the MTFS</p>	<ul style="list-style-type: none"> • The Council has recently launched a “Star Chamber” process, under the stewardship of the Interim Corporate Director of Resources. This is looking to identify savings proposals for 2022/23 onwards. The Finance team are confident that this is progressing positively. Savings are being prepared with a 20% risk factor built in. However, there must be some concern regarding the reliance on funding from Health (£12m) in 2022/23. • In addition, there is likely to be some reliance on halting contributions to general reserves as a way of closing the gap. • It is important that this does not compromise the reserves strategy. Whilst this star chamber approach can deliver savings effectively, there is a danger that it does not lead to transformative changes within services and the organisation. • Croydon needs to ensure that these more fundamental changes are given sufficient consideration. • Some of the finance team have raised concerns about the lack of pace and urgency throughout the organisation to address the issues. • Senior managers and senior elected Members are very aware of the issues and the need for speedy resolutions, but there are questions about whether operational managers are fully engaged. More work is required to fully embed the required discipline of budget setting and management. • The recent autumn budget announcement will have an impact which is yet to be quantified but the Council are assuming it will be neutral at this stage.
<p>Level of confidence on the Council’s plan to mitigate in year pressures</p>	<ul style="list-style-type: none"> • As referred to above the Council appears confident it can manage risks in 2021/22. There are still many outstanding issues with the external auditors who are unable to start the 2020/21 audit properly until 2019/20 issues are resolved. • So, to an extent the starting position for 2021/22 is still unclear. • The main outstanding issue relates to the accounting treatment of the establishment of Croydon Affordable Homes. It is a concern that this could still have a material impact on the Council’s financial position. The Council are seeking external advice on this matter.
<p>A view on the Council’s assessment of future financial risks and</p>	<ul style="list-style-type: none"> • Risks have been built in for pay and prices; demography is well provided for; there is a contingency provision built into plans. The finance team appear to have a good grip on the budget

<p>adequacy of the plan to manage those risks.</p>	<p>setting process for 2022/23 and we were given confidence that only robust spending and savings plans would be allowed to go forward. Whilst there is still a financial gap to close at this point in the process, the Council appear to have a good base to work on and are confident that they will produce a credible set of proposals by February 2022.</p>
<p>A view on the Council's approach to mitigating the budget gap under different scenarios based on how much financial support is provided</p>	<ul style="list-style-type: none"> • As mentioned above there are clearly several variables which could still potentially impact on Croydon's budget for 2022/23; these include, the Local Government Grant Settlement, the extent of capitalisation agreed by the Government, the closure of the 2019/20 audit of accounts, funding agreement with NHS, and a variety of cost pressures. There is also a need to ensure that savings plans are well monitored and delivered. It is positive that the Council has a good understanding of these issues and is able to undertake scenario planning. We gained some comfort that the Council have some flexibility within their budget plans to address some of these issues, but it is imperative that it delivers budgeted savings. • The Programme Management Office can play a key role in this, and the Council should ensure that it has sufficient skills and capacity to do so.

Table 2

- 5.2 In their report the review team go on to make further observations in regards to:
- Governance
 - Culture & Leadership
 - Service Performance
 - Capacity and capability to improve

6. CONSULTATION

- 6.1 Similar to the previous review, the team interviewed a range of Councillors and Officers to inform their report.

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1 There are no direct financial considerations arising from this report, although delivery of the Croydon Renewal Improvement Plan is key to the Medium term Financial Strategy which targets the delivery of a balanced budget.

Approved by: Nish Popat – Interim Head of Corporate Finance

8. LEGAL CONSIDERATIONS

- 8.1 There are no legal considerations arising directly out of the recommendations set out in this report and the recommendations are within Cabinet's authority pursuant to the delegation from the Leader.

Approved by Doutimi Aseh, Interim Director of Law and Governance & Interim Deputy Monitoring Officer.

9. HUMAN RESOURCES IMPACT

- 9.1 Recruitment for eight senior management posts is on track with the closing date for the first tranche (x 5 Corporate Directors and CPO) being 28 November 2021 and the second tranche (x2 Directors) 8 December 2021. Final panel interviews are to be held weeks commencing 10, 17 and 24 January 2022.
- 9.2 Work has commenced to develop and deliver a whole workforce culture change programme to improve organisational culture and leadership, and will commence via a Corporate Management Team away day on 10 December 2021.

Approved by Dean Shoesmith, Interim Chief People Officer

10. EQUALITIES IMPACT

- 10.1 The report concludes that "significant progress has been made against the Non-Statutory Review recommendations, and the recovery effort is well underway. Where the recommendations have not be completed in full, there is progress". 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.
- 10.2 Section 149 of the Equality Act 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.
- 10.3 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. The Council has a robust equality analysis framework and all savings proposals are subject to this framework and reviewed. The Council is in the process of enhancing its corporate governance

with regard to EDI which is now monitored through the EDI Internal Control Board – to ensure that the Equality Duty is part of our due diligence and decision making.

Approved by: Denise McCausland, Equality Programme Manager

11. ENVIRONMENTAL IMPACT

11.1 N/A

12. CRIME AND DISORDER REDUCTION IMPACT

12.1 N/A

13. DATA PROTECTION IMPLICATIONS

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

NO

13.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

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

Approved by: Gavin Handford, Director of Policy & Partnership

CONTACT OFFICER:

Harry Parker, Strategic Support Officer to the Chief Executive
Harry.Parker@croydon.gov.uk

APPENDICES TO THIS REPORT:

Appendix 1: Independent Non-Statutory Review: Follow-Up – One Year On

BACKGROUND PAPERS

DLUHC Non-Statutory Rapid Review report -

<https://www.gov.uk/government/publications/londonborough-of-croydon-rapid-review>