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Scrutiny & Overview Committee

Meeting held on Monday, 12 February 2024 at 6.30 pm in Council Chamber, Town Hall,
Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillors Rowenna Davis (Chair), Richard Chatterjee (Vice-Chair),
Leila Ben-Hassel (Deputy Chair), Sue Bennett, Simon Fox and Eunice O'Dame

Also Present: Councillor Jason Cummings – Cabinet Member for Finance

PART A

11/24 **Minutes of the Previous Meeting**

The minutes of the meeting held on 16 January 2024 were agreed as an accurate record.

12/24 **Disclosure of Interests**

There were no disclosures of interest made at the meeting.

13/24 **Urgent Business (if any)**

Under urgent business, the Chair highlighted to the Committee that the South West London & Surrey Joint Health Overview & Scrutiny Committee (JHOSC) had responded to an NHS consultation on the reconfiguration of children's cancer services. The concerns of Croydon had been fed into the process by the Council's representatives on the JHOSC, Councillors Richard Chatterjee and Eunice O'Dame.

A formal response setting out these concerns had been submitted to the JHOSC before the deadline of 12pm on 12 February to confirm the issues for Croydon depending on the outcome of the NHS review to move Children's Cancer Services to either St Georges Hospital or Evelina Hospital.

14/24 **2023-24 Period 8 Financial Performance Monitoring Report**

The Committee considered a report set out in the agenda supplement that provided an overview of the latest budget position for 2023-24 up until the end of Period 8 (November 2023). This report was included on the agenda as part of the Committee's ongoing scrutiny of the delivery of 2023-24 budget.

- Councillor Jason Cummings – Cabinet Member for Finance
- Katherine Kerswell – Chief Executive
- Nick Hibberd – Corporate Director for Sustainable Communities, Economic Recovery & Regeneration
- Debbie Jones – Corporate Director for Children, Young People & Education
- Susmita Sen – Corporate Director for Housing
- Jane West - Corporate Director for Resources & Section 151 Officer,
- Simon Robson –Director for Adult Social Care Operations
- Allister Bannin - Director of Finance & Deputy Section 151 Officer
- David Courcoux - Director for Policy, Programmes & Performance
- Helen Reeves – Interim Head of Strategy & Policy

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

- The budget position at the end of Period 8 (November 2023) was predicting there would be a budget underspend at the year end, with all departmental budgets improving in comparison to the Period 7 forecast.
- There remained an overspend within the Children’s Service, but the forecasted amount had reduced from Period 7 and could be balanced against underspends elsewhere in the budget.
- Based on the current forecast, the Council would not need to use any of the £5m Corporate Contingency Fund. It was not expected that the current position would worsen and it was possible there may even be further improvement.

Following the introduction, the Committee was given the opportunity to ask questions on the information provided in the Period 8 report. The first question sought an explanation for the increase in the predicted underspend within the Adult Social Care budget. It was confirmed that the predicted underspend had increased from £1.1m to £1.3m since Period 7 due to a small reduction in placement costs. This was the result of transformation work within Adult Social Care over the past three years, which was aimed at managing the cost of placements.

As a follow-up, reassurance was sought that the transformation work was not aimed at gatekeeping the service by reducing the number of placements, which may result in vulnerable residents being unable to access the services and care they required. It was confirmed that the number of placements provided had remained consistent over the past three years. The transformation programme was aimed at ensuring the right level of care was provided, at the right time, through improving reablement services for patients after a hospital stays and having a better range of options to improve outcomes for residents needing care support. At the same time the service was managing providers to ensure there was a sustainable care market in Croydon. It was highlighted that social workers had regulated standards which meant their assessments had to be based on an individual's care needs and not the potential cost factors. The Director of Adult Social Service (or Corporate Director for Adult Social Care & Health), Annette McPartland, also had a legal duty to ensure the Council was providing safe care, which was not based on cost factors.

It was noted that the report was seeking the Mayor's approval to transfer £2.1m from the Adult Social Care budget to the Housing budget, with an explanation for this requested. It was advised that as a result of Adult Social Care receiving additional grant funding in September 2023 from the Market Sustainability and Improvement Fund, it had enabled the previous allocation of £2.1m from the non-pay inflation budget to be transferred on a one-off basis to Housing to support current pressures within emergency accommodation.

As the budget was now forecasted to have an underspend, it was questioned whether, given the level of need in the borough, there would be further work to bring the budget back to a balanced position. In response it was explained that if there was an overspend had been predicted, there would an expectation that it would be managed back to a balanced position where possible. However, should there be an underspend, providing there was reassurance that services were being delivered as required, there would be no expectation that spending would increase in an effort to achieve a balanced position.

It was questioned whether there had been any work to model the worst case scenario outcome for the emergency accommodation budget. It was advised that modelling had been challenging due to a peak in the number of homelessness cases at the end of the summer, which had now returned to the expected level. Work was underway to establish whether demand would continue at its present rate or whether there would be another spike. Based on the current worst case scenario modelling, the potential overspend could be managed as a result of the underspend elsewhere in the budget and if needed the Corporate Contingency Fund. Through block booking, the service had been able to access cheaper emergency accommodation from January

2024, which would help to manage costs. Although, as the team was currently working through a back log of cases, more need may become apparent.

In response to a question about budgeting for the cost of the upcoming London Mayoral Elections in May and the General Election, which had to be held by January 2025, it was confirmed that costs relating to these elections would be recoverable from the GLA and the Cabinet Office respectively. There would be an increase cost related to electoral registration, that would need to be met by the Council, but this was likely to be relatively small.

Regarding the Council's bad debt provision, it was confirmed that it had been revised in 2019-20, and as a result was on a fairly stable footing going forward. There was not a significant amount of new bad debt expected, but it was good practice that it was reviewed and recalculated each year. The Director of Finance advised the Committee that the Council had a cautious level of bad debt provision and as such no major changes were expected.

Following the discussion of this item, the Chair thanked those in attendance for their engagement with the Committee.

Conclusions

Following its discussion of this item the Committee reached the following conclusions: -

1. The Committee welcomed the updated budget position for Period 8 which predicted there would be an overall underspend in the General Fund budget at the year end, which was an improvement on the forecasted overspend in Period 7.
2. The Committee also welcomed the reassurance given that the underspend was being delivered while the Council continued to meet its statutory obligations to the people of Croydon.
3. It was agreed that the continued overspend within the Children's Service budget would be monitored by the Children & Young People Sub-Committee.
4. It was also agreed that the work to manage the high level of demand for emergency and temporary accommodation would continue to be monitored by the Homes Sub-Committee.

The Committee considered a report on pages 21 to 32 of the agenda and in the supplementary agenda which set out the Mayor's proposed budget for 2024-25 for review. The report also included a summary of the conclusions reached by the four Scrutiny Sub-Committees from their own reviews of elements in the budget relevant to their specific remits.

- Councillor Jason Cummings – Cabinet Member for Finance
- Katherine Kerswell – Chief Executive
- Nick Hibberd – Corporate Director for Sustainable Communities, Economic Recovery & Regeneration
- Debbie Jones – Corporate Director for Children, Young People & Education
- Susmita Sen – Corporate Director for Housing
- Jane West - Corporate Director for Resources & Section 151 Officer,
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- Helen Reeves – Interim Head of Strategy & Policy

During the introduction to the report by the Cabinet Member and the Section 151 Officer, the following points were noted: -

- The Council was in a position of being able to put forward a balanced budget for 2024-25, which was not the case for all local authorities.
- This year's budget setting had built on the processes put in place last year, which had led to a smoother process than was previously the case.
- Since the last Committee meeting on 16 January, the previous budget gap had been closed by a combination of factors including a higher than originally forecasted allocation from the Local Government Settlement and a lower than anticipated contribution requirement for Freedom Passes.
- A proposed £1.1m saving relating to the realignment of the staffing budget for the Children, Young People & Education directorate had been removed from the budget, as it had been concluded it was not deliverable.

- As a £5m unidentified gap had remained, it had been decided to remove the £5m economic pressures budget. Although this would increase the potential risk within the budget, it could in part be mitigated by other existing contingency funds.
- The Government had recognised the financial pressure on local authorities and has suggested either using existing reserves or capitalisation as a means of managing these pressures. As the Council was not in a position to use reserves to bridge the budget gap, it had been decided that reducing the economic pressures budget was the preferred option for delivering a balanced budget.

Following the introduction, the Committee proceeded to scrutinise the Budget papers. The first question asked for more information on the £3.8m Adult Social Care Grant allocated to the Council. It was advised that the grant was split into two parts, one to support the effective flow through the hospitalisation and discharge process. The other part was to manage market pressures and improve stability within the local care market.

Regarding the removal of the proposed £1.1m saving from the realignment of the staff budget for the Children, Young People & Education directorate, it was advised that the reduction in contributions paid by the Council for the Freedom Pass scheme had more or less balanced its removal.

In response to a request for clarity about the use of Public Health funding for libraries, it was confirmed that this was a common approach for activities that delivered public health outcomes and allowed the delivery of additional schemes aimed at health and wellbeing. It clarified that Public Health funding was not being used to fund statutory library provision.

Concern was raised about the Council's debt level, with further information requested on future projections. It was advised that as of March 2023 the Council's revenue fund debt was £1.4b. It was projected that this would be £70m lower by March 2027 due to capital receipts and minimum revenue provision. After March 2027, it was currently predicted that the Council's debt level would be on an upward trend due to the ongoing need for capitalisation. However, it was expected that a solution to the Council's historic debt would be found by that point.

An update was requested on the conversations with Government to find a solution to the Council's historic debt. It was confirmed that negotiations remained ongoing, but it was not expected that the Government would agree to the £540m debt write off requested by the Council, instead other solutions were being explored. The Council was required to produce its own plan, setting out what would be achievable, taking account of the wider context of the local government sector.

As a follow-up, it was questioned whether consideration had been given to either pausing or freezing interest rates. It was confirmed that this was one of the options under discussion, amongst a range of different models being considered. The difficulty for the Government was finding a solution that could be applied to across local government, as many authorities were experiencing financial difficulties. The Government also did not want to be seen to be rewarding poor financial control. Another option under consideration was reviewing the calculation of minimum revenue provision, with work underway to explore the potential impact of this approach.

It was questioned what would happen should the Council be unable to agree a solution with the Government for its unsustainable level of debt. It was highlighted that should the Government not grant permission for capitalisation, then the need to deliver additional savings of £38m would be inherently unsafe, even if reduced over the longer term. It was noted that the Improvement & Assurance Panel agreed with the Council's assessment that it would not be able to solve its financial situation without Government support.

It was noted that permission had been requested for additional capitalisation of £9.4m, which related to a legacy concern. As such, further information to explain the concern was requested. It was advised that the additional amount was the result of a claim from a contractor relating to the 2019-20 accounts that the Council was required to settle. As the 2019-20 budget was balanced, there was nowhere to charge this new expense, so a request had been made for additional capitalisation to cover this cost. It was noted that despite the 'Opening the Books' exercise, there remained a risk that other issues may arise as work continued to closure the outstanding accounts from previous years, but this risk was reducing. It was agreed that it would be helpful to ensure the final Budget report to Council had commentary added to explain the reasons for the additional capitalisation.

In response to a follow-up question about whether the risk of the contract claim being settled in the contractor's favour had been identified in the Council's risk register, it was confirmed that it had been listed, but the claim had only recently been realised. It was confirmed that the additional capitalisation would be met from capital receipts rather than additional borrowing.

It was questioned whether the Mayor had considered requesting permission from the Government to increase council tax above the 4.99% cap, following the previous year's 15% increase. It was highlighted that the Mayor had made clear when the 15% increase was agreed last year, that it was the maximum that could be placed on residents and no further increases above the 4.99% cap would be sought. It was noted that Croydon had the highest level of council tax of any local authority in government intervention and the second highest rate in London.

As £11m had been allocated for demand pressures in 2024-25, increasing to £14m in future years, an explanation for the increase was requested. It was explained that the figure for 2024-25 was based upon carefully calculated information from each department. As there was less certainty, at this stage, for the future years a more cautious figure of £14m had been used. It was acknowledged that the removal of the £5m Economic Pressures Fund increased the risk within the budget which meant demand pressures would need to be closely monitored.

It was questioned whether there had been any best and worst case modelling of the potential demand pressures for emergency and temporary accommodation. It was advised that there had been modelling, but due to a spike in demand from courts catching up with a backlog of eviction cases following the pandemic it was challenging to accurately model demand. Although there were signs that this spike was starting to reduce, it was assumed that the level of demand would remain high, while the service was in the process of working through its own backlog. However, the service had been block-booking accommodation to help reduce the potential cost. It was confirmed that the budget for the service was based upon the mid-range of the demand assumptions.

In response to a question about the modelling of parking income, it was advised that the availability of data had improved beyond recognition to allow more accurate monitoring across the various income streams. Having reviewed fees and charges, and parking machines it was anticipated that income would increase in the forthcoming year, with data indicating that usage had stabilised. It was noted that the recently approved Parking Policy looked to find a balance between delivering income from parking and supporting the local economy.

It was questioned whether the budgeted amount of £5m was sufficient to meet demand for SEND transport. It was confirmed that there had been an approximately 14% increase in demand for home to school transport in the last year. However, the service had been able to use this data to model future demand, including inflationary costs, and account for this within the budget. £600,000 had been allocated for identified growth within the service, with transformation also being planned. In response to a question about providers, it was confirmed that a dynamic purchasing system was used with routes being awarded to the lowest bidder. This approach was being reviewed to establish whether a framework approach would be more effective.

A question was asked about the risk of increased costs from social care providers and how this had been accounted for in the budget. It was confirmed that the service had modelled potential increases by taking account of the London Living Wage and the National Living Wage which had been increased by 10%. As a follow-up, it was noted in the report that providers had

been approaching commissioners to request increases of between 9.5% to 45%, with concern raised about the possibility of a 45% increase. Reassurance was given that only one provider had requested a 45% increase and that this was an outlier, significantly above the requests made by other providers. The Council worked with the sector and the LGA to model potential increases and to increase the understanding of what the local market required to ensure its sustainability. It was highlighted that the Council received a Market Sustainability Grant from the Government to provide support with above inflation increases.

It was questioned whether the cost of placements could be successfully managed down, as required in the budget. In response, it was highlighted that the Adult Social Care team had been working on the transformation of the service for the past three years and overdelivered on savings in 2023-24, which would contribute to the target for 2024-25. It was advised that the targeted savings of £5m for 2024-25 were thought to be deliverable but would need to build on the existing good work. The savings targets of £4m per year in the subsequent two year would need to be reviewed based upon the diagnostic work of the recently commissioned strategic transformation partner.

An explanation was requested on the decision to allocate £18m in the 2024-25 budget for inflation costs, when £33m had been allocated in the 2023-24 budget. It was advised that the assumption was based upon Bank of England modelling, which had been benchmarked against other London boroughs to crosscheck. It was noted that this modelling did not take account of the possible repercussions from any global instability caused by the current problems in the Middle East.

In response to a request, transformation was defined as a fundamental change in what or how something was delivered. As a follow-up, it was questioned whether the current transformation programme would meet this definition. In response, it was highlighted that work was ongoing on a new Transformation Strategy that was scheduled to come to the Cabinet meeting on 27 March 2024. The Council had also recently employed a new Transformation Director to lead the Transformation Programme, to ensure it was more ambitious.

It was questioned why none of the transformation projects listed in the report had a red rating. It was advised that many of the projects were still at the stage of defining their scope, so it was easier to justify a green rating. Once the ambition for transformation increased with the forthcoming Transformation Strategy, it was likely there would be an increase in projects with a red rating.

It was confirmed that there was an expectation for a lessons learnt review to be held at the end of each project, with the example given of the recent role out of the NEC software in Housing, where an external company was used to facilitate the session due to the size of the project.

In response to a question about the Council's ability to deliver transformation, it was highlighted that the Programme Management Office had moved through a number of different iterations over the past couple of years as the Council built its project and programme management capabilities. It was likely to evolve again to ensure it was able to drive forward the transformation strategy. The Council had also rolled out project management software, Verto, which was helping to provide a better understanding of projects. A Project Management Improvement Group had been established with two representatives from each directorate, which was helping to break down silo working in the Council. The Committee agreed that it was likely that transformation would inform its work programme going forward and looked forward to reviewing the Digital Strategy, once available.

It was questioned what percentage of the £33m savings targeted for 2023-24 were on track for delivery and whether those not on track would be carried over to the 2024-25 budget. It was advised that based upon the current budget forecast, 88% or £31m of the 2023-24 savings were on track to be delivered in-year. It may be the case that the remaining savings could still be delivered, but until these could be evidenced, they would not be included. If there was slippage in the delivery of an identified saving, it would be carried over to the next year, if it could not be managed in-year as part of the normal budget monitoring process.

There was concern raised about the deliverability of savings within the Housing Needs service given the ongoing demand for emergency and temporary accommodation. It was advised that an aim of the restructure of the service was to bring a greater level of focus on prevention and supporting residents before they became homeless, reducing the demand for accommodation. There were other projects underway to cleanse the data used by the service, to review how long people had been housed in either emergency or temporary accommodation and clearing the backlog of homelessness applications. It was highlighted that although it would take time to see the full impact from the prevention work, the early signs were positive.

As concern was raised about the potential impact upon residents of the proposed 7.7% rent increase for council tenants, it was questioned what support was being provided for tenants. It was acknowledged that while the rental increase would not affect residents receiving housing benefit, it would have an impact upon those who were not. The Housing Revenue Account operated a hardship fund that was discretionary and targeted towards those not in receipt of benefits. There was also a project underway to utilise the functionality of the new NEC system to reach out to residents and explore with them how to maximise their income.

It was questioned whether the deferral of growth in the Highway's budget could increase the risk of repair claims. It was advised that although the

Highway's budget did not include provision for growth, the Government had allocated funding for highways improvement which would go some way towards mitigating this shortfall. All local authorities had a backlog of repairs which had to be managed and prioritised and there would be an increased risk of repair costs as a result.

It was confirmed that most of the staffing implications arising from budget savings would be related to vacant posts or ones filled by short term agency staff. Where there was an impact upon staff, redundancy would be offered, but this would be a last resort. The equalities impact would be taken into account as part of the decision making process for individual savings.

It was questioned whether the feedback received from the budget consultation had led to any changes being made to the budget presented to the Committee. It was advised that the vast majority of the feedback was consistent with previous budget engagement exercises, with a significant number of people commenting on a potential council tax increase. As it was not proposed to increase council tax above the 4.99% cap, it was concluded there was nothing to change. Overall, the consultation had helped to reinforce the decisions made in the budget and there had not been any notable changes made.

There was concern raised that the budget for the Hardship Fund, introduced as a result of last year's 15% Council rise, was being reduced from £2m to £500,000, with it questioned whether the lack of demand was due to a lack of public awareness. In response it was advised that the budget had been set at £2m last year as it was difficult to estimate the potential demand. As the budget had not been spent, it had been decided to transfer the excess to the Council Tax Support scheme, which was seeing a higher level of demand.

It was questioned whether account had been taken of the possible discontinuation by the Government of the Household Support Fund. It was advised that there was lobbying underway from local authorities to encourage its continuation, but if it was discontinued it would not be funded as there was no replacement in place.

At the conclusion of the item, the Chair thanked the Cabinet Member and the officers in attendance for their participation in the meeting and their engagement with the questions of the Committee.

Actions

Following its discussion of the 2024-25 Budget update, the Committee agreed the following actions to follow-up outside of the meeting: -

1. That the forthcoming Digital Strategy would be scheduled for review by the Committee later in the year, once available.

Conclusions

Following its discussion of the 2024-25 Budget update, the Committee reached the following conclusions: -

1. The Scrutiny & Overview Committee commended the hard work of officers, the Executive Mayor and Cabinet Members in preparing the 2024-25 Budget, particularly in light of the financial challenges facing the Council and across the local government sector as a whole.
2. The provision of budget information to Scrutiny at an earlier stage, in comparison to previous years, was appreciated and helped to ensure that the Committee could effectively scrutinise the budget.
3. Despite the hard work of all involved, the Committee agreed that the Council still cannot balance its budget without Government approval for further capitalisation. Without a solution being identified to address the £38m annual shortfall in the General Fund budget, the long term sustainability and independence of the Council remains uncertain.
4. The Committee noted that, based on the information provided, the proposed savings were deliverable whilst meeting the statutory needs of its vulnerable residents, although the scale, pace and wide-ranging nature of these savings mean that they will need to be closely monitored.
5. The Committee agreed with the Section 151 Officer that removing the £5m Economic Demands Pressures Fund from the 2024-25 budget increased the level of risk, particularly in a volatile economic environment where demand for many services is increasing, but recognised that this judgement had been based on improved budget modelling processes.
6. There was recognition that the scale and pace of transformation was not where the Council wanted it to be. However, the recent recruitment of a Director of Transformation and the forthcoming Transformation Strategy were reflective of a growing ambition and appetite for transformation across the Council.
7. The Committee noted the reduction from £2m to £500,000 in funds available for the Hardship Fund, but welcomed that this amount had been reallocated to the Council Tax Support Scheme, rather than amalgamated into the wider General Fund budget.

Recommendations

Following its discussion of the 2024-25 Budget update, the Committee agreed to submit the following recommendations for the consideration of the Mayor: -

1. The Scrutiny & Overview Committee recommends that further work is undertaken to raise awareness of the availability of the Hardship Scheme, targeted toward groups identified in the Equalities Impact Assessments as potentially being most affected by the proposed Council Tax increase.
2. Given it was noted that the removal of Economic Demand Pressures Fund presented a greater risk, the Scrutiny & Overview Committee recommends that an updated version of Appendix L – Financial Risks is presented as part of the budget papers for the consideration of Council. This should include potential mitigation being provided for each risk and all financial risks for 2024-25 being quantified. The Committee would also recommend that the Financial Risks document is scheduled for review by the Audit & Governance Committee at the earliest possible opportunity.
3. In the interests of transparency, the Scrutiny & Overview Committee would recommend that additional information is included in the final budget report to Council to explain the further legacy Capitalisation Direction of £9.4m for 2019-20.

16/24 **Scrutiny Recommendations**

The Committee considered a report set out on pages 33 to 42 of the agenda which presented recommendations proposed by the scrutiny sub-committees for sign-off ahead of submission to the Executive Mayor. It also presented the response of the Mayor to previous recommendations submitted by the Scrutiny & Overview Committee for consideration.

Resolved: The Scrutiny & Overview Committee agreed to: -

1. Approve the recommendations made by its Sub-Committee's for submission to the Executive Mayor for his consideration.
2. Note the response provided by Mayor to recommendations made by the Scrutiny & Overview Committee.

17/24 **Scrutiny Sub-Committee Appointments**

A vacancy had arisen on the Children & Young People Sub-Committee following the resignation of Mike Bonello as a Croydon Councillor. Councillor Tamar Barrett was nominated to fill the vacancy.

Before the appointment was agreed, the Vice-Chair of the Committee extended his thanks to Mike Bonello for his insightful input while a member of the Children & Young People Sub-Committee.

Resolved: That Councillor Tamar Barrett be appointed as a member of the Children & Young People Sub-Committee for the remainders of the municipal year.

18/24 **Scrutiny Work Programme 2023-24**

The Committee considered a report set out on pages 43 to 66 of the agenda which presented the most recent version of the work programme for the Scrutiny & Overview Committee and its Sub-Committees.

Resolved: The Scrutiny & Overview Committee agreed to note the most recent version of the Scrutiny Work Programme 2023-24.

19/24 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 9.48 pm

Signed:

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Date:

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