

For General Release

REPORT TO:	COUNCIL 27 February 2017
AGENDA ITEM NO:	7
SUBJECT:	SCRUTINY BUSINESS REPORT
LEAD OFFICER:	Stephen Rowan, Head of Democratic Services and Scrutiny
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: Part 4A of the Constitution provides for the Business Report of the Scrutiny and Overview Committee, comprising a written scrutiny update following the Scrutiny Council Tax meeting.	

1. RECOMMENDATIONS

- The Council is asked to:
- 1.1 Note the Scrutiny Business Report.

2. EXECUTIVE SUMMARY

- 2.1 This report of the Scrutiny and Overview Committee forms a written update following the Scrutiny and Overview Committee held on Tuesday 13th December 2016 which considered the proposed budget for 2017/20. The conclusions from this meeting can be found below at paragraph four.
- 2.2 In addition, the Education Budget 2017/18 was considered by the Children and Young People Scrutiny Sub-Committee at its meeting on Tuesday 7th February 2017. The outcomes of this meeting can be found at paragraph five.

3. COUNCIL TAX AND BUDGET SCRUTINY

- 3.1 At its meeting on Tuesday 13 December 2016 the Scrutiny and Overview Committee heard an item on the budget from the Leader and the Chief Executive Officer.
- 3.2 The Leader stressed that Croydon was a promising investment location, providing public transport services worked efficiently. He highlighted the impact of the long running railway strike on local firms and on future decisions whether to base company headquarters in Croydon or not. He added that the outcome of the Brexit referendum could dampen business vitality as the uncertain economic climate made it difficult for local firms to plan ahead.

- 3.3 The Leader highlighted the importance of the borough's Growth Zone for the economy of Croydon and his hopes to attract businesses that would bring well paid jobs to the area. Members went on to question him on progress with the Westfield Hammerson project and express concerns over delays in implementation. They were advised that this was due in part to plans changing to include more housing provision. It was suggested that representatives of Westfield Hammerson be invited to a future Scrutiny meeting to give a detailed update.
- 3.4 Members discussed the current cost of living crisis in Croydon due mainly to the significant rise in housing costs and the disappearance of many well paid jobs in the borough with the move away from Croydon of large companies such as Nestlé. They asked what measures were being taken to bring such jobs back and improve housing affordability. The Leader pointed to the landlord licensing scheme as a tool for preventing extreme rent rises and improving housing conditions, and to the council's Good Employer Charter and commitment to the implementation of the Living Wage. He added that the commitment of the Mayor of London to improving the housing stock in the capital should also help reduce the upward pressure on rents.
- 3.5 In addition, Members questioned Councillor Simon Hall, Cabinet member for Finance and Treasury, on the proposed General Fund Revenue Budget for 2017-2020, developed against a background of grant reductions which began in 2011-2012 and are set to continue until 2019-2020.
- 3.6 Having explained that a key approach to dealing with these funding reductions was "managing demand", members asked what this meant. The Cabinet Member explained that this entailed implementing various ways of preventing problems from emerging through education, support, enforcement and publicity. The Council's Gateway service was highlighted as a means of supporting families to overcome risks such as unemployment, rent arrears and homelessness. This was particularly important for Adult Social Services, which was experiencing fast growing demand and rising costs.
- 3.7 Members questioned the Cabinet Member on the effectiveness of contract management and resource implications. He explained that a review of major contracts was in progress, with some external support to ensure robust outcomes. These may include the termination of some service lines with the services being provided in a different way at a reduced cost.
- 3.8 The Cabinet Member was questioned on the proposed cut of 58.1 council posts in 2017-2020. He gave assurances that every effort would be made to avoid compulsory redundancies and that trade unions would be fully consulted when concrete proposals had been drawn up.
- 3.9 Members discussed forthcoming financial risks faced by the borough. Councillor Simon Hall echoed the Leader's concerns regarding the outcome of the Brexit referendum, the impact of the long-running railway strike on business decisions on the future location of their premises. Assurances were given that the Council would provide whatever support it could to local businesses through its various networks and links with local firms to make it as easy as possible for business to thrive in the borough.

- 3.10 Another acknowledged financial risk to the council is the considerable rise in the demand for adult social care and the cost of these services. The committee agreed that the pressures on these services and their budgets needed to be robustly scrutinised in the following year.

4. CONCLUSIONS

- 4.1 Following the Council Tax and budget item, Members of the Committee drew the following conclusions:
- Budgets for the “People Department” are the ones which give the most concern to the Committee in terms of demand and cost of service provision
 - The pressures on adult social care and health services and their budgets needed to be robustly scrutinised in the following year.

5. EDUCATION BUDGET 2017/18

- 5.1. The Children and Young People Scrutiny Sub-Committee at its meeting on Tuesday 7th February 2017 considered an item on the Education Budget 2017/18. The Executive Director (People) and the Director of Finance, Investment and Risk were in attendance to answer Members’ questions.
- 5.2 The Director of Finance, Investment and Risk gave an overview of the Dedicated Schools Grant (DSG) allocation for the forthcoming year, which will rise from this year’s £309.36m to £324.69m. This includes additional funding for the Early Years and High Needs Blocks allocated in response to local pressures, with more funding for 3-4 year olds and 2 year olds from disadvantaged backgrounds.
- 5.3 Members questioned officers regarding the impact of the reduction in the Education Services Grant (ESG), which is used to fund central education functions. This is set to go down from £3.1m this year to £1.58m in 2017-18. The Executive Director (People) explained that this funding had been cut nationally in a drive to remove responsibility for education from local authorities. However, this drive was not implemented in full, and local authorities have been left with some duties and with reduced resources.
- 5.4 In answer to a further question, the Director of Finance, Investment and Risk explained that the ESG was currently made up of two elements paid on a per pupil basis:
- the maintained duties rate paid to the local authority per pupil in maintained and non-maintained schools
 - the general funding rate paid to the local authority for maintained school pupils only (funding to academies is paid directly to them by central government)
- 5.5 In 2017-18, however, the general funding rate component will be removed and the £1.58m funding will include:

- £820,000 for the retained duties element, equating to £15 per pupil, paid to the local authority for all pupils in both maintained and non-maintained schools, down from £855,000 this year
 - £762,000 transitional funding to cover general funding for the period April to August 2017 (equivalent to £20 per pupil for this period), down from £2.2m this year
- 5.6 Members discussed funding for Pupil Referral Units (PRUs). Officers explained that they were funded through the High Needs Block. They added that efforts had been made to maximise the use of PRUs for pupils with challenging behaviour as the council has better control over the quality of teaching and support, as well as over the costs of these establishments.
- 5.7 Asked about trends in school exclusions, officers explained that permanent exclusions were now very few in number, although fixed exclusions were high in some schools. He added that some children were moved to PRUs due to challenging behaviour but expressed the view that these establishments should be used as a temporary solution and not as a long-term destination for pupils.
- 5.8 Members questioned officers regarding funding for Octavo, Croydon's school improvement mutual. Officers explained that the reduction in funding had been agreed with the mutual in the light of its work during its first year of operation. The reduction represents services which are no longer needed, and officers gave assurances that there had been no cuts to funding for school facing services provided by the mutual. Officers added that the value of the Octavo contract was agreed yearly between Octavo and the council, and that the operation would be extended for two years if it operated satisfactorily. The contract was monitored on the quantity of services traded as well as on their quality.
- 5.9 Members expressed their dissatisfaction regarding the low funding allocation to the London Borough of Croydon, which, although an outer London borough, has many of the characteristics of an inner London borough. They felt that the council needed to make cross-party representations to persuade central government to increase resources to Croydon, which has a number of wards with high levels of deprivation. The Cabinet Member and officers agreed with this view and gave assurances that they were continuing to lobby central government for a significant increase in resources for Croydon's schools.
- 5.10 Members discussed place planning. Officers explained that all schools to be built in future would be free schools, which will be funded directly by central government. In answer to a member's question, officers commented that there would be opportunities for the Roman Catholic Archdiocese of Southwark to make applications for new Catholic free schools to open in Croydon.
- 5.11 Officers were asked whether a grammar school was due to be opened in the south of the borough. The Cabinet member stated that no new school could be designated as a new grammar school as this was illegal, and that primary legislation would be needed to establish such a school in Croydon. It was observed, however, that existing grammar schools could open "annexes" and thus circumvent current legislation. The Cabinet Member stressed that the new secondary school in the south of the borough would be a free school, and that

the application to the Education Funding Agency (EFA) had been accepted. However, no site had yet been allocated to this school.

- 5.12 Officers announced that the national funding formula for schools was set to change in future and that the results of stage 2 of the consultation were expected towards the end of March. They added that they would seek clarification on the rationale for any losses in funding for the borough.

6. PROCEDURE

- 6.1 There will be an opportunity for questions to the Chair of the Committee with a time limit of 10 minutes. Two minutes of this allotted time may be used for the announcements from the Chair.

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BACKGROUND DOCUMENTS: None