

Scrutiny & Overview Committee Supplementary Agenda



5. Budget Scrutiny 2023-24 (Pages 3 - 10)

A Summary of the Community Meeting on the 2023/24 Budget that took place on 15 February 2023.

Katherine Kerswell
Chief Executive
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Simon Trevaskis
020 8726 6000
simon.trevaskis@croydon.gov.uk
www.croydon.gov.uk/meetings

This page is intentionally left blank

Scrutiny & Overview Committee

Community Meeting on Council Budget 2023/24

Wednesday, 15 February 2023

Summary

As part of its work scrutinising the 2023-24 budget setting and proposed 15% increase in Council Tax, the Scrutiny & Overview Committee decided to engage with residents from across the borough to consult on their views on the budget proposals. This meeting was supported by the attendance of Councillor Jason Cummings, Cabinet Member for Finance, and Jane West, Director of Resources and Section 151 Officer.

The questions at the meeting were grouped by a number of different themes; the questions and responses from the meeting have been summarised below.

15% Increase in Council Tax

Concerns were raised about future years, and whether Council Tax would continue to increase steadily after 2023/24, or whether levels would fall back to a lower level.

The Cabinet Member for Finance explained that there would not be increases of this level in future years and should the government suggest that the referendum cap was exceeded in future years, this would be refused.

It was asked why residents should have to pay increased levels of Council Tax when they were not responsible for the state the Council was in.

The Cabinet Member for Finance explained that they absolutely did not want to penalise or increase the burden for residents and agreed that the financial situation of the Council was not the fault of residents. It was explained that there were only a certain number of factors that the Council could affect to improve its financial situation, and one of these was increasing Council Tax, which the Cabinet Member felt was preferable to cutting services. Negotiations with Central Government to increase funding were ongoing, but there was not currently a framework or legislation to deal with situations like that of Croydon.

It was asked why there had been such short notice that there would be an increase in Council Tax, and concerns were raised that households had not had sufficient time to account for this in their own budgets.

The Cabinet Member for Finance acknowledged that this had been a short period but explained that the rise had not yet been approved. The Government had only confirmed to the Council that they had approved the increase of 15% in early February 2023. It was acknowledged that this could be a difficult change for household budgets.

It was asked if Council Tax was likely to rise at the maximum rate of 5% for future years after 2023/24, or if increases would be reduced once the Council had reached financial stability.

The Cabinet Member for Finance responded that, if the Government agreed the settlement the Council had requested, then there would be greater financial stability and decisions on Council Tax changes would be similarly to other Councils on a yearly basis. The Cabinet member said that future reductions in Council Tax would however be unlikely.

Residents queried what would be done to support those who were unable to pay the increased levels of Council Tax but did not qualify for support from the Hardship Fund.

The Section 151 Officer explained that there were a number of places that residents could go for advice if they were struggling to pay Council Tax, for example the Council Tax support scheme which was run every year. Applications to the Hardship Fund would be open to those on the Council Tax support scheme, but also to those who were not, but were experiencing difficulty paying Council Tax for a variety of reasons. Residents were informed that when individuals contacted the Council to explain that they were having difficulty in paying, the Council always worked with these individuals to provide support where possible. The Cabinet Member for Finance explained that the additional income raised from the increase in Council Tax would equate to just over £20 million, and 10% of this would be used to establish the Hardship Fund.

It was asked if the increased income from Council Tax would allow for any of the cuts that had already been made to Council services to be reversed; the example of the closing of the Community Fund was given.

The Cabinet Member for Finance explained that this would not be the case as Croydon's finances had still not been resolved. It was explained that if the Government agreed to the settlement that the Council had requested, then these choices might be possible in the future.

Residents asked if court action would be taken should individuals not be able to pay the increased rates of Council Tax.

The Cabinet Member for Finance explained that court action was always a last resort and was only used when individuals refused to work with or engage with the Council. The Council would always do its best to work with residents experiencing difficult financial situations.

Concerns were raised for the difficulty that vulnerable people could experience from the increase in Council Tax, and the lack of warning and engagement surrounding the increase. It was explained that many residents felt that Council services were already poor.

The Cabinet Member for Finance acknowledged that services had not been to a standard that they were satisfied with over the last few years and stated that this

needed to improve. Residents were encouraged to hold the Cabinet Member and Executive Mayor to account to ensure they continued to improve Council services.

It was asked whether there was an option to increase the Single Person Discount to support those who had their wages outstripped by inflation.

The Section 151 Officer explained that the Single Person Discount was set out in law, and the Council was not able to alter this. The support schemes available were highlighted, and it was restated that the Council would always work with those having trouble in paying Council Tax.

It was asked whether the increased number of dwellings built in the borough over the last few years had provided significant increases to income from Council Tax, and whether this could have been used to offset increases in Council Tax levels.

The Cabinet Member for Finance explained that whilst this did create additional income, it also generated additional residents and resultant expenditure through the need for services such as waste collection.

An explanation of how difficult it had become for Croydon to balance its books was requested, acknowledging a decrease in Central Government funding over the last 10 years against an increase in demand for Council services.

The Cabinet Member for Finance explained that Croydon's overall level of funding from Central Government had decreased steadily over the last 12 to 14 years, but that this was reflected nationally. It was stated that whilst this had added pressures to the Council's budget, it was ultimately not the cause of the Council's current financial position.

Accountability

It was asked why there had not been any prosecution of past Executive Members and Senior Officers who were responsible for the current financial state of the Council.

The Cabinet Member for Finance explained that he was frustrated that the processes of working through this had taken as long as it had since the first Report in the Public Interest (RIPI) in 2020. Residents heard that it had taken significant time to gain a coherent picture of what had been going on in the Council due to both poor records and most of those responsible having left the Council immediately or very soon after the RIPI. The Penn Report had been commissioned to investigate how the Council had arrived at its current situation, and a meeting of the Appointments and Disciplinary Committee would be deciding if this will be published in late February 2023. The Penn Report contained a number of recommendations, which included the referring of certain individuals to professional bodies or referring some of what had happened at the Council to the police; these recommendations would be decided by a meeting of the same committee in March 2023 which would also receive the Kroll report concerning Fairfield Halls.

The Cabinet Member for Finance explained that the former Chief Executive had received a payoff; the way this decision had been reviewed and been found to have not been 'value for money'. The Appointments and Disciplinary Committee would look to see whether there were grounds to try to recoup this payment.

The Cabinet Member for Finance explained they were focussed on the things they had the power to affect and acknowledged that whilst they were not empowered to change Central Government funding settlements, they could change Council Tax levels and the amount spent on services. It was explained that despite this, every effort was being made to lobby Government for the best possible outcome for Croydon.

It was asked whether the 'golden handshake' to the former Chief Executive could be withdrawn or why there had not been a criminal investigation.

The Cabinet Member for Finance explained that this was being investigated, and a decision on this was likely in March 2023.

It was asked why the Department for Levelling Up, Housing and Communities had not investigated Croydon before 2020.

The Cabinet Member for Finance stated that the Government had been unaware of the true situation in Croydon, as had many Members. The situation in Croydon had only come to light due to the RIPI issued by the auditors, Grant Thornton. The 'Opening the Books' exercise had continued to uncover legacy issues within the Council that most officers and Senior Members were unaware of due to most of the former leadership of the Council having left.

It was asked if Senior Members would be taking a voluntary pay cut.

The Cabinet Member for Finance stated that a paper had been taken to Council in 2021 which had agreed a 20% pay cut for Members. An annual paper on pay rises for councillors was due at an upcoming Council meeting, and it was expected that this paper would be rejected.

It was asked why the Council's Auditors had not picked up on the problems in Croydon before 2020.

The Cabinet Member for Finance explained that the auditors had raised concerns to the General Purposes and Audit Committee in advance of the RIPI. Auditors are external and relied on information provided by the Council and so did not have access to all of the possible information.

It was highlighted that what had happened in Croydon was unique and that there were serious lessons to be learned for all of Local Government.

Options Considered

It was asked what options were considered as alternatives to increasing Council Tax by 15% and how the increase in Council Tax at 10% over the national average could be justified considering the past mismanagement of budgets.

The Section 151 Officer explained that the Council was constrained by legislation and did not have a significant number of available alternatives. The other available options were finding further savings or asking the Government for another Capitalisation Directive; both of these were not thought to be viable if services were to improve.

It was stated that residents were being asked to pay more for less, with many frontline officers having lost their jobs in the first wave of redundancies. It was noted that there had been a significant number of high-level senior officer appointments, and it was asked if the number of managers at all levels was being reviewed.

The Section 151 Officer explained that significant work had taken place on changing the management structure of the Council since 2020, and that the number of senior officers had already been reduced by 25%. Residents heard that restructuring the Council to remove unnecessary management layers was embedded in the transformation work being conducted and would contribute to the savings being made for the 2024/25 budget. There was also a focus on moving away from use of agency staff to permanent staff which would deliver savings in addition to increasing the capacity of 'corporate memory' and providing better career development and progression; agency staff use had already reduced by 60% since 2020.

The Cabinet Member for Finance explained that Croydon was the largest borough in London by population, and as a result there would always likely be a large management structure.

It was asked if there had been any consideration of approaching Government and asking for an extension of loan periods to lessen their budget impact and avoid the need to raise Council Tax to this level.

The Section 151 Officer explained that this had been asked for should the Government not agree to write off the amount of debt that had been requested. It was highlighted that this was not an ideal solution as it would extend the debt for future generations and did not ultimately resolve the issue.

An explanation was requested of what the implications would be for Council services if Council Tax was only increased by 5%.

The Cabinet Member for Finance stated that this would create a £20 million hole in the 2023/24 budget. This would need to be resolved through further cuts; this had been looked at, and it was thought that this would be too damaging and unsafe for Council services, on top of the savings already being sought. The Cabinet Member

explained that this could be accounted for with further borrowing, but that this would ultimately make the Council financial position even worse.

Process

It was asked why there had not been a referendum on the Council Tax increase of 15%.

The Cabinet Member for Finance explained that the normal increase limit that required a referendum was any figure above 5% but that this was in the power of Central Government to vary; the decision to do this had been taken for Slough, Thurrock and Croydon. It was explained that referendums on Council Tax were a relatively new concept, and that Croydon had previously raised Council Tax by 27% with no referendum.

The Section 151 Officer explained that after many conversations with the Government it had been decided that a 15% increase would not be 'excessive' in light of the Council's financial situation.

The Cabinet Member for Finance explained that there was an option for the other political parties in the Council to submit alternative budgets to the Budget Council meeting and stated that he looked forward to seeing any better possible solutions.

Concerns were raised that the democratic rights of residents were being ignored and that there was no guarantee that the increased income from Council Tax would fix problems with the Council.

The Cabinet Member explained that a referendum would show whether residents were in favour of an increase in Council Tax, but ultimately the Council was facing a number of choices and a decision had been taken by elected representatives that this was the best possible course of action. The Cabinet Member highlighted that they would be held to account at the ballot box at the next local elections.

It was acknowledged that the legal requirement to hold a referendum had been waived by Central Government, but it was suggested that this was still a 'moral requirement' due to the substantial impact that it would have for residents and the minimal impact it would have on the Council's overall debt.

The Cabinet Member for Finance explained that they were in extremely regular conversations with the Department for Levelling Up, Housing and Communities to lobby on Croydon's behalf with ministers at all levels. It was explained that any funding given to Croydon to resolve its financial situation ultimately came from public money and that responsibility for resolving the mistakes made in Croydon should fall significantly on the Council.

The Section 151 Officer added that Croydon was lobbying Government harder than they had seen at any Council. It was explained that the mechanisms needed to help Croydon would require changes in legislation.

It was asked how residents could work with the Council to improve the situation in the borough.

The Cabinet Member explained that they were very open to working with anyone; as the Council's ability to fund locally diminished, the Council would look to co-operate and facilitate much more with local groups through partnership working.

Service Provision

Concerns were raised about the language used in Equality Impact Assessments suggesting possible impacts when it was felt these were definitive.

The Section 151 acknowledged and accepted this criticism for previous EQIAs but highlighted that the EQIA for the budget was much more explicit and that there were individual EQIAs for any services that were undergoing changes.

Support for Residents

Concerns were about the level of funding being provided for the Hardship Fund given the levels of deprivation already prevalent in the borough.

The Cabinet Member for Finance explained that a significant number of residents would not like the increase in Council Tax but would ultimately be able to afford it; residents who were currently receiving Council Tax support would see this go up in line with increase. Those who were receiving 100% Council Tax support would not see any change.

It was accepted that there were a number of residents not receiving support who would be pushed over the edge by this increase, and this was highlighted in the EQIA. The Cabinet Member explained that 10% of the total increase in income from raising Council Tax had been set aside for the Hardship Fund and it was thought that this was enough to mitigate the entire increase for this group of residents.

It was asked that the amount of money in the Hardship Fund was reviewed on a quarterly basis, as some residents felt that the current amount would not be sufficient.

The Cabinet Member for Finance explained that this would be included in the Financial Performance Monitoring reports that were brought to Cabinet on a monthly basis. The amount allocated to the Hardship Fund could be reviewed at any point if it was found it was likely not to be sufficient.

Clarification was requested on the Council's policy on collecting Council Tax arrears.

The Cabinet Member for Finance clarified that the Council did not take residents who were actively engaging with the Council to court and that this was only ever a last

resort. The Section 151 added that welfare advice was available through the Council to ensure there was support outside of Council Tax processes.

It was asked what was being done to increase support and customer service for residents.

The Cabinet Member for Finance explained that there was ongoing transformation work to improve these services and access to these services; the new telephony system was highlighted as a recent example.

Residents asked why benefit caps for receiving support were lower in Croydon than in other Local Authorities.

The Section 151 Officer explained that these varied by borough but that they would need to look into this outside of the meeting to provide a full answer.