

# Scrutiny Health & Social Care Sub-Committee Agenda



To: Councillor Sean Fitzsimons (Chair), Councillor Richard Chatterjee (Vice-Chair), Pat Clouder, Jerry Fitzpatrick, Steve Hollands, Andrew Pelling and Gordon Kay

Reserve Members: Jan Buttinger, Patsy Cummings, Clive Fraser, Toni Letts and Helen Redfern

A meeting of the **Scrutiny Health & Social Care Sub-Committee** which you are hereby summoned to attend, will be held on **Tuesday, 11 May 2021 at 6.30 pm.** **This meeting will be held remotely.**

Jacqueline Harris Baker  
Council Solicitor & Monitoring Officer  
London Borough of Croydon  
Bernard Weatherill House  
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www.croydon.gov.uk/meetings  
Friday, 30 April 2021

Members of the public are welcome to view the webcast both live and after the meeting has completed at <http://webcasting.croydon.gov.uk>

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If you require any assistance, please contact Simon Trevaskis 02087266000 as detailed above.

## **AGENDA – PART A**

### **1. Apologies for Absence**

To receive any apologies for absence from any members of the Committee.

### **2. Disclosure of Interests**

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

### **3. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

### **4. Covid-19 Vaccination Uptake- Residents in Care Homes and Care Staff in all settings (Pages 5 - 24)**

To receive an update on the current progress made with the covid-19 vaccination programme in Croydon.

### **5. Overview of the 2021-22 Adults Budget (Pages 25 - 176)**

The Health and Social Care Sub-Committee is asked to review the information provided in this report and at the meeting, to reach a conclusion on the following:-

1. Are the budget savings within Adult Social Care achievable?
2. Does the leadership team have sufficient line of sight over the savings programme?
3. Is there sufficient political oversight over the savings

programme?

4. Are the financial monitoring systems in place sufficient to allow effective tracking of the budget?
5. Are the performance monitoring systems in place sufficient to allow any unforeseen impact, as a result of the savings programme, on vulnerable residents to be picked up and addressed at an early stage?

**6. Exclusion of the Press and Public**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

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# Agenda Item 4

<b>REPORT TO:</b>	<b>Scrutiny Health &amp; Social Care Sub-Committee 11 May 2021</b>
<b>SUBJECT:</b>	<b>Covid-19 Vaccination Uptake- Residents in Care Homes and Care Staff in all settings</b>
<b>LEAD OFFICER:</b>	<b>Rachel Soni, Director of Commissioning &amp; Procurement Rachel Flowers, Director of Public Health</b>
<b>CABINET MEMBER:</b>	<b>Cllr Janet Campbell, Cabinet Member for Families, Health &amp; Social Care</b>
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	<b>Stephen Hopkins, Head of Children &amp; Adults Placement &amp; Brokerage</b>
<b>PUBLIC/EXEMPT:</b>	<b>Public</b>

## **POLICY CONTEXT/AMBITIOUS FOR CROYDON:**

The Council's 'Covid-19 Outbreak Control Plan' sets out how we will work with our partners and the community to prevent and respond to local outbreaks of COVID-19.

Croydon's local outbreak control plan outlines 5 steps to prevent, control and manage COVID-19 incidents and outbreaks. It describes our local whole system response and it has been developed with a wide range of stakeholders and overseen by Croydon COVID-19 Health Protection Board.

The aim of this plan is to:

- build on existing plans to prevent and manage outbreaks in specific settings
- ensure the challenges of COVID-19 are understood
- consider the impact on local communities
- ensure the wider system works together to contain the spread of infection locally.

This report provides an important update on how vaccination within the care sector supports the Covid-19 Outbreak Control Plan by ensuring that residents and staff in the care sector are vaccinated.

<b>ORIGIN OF ITEM:</b>	Scrutiny of the local response to the covid-19 pandemic is one of the key priorities for the Health & Social Care Sub-Committee.
<b>BRIEF FOR THE COMMITTEE:</b>	This report is to review the progress to date of the Covid-19 vaccination up take for residents in care homes, staff in care homes and staff in other care settings. The report also includes an update on the action plan to increase vaccination rates within these care settings

## 1. EXECUTIVE SUMMARY

- 1.1. The report provides an update on the progress to date for covid-19 vaccinations for residents in care homes, staff in care homes and staff in other care settings. The data provided within this report is accurate as of 27 April 2021.
- 1.2. The report provides recommendations on next steps on the action plan and a further update to be provided to the Scrutiny Health & Social Care Sub-Committee on 29 June 2021
- 1.3. The objective is for the Council, South West London CCG(SWL CCG) and Croydon Health Services NHS Trust to support the care sector in the roll out of the vaccination programme, encourage uptake and breakdown any barriers preventing vaccination
- 1.4. In January 2021 the first roll out of the covid-19 vaccination started for older adults within care home settings. Croydon has the largest care home market within London, with 128 care homes, and bears the safeguarding responsibility of all those residents whether or not they are placed by Croydon Council. This has meant that nearly 2200 residents in care homes and 3200 care home staff reported by providers.
- 1.5. Croydon has the largest number of care staff within other care settings within London with 3891 staff employed over various settings reported by providers. The vaccination roll out for other care staff (cohort 2) started on 9 February 2021
- 1.6. As of 27 April 2021 vaccination uptake in key areas are:-

	<b>No. in relevant area</b>	<b>Dose 1- % vaccinated</b>	<b>Dose 2- % vaccinated</b>
<i>Care home residents</i>	<b>2123</b>	<b>89.72%</b>	<b>65%</b>
<i>Care home staff</i>	<b>3223</b>	<b>71.59%</b>	<b>44%</b>
<i>Other Care staffing including domiciliary care</i>	<b>3891</b>	<b>44%</b>	<b>Not currently being reported</b>

This data above is provided from the NHS Capacity Tracker, which is the responsibility for all care providers to maintain and update and is the main source of national data used for vaccinations and infection information.

## 2. COVID-19 VACCINATION UPTAKE RESIDENTS IN CARE HOMES & CARE STAFF IN ALL SETTINGS

### Background

2.1. From the start of the pandemic, a multi-agency approach has been in place to respond to outbreaks, providing guidance to the care sector and recently on the vaccination uptake. This approach is in line with the 'Covid-19 Outbreak Control Plan'. This includes partners from:-

- SWL CCG including infection prevention and control teams
- Croydon Health Services NHS Trust
- GP collaborative
- Lead pharmacist
- Public Health
- Commissioning team
- Safeguarding team

2.2. In January 2021, the first roll out of the vaccination for residents in care homes started and since then the roll out to all care staff (care homes and other settings) has commenced. The main source of national information for vaccination and other covid related information is from the NHS Capacity Tracker. It is the responsibility of the relevant care provider to maintain the information on this tracker but there is no legal obligation for them to do so. Therefore it should be noted that the accuracy of the data cannot always be verified as accurate, although significant effort and communications with homes to ensure that they keep this up to date.

2.3. All registered care homes and care providers are regularly contacted by the Council with email updates, individual calls to providers and weekly seminars.

### **Residents & staff in care homes vaccination uptake**

2.4. To ensure that the rollout of the Covid Vaccination to care home residents and staff was successful and met government deadlines, a communication plan was developed that involved sharing information with care homes through the weekly care home newsletter, care home information sessions and via staff calls.

2.5. The Croydon GP Clinical Lead, supported by the Primary Care Networks, led the vaccination roll out to priority groups in care homes, ensuring that those eligible and consenting (staff and residents) received the first dose of the Covid Vaccination. A Task and Finish Group was convened weekly to manage the roll out of the Vaccination Programme in care homes.

2.6. All residents and staff in Croydon care homes were offered the first dose of the Covid vaccination by the target date of 15 February 2021. Data from the NHS Capacity Tracker as of 15 February shows that 85% of residents and 56% of staff had received the 1<sup>st</sup> dose of the Covid vaccination.

2.7. Week beginning 15 February 2021, Croydon's Commissioning Team began calling Care Homes with 50% or less vaccination uptake amongst staff/residents. The purpose of these calls was to validate the COVID-19

Vaccination data on the NHS Capacity Tracker, find out why staff/residents had not yet been vaccinated, and see if the managers required any additional support or resources.

- 2.8. Based on the feedback gathered from care homes on the reasons for staff and residents not yet having the vaccination, an action plan was developed. Any barriers were escalated at the daily Care Home Operational Group and resolved within 24 hours and included on the agenda for the fortnightly strategy group escalating any key issues to the relevant stakeholders.
- 2.9. On 5 March, the Director of Public Health Croydon and Interim Director of Commissioning and Procurement sent a formal letter to the care homes that had reported on the NHS Capacity Tracker that they had 50% or less vaccination take-up amongst staff. The letter's purpose was to highlight the importance of having the Covid Vaccination and updating the Capacity Tracker.
- 2.10. A Multi-Disciplinary Review Meeting initially set up to oversee outbreaks in care homes shift focused to overseeing homes with low vaccination uptake (50% or less in staff/residents) jointly agreeing on the next steps to support these homes. The group agreed that all homes with 0% vaccination uptake in staff or residents would be invited to a joint meeting with Public Health and Commissioning to discuss ways to increase uptake.

### **Resident Vaccination Uptake**

- 2.11. As of 27 April 2021, Vaccination Uptake for Care Home Residents is at 89.72% for 1st dose and 65% for 2nd dose. South West London CCG has developed a vaccination request form available online to support new residents to access the 1st and 2nd dose of the Covid vaccination. The Croydon Clinical GP Lead is working with the Vaccination Task and Finish Group to establish the best approach to support the remaining 10% unvaccinated care home residents.

### **Staff Vaccination Uptake**

- 2.12. Care Home staff are being encouraged to attend the weekly care home information session, where they have the opportunity to take part in active Q&A sessions and find out more about the covid vaccination from various guest speakers such as Professor Dame Donna Kinnair, Dr Agnelo Fernandes, Croydon GP Clinical Lead, Public Health consultants and other specialist clinicians.
- 2.13. To support staff to access an alternative vaccination. South West London CCG has developed a pathway that supports staff to access the Pfizer vaccine where clinically appropriate.
- 2.14. The work on the second dose by GPs will mean that they will be speaking to staff who have not been vaccinated yet and encourage them to become vaccinated



## **Support from South West London**

- 2.15. South West London CCG has provided wider support to all care homes in South West London including information sessions, webinars and targeted support to increase vaccination uptake. All webinars filmed, edited and released as YouTube links and shared with managers to disseminate.

## **Other care staff vaccination uptake**

- 2.16. Vaccination for other care staff(cohort 2) started in February 2021.
- 2.17. The Council and partners have been supporting this sector which includes staffing from domiciliary care, supported living and sheltered by:-
- Fortnightly Teams sessions with social care providers to present information about the vaccines and get feedback about what's working and what's not working
  - Presentations from guest speakers such as GPs to dispel myths at the fortnightly Teams sessions.
  - Fortnightly Newsletters containing information discussed at the provider sessions and provide useful updates
  - Information sent out to providers about BME Forum and Asian Resource centre events providing education about the vaccines
  - Reminders sent to providers about recording vaccinations on ADASS/NHS trackers via Quarterly Monitoring Reports sent out by Commissioning.
  - Request of vaccination numbers and confirmation of reporting via Quarterly Monitoring Reports sent out by Commissioning
  - Discussions about vaccinations at Quality Meetings organised by Safeguarding and attended by Commissioning.
  - Attendance by a Commissioning representative at ADASS forum sharing ideas on increasing vaccination uptake.
- 2.18. A 'Vaccination for Domiciliary Care Staff-next steps' meeting on 14 April 2021 which was organised by ADASS. Providers were able to provide feedback and share ideas on what they found worked in relation to encouraging their staff to take up the vaccine.

Many providers had worked with their Local Authorities to provide information and educational materials, encouraging staff to follow their managers example of getting the vaccination. The feedback indicated that the challenges were no longer focused to cultural and religious beliefs, but were becoming focused on the bad press surrounding the Astra Zenica vaccine, staff wanting to wait longer in order to see the more long term effects or waiting for a different vaccine to become available.

Providers found that staff were more willing to take the vaccine if they were able to have paid time off and support with transport but also recognised that those who had achieved a rate of 80-90% uptake were finding that the

remaining staff were unable to be convinced to take on the vaccine regardless of the educational materials provided or incentives offered.

## **What the vaccination data tells us and how we compare to other London boroughs**

### **Care Home Staff**

- 2.19. Appendix 2 shows the uptake on dose 1 vaccination for Care Home Staff. As dose 2 vaccination has only just started we have not provided comparable data at this stage. We are currently showing that Croydon has the 13<sup>th</sup> highest vaccination out of the 32 London Boroughs.
- 2.20. We have reviewed against comparable boroughs(size of care market and demographics) as below:-

<b>Borough</b>	<b>% Vaccinated Dose 1</b>	<b>Borough Position</b>
Croydon	<b>71.59%</b>	<b>13</b>
Barnet	<b>65.95%</b>	<b>26</b>
Enfield	<b>67.30%</b>	<b>23</b>
Redbridge	<b>65.89%</b>	<b>27</b>
Sutton	<b>71.35%</b>	<b>14</b>
Waltham Forest	<b>67.61%</b>	<b>22</b>

- 2.21. It shows that we above the London average and also that Croydon has the highest number of Care Home staff that requires vaccinating.

### **Care Home Residents**

- 2.22. Appendix 1 shows the uptake on dose 1 vaccination for Care Home Residents. As dose 2 vaccination has only just started we have not provided comparable data at this stage. We are currently showing that Croydon has the 27<sup>th</sup> highest vaccination rate out of the 32 London Boroughs.
- 2.23. We have reviewed against comparable boroughs(size of care market and demographics) as below:-

<b>Borough</b>	<b>% Vaccinated Dose 1</b>	<b>Borough Position</b>
Croydon	<b>89.72%</b>	<b>27</b>
Barnet	<b>88.34%</b>	<b>28</b>
Enfield	<b>92.24%</b>	<b>15</b>
Redbridge	<b>92.35%</b>	<b>13</b>
Sutton	<b>93.97%</b>	<b>6</b>
Waltham Forest	<b>91.69%</b>	<b>18</b>

2.24. It shows that we are below the London average and also that Croydon has the highest number of Care Home Residents that requires vaccinating. The importance of the action plan focusing on individual reasons why residents have not been vaccinated via their GPS is key to increasing vaccinations

### **Other Care Settings Staff**

2.25. Appendix 3 shows the update on dose 1 vaccination for Other Care Settings Staff. As dose 2 vaccination has only just started we have not provided comparable data at this stage. We are currently showing that Croydon has the 24<sup>th</sup> highest vaccination rate out of the London Boroughs.

2.26. The Other Care Setting Staff is made up of 90 providers as below. Some providers

Provider Type	Providers who Council commission	No. of Staff	Providers who are delivering out of borough or not commissioned by the Council	No. of Staff
Domiciliary Care	<b>29</b>	<b>1238</b>	<b>42</b>	<b>2150</b>
Supported Living	<b>8</b>	<b>269</b>		
Other (including Sheltered)	<b>7</b>	<b>172</b>	<b>4</b>	<b>62</b>
<b>TOTAL</b>	<b>44</b>	<b>1679</b>	<b>46</b>	<b>2212</b>

2.27. What the above table shows is that we have a number of providers where their registration is within Croydon but may deliver services for other London boroughs or in the private care market.

2.28. The current dose 1 vaccination is 44% compared to a London average of 56%. There appears to be an issue with providers updating the NHS Capacity Tracker which is the single source of reliable data. Out of the 90 providers:-

	No. of Providers	% of Total Providers
Over 3 months since last updated	<b>3</b>	<b>3.33%</b>
Over 2 months since last updated	<b>10</b>	<b>11.1%</b>
Over 1 month since last updated	<b>4</b>	<b>4.44%</b>

This shows that just under 20% of providers are not updating information on a regular basis. The NHS Capacity Tracker is also reporting that providers are registering over 1000 unknown entries where it is unclear whether staff have been vaccinated or not. This emphasises the issue that comparing data is very difficult.

- 2.29. Therefore the action plan as provided in Appendix 4 is vital to focus on ensuring that all providers are providing accurate and up to date information on the NHS Capacity Tracker

### **Department of Health & Social Care- Care home survey of four London boroughs**

- 2.30. In March 2021, Croydon was selected as one of four London boroughs to take part in a Care Home Survey to understand the vaccination roll out and what was preventing both staff and residents being vaccinated. The National Test & Trace teams contacted Care Homes directly within Croydon & Barnet whilst within the other two London boroughs Care Homes received a survey.
- 2.31. The National Test & Trace service were asked to contact 94 care homes across the two boroughs using a standardised script, understand the reasons for declined vaccinations, and signpost to prepared solutions, including expediting vaccinations at the local level, while noting feedback
- 2.32. The key findings were:-
- 21% of residents declined the vaccination due to power of attorney decisions. 14% of staff declined the vaccinations due to wanting more time to decide as well as concerns around the impact of fertility
  - 43% of Care Home Managers believed they and their staff would be receptive to the vaccinations being made mandatory while 34% would not be receptive and 23% expressed mixed views
- 2.33. There were suggested actions for Councils to take, most of which Croydon had already had in place, to increase vaccination rates. These include:-
- **GP/ Health Team Support** – The Local Authority to liaise with GPs/Health Teams to go into care homes for additional information as well as vaccination.
  - **Staff recruitment** - To make it mandatory for new recruits in a care home to have the vaccine before their contract starts. This suggested action is now being part of the government consultation on mandatory vaccination for care staff.
  - **Social media campaigns** – We recommend campaigns to help the negativity on social media surrounding vaccinations
  - **Financial Incentives** – To support staff who were unable to have the vaccination at their workplace to receive a financial incentive for things such as wages, travel expenses
  - **Additional Resourcing** – Specific resourcing such as webinars, leaflets, GPs and Health Team Leaders to be provided to care homes may raise uptake in vaccinations who are concerned about BAME and fertility

- 2.34. Overall the feedback showed that the Council and its partners had good communication with its care homes.
- 2.35. A weekly action plan is being provided to the Department of Health and Social Care on progress on staff vaccination take up.

### **Action plan to increase vaccination uptake**

- 2.36. Appendix 4 shows the current action plan for Care Homes and Other Care Settings. This action plan is reviewed weekly with partners.
- 2.37. As the vaccination is now widely implemented the key work is on providers and residents who are reporting low uptake. The key work on the plan that we will continue to work on are:-
- Ensuring that the Other Care Providers are updating the NHS Capacity tracker with vaccination data on at least a weekly basis(requirement is daily).
  - That on the Other Care Providers that we will prioritise work with known providers who are delivering care in Croydon to ensure that their staff are vaccinated
  - That GPs will work with individual care homes in looking at reasons why individual residents have not been vaccinated and report back to the Care Home Strategy Group on the reasons why.
  - That Other Care Providers with less than 80% dose 1 vaccinated staff will continue to be supported via the relevant strategy group.

### **Issues and risks**

- 2.38. The below provides an update on issue/risks and relevant mitigation measures:-

<b>Issues/Risks</b>	<b>Mitigation measures</b>
Care home managers not sharing vaccination resources with their staff	<ul style="list-style-type: none"> <li>• Vaccination resources uploaded to the Value Croydon website.</li> <li>• Care home staff encouraged to attend the care home information sessions</li> </ul>
Staff requesting an alternative covid vaccination to the AstraZeneca Vaccination	<ul style="list-style-type: none"> <li>• South West London CCG has developed a pathway that supports staff to access the Pfizer vaccine where clinically appropriate.</li> <li>• South West London are making call to Care Homes to make them aware when local sites are offering vaccines.</li> </ul>
Concerns around the impact on male and female fertility	<ul style="list-style-type: none"> <li>• Clinician specialising in fertility booked in to attend the care home information session on 13 May 2021</li> <li>• South West London CCG Q&amp;A Webinar on Fertility and Women's Health</li> </ul>

<p>Religious and cultural beliefs/ Concerns within the BAME community</p>	<ul style="list-style-type: none"> <li>• Recordings of faith leaders (Priest and Imman) speaking about the importance of having the covid vaccination, shared in the care home newsletter</li> <li>• Themed session run by South West London on Race, Religion and Background</li> <li>• Care home staff from the BAME community attending the care home information session to speak about their experience of having the vaccination</li> <li>• Q&amp;A vaccination sessions with health staff from the BAME community, Professor Dame Donna Kinnair, Dr Agnelo Fernandes</li> </ul>
<p>Staff/residents would like to wait a little while before they have the vaccination as they are worried about how safe the vaccination is and are afraid of dying or becoming unwell.</p>	<ul style="list-style-type: none"> <li>• Regular vaccination updates from Public Health and the Croydon GP Clinical Lead at the fortnightly Care Home Information Session and Other Care Provider Information Session</li> </ul>
<p>Family not consenting to their relative having the vaccination and residents unable to consent to the vaccination due to mental capacity.</p>	<ul style="list-style-type: none"> <li>• The Croydon Clinical GP Lead is working with the Vaccination Task and Finish Group to establish the best approach to support the remaining 8% unvaccinated care home residents</li> <li>• Community Learning Disability Team to support Learning Disability Care Homes with vaccination uptake</li> </ul>
<p>That providers for Other Care Settings are not updating the NHS Capacity Tracker on a regular basis.</p>	<ul style="list-style-type: none"> <li>• Focused calls with providers who are reporting below 80% of dose 1 staff vaccinated.</li> <li>• Providers to update NHS Capacity Tracker on a regular basis</li> <li>• Council to be aware of what providers who have registrations within Croydon but are not delivering care within Croydon</li> <li>• Campaign nationally to the NHS for improvements to be made to the capacity tracker for more accurate information.</li> </ul>

## Conclusion and recommendations

2.39. Due to the size of the care market within Croydon, it is concluded that:-

- Staff in Care Homes uptake on the vaccination (dose 1) is above the London average and continued focus from the action plan on homes below 80% vaccination uptake.

- Residents in care homes uptake on the vaccination (dose 1) is below the London average. The key focus from the action plan is work per home/per resident in understanding the reasons for not being vaccinated.
- Staff in Other Care Staff uptake on the vaccination (dose 1) is below the London average. The key focus on this is to work with providers who have not updated the capacity tracker on a regular basis (estimated at 20% of providers) and work on key actions to increase uptake.

2.40. For care homes, 124/124 care homes have completed the NHS Capacity Tracker at some point. As at 27 April 2021 64% of care homes completed the NHS CT within the last 24 hours, 5% completed the NHS Capacity Tracker longer than 7 days ago.

For other care settings, as at 27 April 2021 2% of care providers completed it within the last 48 hours. This shows the key work needed in providers updating the capacity tracker

- 2.41. It is recommended that the Council and partners continue with its action plan to increase vaccination uptake within the care sector.
- 2.42. It is recommended that a further report on the update of the vaccination is presented back to the Scrutiny Health & Social Care Sub-Committee on 29 June 2021.

**CONTACT OFFICER:** Stephen Hopkins, Head of Children & Adults Placement & Brokerage 07874 601548

## **APPENDICES TO THIS REPORT**

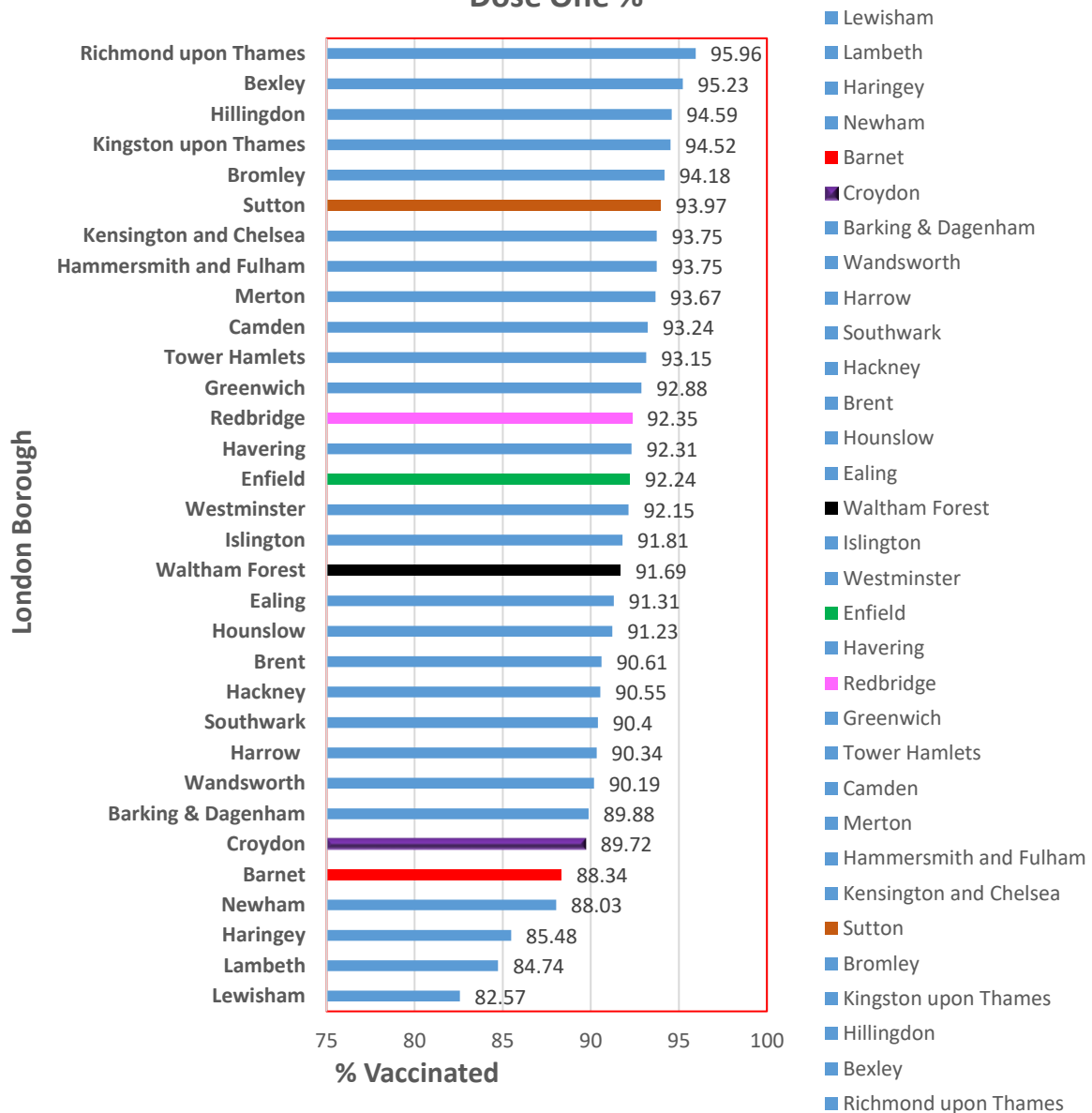
Appendix 1 Care Home Staff Vaccination Table  
 Appendix 2 Care Home Residents Vaccination Table  
 Appendix 3 Other Care Setting Staff Vaccination Table  
 Appendix 4 Care Home and Other Care Settings Vaccination Action Plan

**BACKGROUND DOCUMENTS:** N/A

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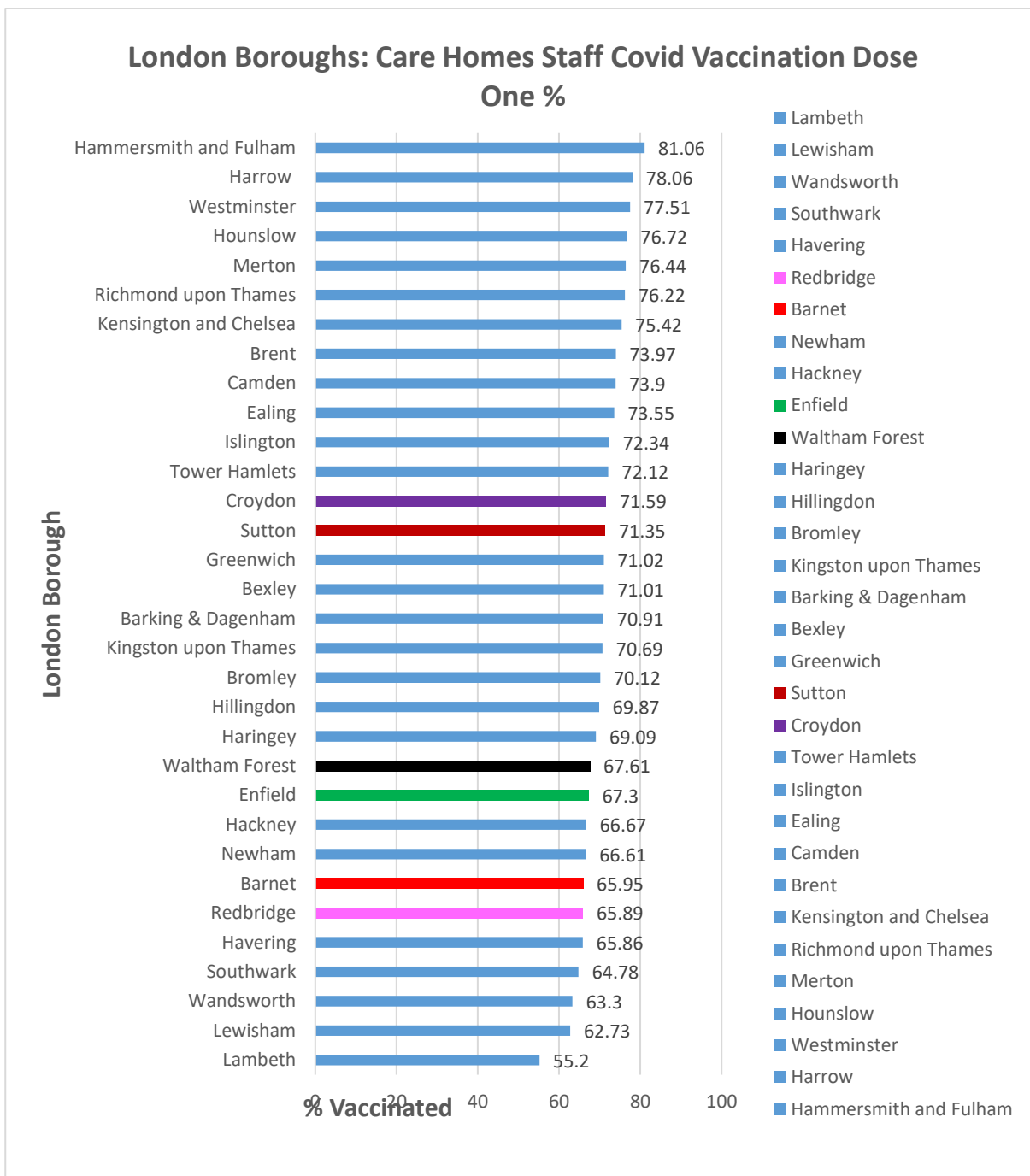


## London Boroughs: Care Homes Residents Covid Vaccination Dose One %

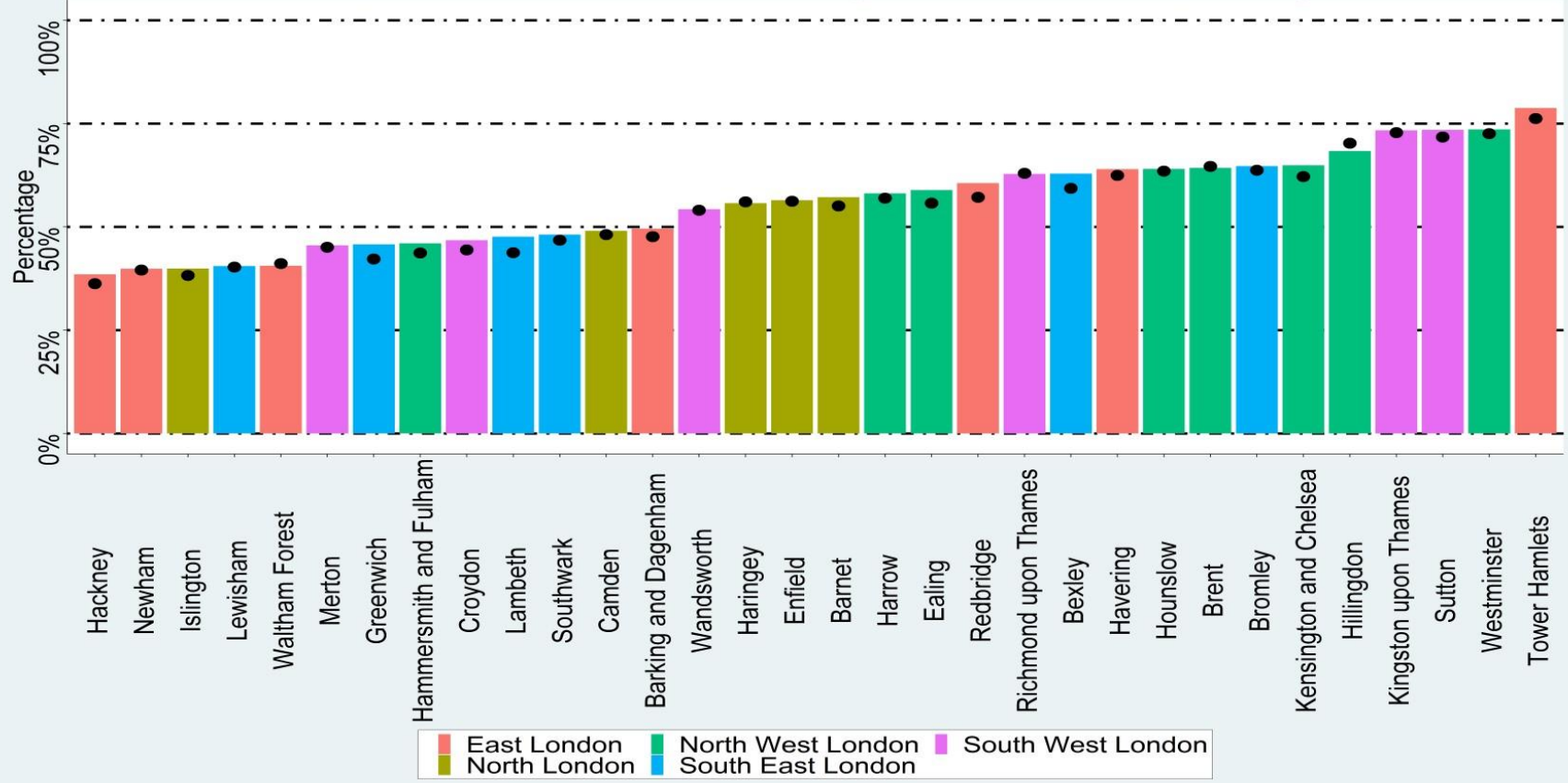


## Appendix 1 Care Home Resident Vaccination Table

## Appendix 2 Care Home Staff Vaccination Table



### COVID-19 vaccine home care: Proportion of staff first dose by LA






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## Croydon COVID-19 Care Home Vaccine Uptake Plan

Action	Description/Comments	RAG
<b>Improving Access to Vaccinations</b>		
Support staff to access an alternative vaccine where clinically appropriate	South West London CCG has a Pathway in place to support staff to access Pfizer vaccine where clinically appropriate	<i>On Track</i>
South West London CCG to develop a process to support new residents to access 1 <sup>st</sup> and 2 <sup>nd</sup> dose vaccinations	Link to the vaccination request form shared with care homes and uploaded to Value Croydon	<i>Complete</i>
<b>Targeted Support</b>		
Develop a plan to increase the remaining 8% unvaccinated care home residents	Clinical Senior Responsible Officer to raise with Vaccination Task and Finish Group the best approach to support care home residents who have not yet been vaccinated.	<i>On Track</i>
	Community Learning Disability Team to support LD homes with staff and resident vaccination uptake	<i>On Track</i>
Develop a plan to support our larger care homes (top 6) with staff vaccination uptake	Fortnightly check-in calls from the commissioning team Joint meeting (Care Home Manager, CCG, Public Health and Commissioning) to understand how we can support the managers to increase staff uptake	<i>On Track</i>
Recruit X3 Temporary (30/06/2021) Contract and Review Officers to support with COVID response across Residential and Community Care Settings	Roles currently out via agency, interviews commencing week beginning 26 <sup>th</sup> April 2021 Main focus increasing staff vaccination uptake across Residential and Community Settings.	<i>On Track</i>
Identify a clinician specialising in fertility to attend the care home information session	Contact has been made with specialist in the process of negotiating dates. Target all care homes that have advised that fertility concerns is a reason for low staff uptake an invite them to the session.	<i>On Track</i>
Calls to care home with low staff/resident uptake 50% or less	Calls made to homes to understand the reason for low vaccination uptake, resources shared.	<i>Complete</i>
Formal Letter from the Director of Public Health Croydon and Interim Director of Commissioning and Procurement sent to homes with 50% or less uptake of the vaccination amongst staff	Letter sent to homes highlighting the importance of having the covid vaccination and updating the capacity tracker.	<i>Complete</i>
Support for care homes (Horizon Retreat, Ocean Retreat and Whitworth Lodge) reporting 0% staff vaccination uptake	Covid vaccination resources have been sent to the managers and joint meetings (Care Home Manager, CCG, Public Health and Commissioning) organised.	<i>Complete</i>
Contact Care homes with high uptake (90% +) to see if they would be interested in buddying up and supporting a home with lower vaccination uptake	Calls made to homes, low interest due to work demands and managers not feeling comfortable	<i>Complete</i>

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Action	Description/Comments	RAG
<b>Stakeholder Meetings</b>		
Covid-19 Council Silver & Gold Group	Regular updates and reporting into Council Covid19 Resilience Governance	Ongoing
Monthly Care Home Strategy Group	Multi-agency covid-19 support for care homes	Ongoing
Twice weekly Care Home Operational Group	Responsible for the day to day oversight and response to covid, including reviewing the data completed by care homes on the NHS Capacity Tracker	Ongoing
Fortnightly Multi-agency Covid Vaccination Response Meeting	Organised to share key information and jointly agree the next steps to support covid vaccination uptake in order to minimise and slow down the spread of covid	Ongoing
London Care Homes Oversight Group	Attendance and sharing practice	Ongoing
<b>Communication</b>		
Care Home Information Sessions with a focus on Covid vaccinations	Regular COVID-19 vaccination Q&A sessions with guest speakers such as including Professor Dame Donna Kinnair, Lead GP and Public Health	Ongoing
Care Home Newsletter	Weekly vaccination updates and resources (including vaccination experiences from the BAME community Faith Leaders, Social Care Staff and Community Leaders) .	Ongoing
Develop a Covid-19 Vaccination section on Value Croydon (Single point of access for the latest COVID-19 pandemic news, updates, information and guidance)	Various vaccination resources available and updated when required	Complete
<b>DHSC Survey Calls</b>		
Review the feedback forms from the Test and Trace Vaccination Survey Calls.	Feedback analysed, care homes requiring further information have been contacted and the relevant vaccination resources shared.	Complete
Support the 2 staff members at Whitworth Lodge to access an alternative to the AstraZeneca Vaccination	The Commissioning Team have supported the staff to access the Pfizer Vaccination.	Complete

RAG Definitions	
Complete	
On Track	
Ongoing	





Croydon Care Homes Residents and Staff COVID-19 Vaccination Data (27 April 2021)		
	Dose 1	Dose 2
Residents	89.72%	65%
Staff	71.59%	44%

## Croydon COVID-19 Other Care Providers Vaccine Uptake Plan

Action	Description/Comments	RAG
<b>Support providers to increase the number of staff getting vaccinated</b>		
Support staff to access an alternative vaccine where clinically appropriate	Work with Care home team re:Pathway in place to support staff to access Pfizer vaccine where clinically appropriate	<i>Not yet started</i>
Support and facilitate access to reputable sources of information to aid decision making.	Topics identified as areas of concern is being addressed through the social care provider forum and the bi-weekly newsletter.	<i>On track</i>
Develop a communication plan for home care providers that incorporates 1-2-1 support where barriers are identified.	Link to the feedback in terms of barriers and providers not updating NHS tracker and lack of responsiveness at provider meetings	<i>On track</i>
<b>Targeted Support</b>		
Support providers to improve uptake of vaccine to 80% across home care and other markets	Develop a project group with lead to oversee delivery of the home care plan. Which includes weekly catch up on objectives and how we can support managers to increase staff uptake	<i>On going</i>
Support primary and secondary care providers on the DPS or those with similar levels of business to increase vaccinations level	Resource allocated to contacting providers in this remit, to understand reasons for low vaccination uptake, sharing resources to aid decision making	<i>On Track</i>
Calls to home care with low staff/resident uptake 50% or less	Resource allocated to contacting providers in this remit, to understand reasons for low vaccination uptake, sharing resources to aid decision making.	<i>On Track</i>
Calls to home care and other market providers who have not submitted data via the NHS tracker in the last 3 months	Calls to providers to understand barriers if any in updating the tracker and whether they are commissioned services/based in Croydon but delivering elsewhere.	<i>On track</i>
Identify a clinician specialising in fertility to attend joint care home and home care information session	Contact has been made with specialist in the process of negotiating dates. Target all care homes that have advised that fertility concerns is a reason for low staff uptake an invite them to the session.	<i>On going</i>
Extend the offer of a support session to Care staff where resources are directly shared	Link to the social care provider forum, this is an opportunity for staff to attend and here the resources available first han	<i>Not yet started</i>
Contact Home care provider with high uptake (90% +) to see if they would be interested in sharing the approach used within their organisation via the provider group or newsletter	1-2 providers have volunteered, but the majority have shied away from sharing any information	<i>On track</i>

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Action	Description/Comments	RAG
<b>Stakeholder Meetings</b>		
Weekly project group meeting	Progress the aims of the home care plan in increasing vaccination numbers	<i>On track</i>
<b>Communication</b>		
Bi-weekly social care provider forum	Regular COVID-19 vaccination updates and Q&A sessions with guest speakers	<i>On going</i>
Home care Newsletter	Weekly vaccination updates and resources, including presentations and guest speak talks from the social care forum	<i>Ongoing</i>
Develop a Covid-19 Vaccination section on Value Croydon (Single point of access for the latest COVID-19 pandemic news, updates, information and guidance)	Various vaccination resources available and updated when required	<i>Not yet started</i>

RAG Definitions	
Complete	
On Track	
Ongoing	
Not started	



# Agenda Item 5

<b>REPORT TO:</b>	Health and Wellbeing Scrutiny Committee 10 <sup>th</sup> May 2021
<b>SUBJECT:</b>	<b>OVERVIEW OF THE 2021-22 ADULTS BUDGET</b>
<b>LEAD OFFICER:</b>	Annette McPartland Director of Operations, Adult Social Care
<b>CABINET MEMBER:</b>	Cllr Janet Campbell Cabinet Members for Families, Health and Social Care
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	Annette McPartland, Director of Operations Adult Social Care
<b>PUBLIC/EXEMPT:</b>	Public

## **POLICY CONTEXT/AMBITIOUS FOR CROYDON:**

Adult social care continues to be under pressure nationally and locally. The outturn for 2016/17, 2017/18, 2018/19 and 2019/20 demonstrated both an increase in costs and increased use of transformation monies to meet current demand and increased complexities. Increasingly we are seeing residents who fund their own care running out of money, often referred to as 'wealth depleters'.

A change in the way we deliver social care in order to reduce spend and live within our available resources is underway. This aligns to the following Croydon Renewal Plan priorities:

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe.

<b>ORIGIN OF ITEM:</b>	Both the Croydon Renewal Plan and the Scrutiny Improvement Review (carried out by the Centre for Governance and Scrutiny and agreed by the Scrutiny & Overview Committee on 30 March 2021), have identified that Scrutiny has a key role to play in monitoring the financial recovery of the Council.  Given the size of the Adult Social Care budget, within the Council's budget, it is essential that the Health & Social Care Sub-Committee retains a watching brief over this budget throughout 2021-22.
<b>BRIEF FOR THE COMMITTEE:</b>	The Health and Social Care Sub-Committee is asked to review the information provided in this report and at the meeting, to reach a conclusion on the following:-

	<ol style="list-style-type: none"> <li>1. Are the budget savings within Adult Social Care achievable?</li> <li>2. Does the leadership team have sufficient line of sight over the savings programme?</li> <li>3. Is there sufficient political oversight over the savings programme?</li> <li>4. Are the financial monitoring systems in place sufficient to allow effective tracking of the budget?</li> <li>5. Are the performance monitoring systems in place sufficient to allow any unforeseen impact, as a result of the savings programme, on vulnerable residents to be picked up and addressed at an early stage?</li> </ol>
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## **1. EXECUTIVE SUMMARY**

- 1.1. In January 2021, adult social care provided this committee with a report of the 2021/22 budget development proposals. The report now being presented provides the committee with a progress update on both the finalised budget and associated change programmes required to deliver aligned savings.
- 1.2. The Appendix provides a series of key milestone reports on the adult social care budget development provided to Cabinet, Full Council and this Committee since November 2020. It also includes the current iteration of the Adults Improvement Plan, version 9.
- 1.3. The plan sets out an unequivocal understanding that this sub-committee must receive regular briefings and updates in relation to delivery against the plan.

## **OVERVIEW OF THE 2021-22 ADULTS BUDGET**

### **2. BACKGROUND**

- 2.1. Adult Social Care accounts for more expenditure at Croydon than any other service, 31% of net budget. The pressures in this area are felt across the country. However, we know that our cost base is too high and we can learn from other councils.
- 2.2. Working closely with a Local Government Association (LGA) Adults and Finance expert, we have reviewed every aspect of our budget. We have modelled plans to deliver significant savings over three years, based on LGA recommendations.
- 2.3. We are changing how we deliver social care in Croydon, in order to live within the council's available resources. The overall objective is to reduce Croydon's activity and expenditure on adult social care to the:
  - London average or below for younger adults; and

- The English average or below for older adults by March 2024, whilst fulfilling all our statutory responsibilities.

### 3. BUDGET AND SAVINGS

- 3.1. The tables below set out the 2021/22 agreed budget growth (£28.940m) and savings (-£10.718m). On the advice of the Local Government Association (LGA) finance lead, the council set a revised budget to reflect current activity. This accounts for £23.048m of the overall growth.
- 3.2. Savings are focussed on contract, package and placement spend reductions. Further areas being developed to support increasing the savings proposals include options appraisals for Provider Services; and the LIFE service (hospital discharge and community reablement).
- 3.3. The 2021/22 budget is based on current activity (the 2020/21 outturn) with 3% added for demand growth and 4% added for inflation; a 7.5% saving on package of care spend is then applied to the revised budget achieved.
- 3.4. Within the budget, a requested investment of £0.360m for an enhanced 'reviews progression team' was approved by corporate finance. A further £0.026m transformation investment has been agreed for the purchase of a tool called Care Cubed. This allows the service to benchmark placements costs with other Councils, enabling stronger provider communications.

#### Budget

	£
<b>2020/21 Budget</b>	<b>99,124,000</b>
Change in non-controllable budgets (overheads, depreciation)	-3,004,000
	96,120,000
Add growth	28,940,000
Less Savings	-10,718,000
<b>2021/22 Budget</b>	<b>114,342,000</b>

#### Savings

- 3.5. Total package of care savings amount to 7.5%, which is in the cash limit. LGA advice is that 5% package of care spend savings for 2021/22 will be challenging but achievable if implementation starts as soon as possible with appropriate resources and focus. Given high spending on adult social care, higher savings should be achievable in later years – potentially 10% a year, as there is more time to plan, consult and implement savings.
- 3.6. The intention is that by the end of 2023/24, spending and activity for younger adults should be aligned to the average for London; and spending and activity for older adults should aspire to be at or below the national average.

3.7. The staffing reduction (-£2.199m) has been achieved through a mixture of deleting vacant posts, restructure and voluntary redundancy.

HWA Sav 06 Baseline Savings - Disabilities Operational Budget	-3,015,000	
HWA Sav 07 Stretch Savings - Disabilities Operational Budget	<u>-1,367,000</u>	
<b>Subtotal - Disabilities Care</b>		<b>-4,382,000</b>
HWA Sav 19 Savings on care provision - ASC Older People Baseline	-1,908,000	
HWA Sav 20 Stretch Savings - Older People	<u>-691,000</u>	
<b>Subtotal - Older People Care</b>		<b>-2,599,000</b>
HWA Sav 09 Baseline Savings - Mental Health Operational Budget	-459,000	
HWA Sav 10 Stretch Savings - Mental Health Operational Budget	<u>-225,000</u>	
<b>Subtotal - Mental Health Care</b>		<b>-684,000</b>
HWA Sav 08 Review of Contracts - OBC Commissioning, Working Age Adults	-600,000	
HWA Sav 22 Income from Care UK Beds released to self funders	-254,000	
HWA Sav 23 15% Immediate Measures Staffing Savings	<u>-2,199,000</u>	
<b>Subtotal – Other</b>		<b>-3,053,000</b>
	<b>Total Savings</b>	<b><u>-10,718,000</u></b>

- 3.8. The initial focus of this plan (see Appendix for plan and additional detail on projects) is expected to meet the 2021/22 targets, although some year 1 projects will impact savings in years 2 and 3, these include the LIFE review (discharge from hospitals and community reablement) and Provider services options appraisal.
- 3.9. We will also remodel growth annually against the national and London average comparisons. This will be supported by better spend and forecasting accuracy through our client system, upgraded in October 2020 to combine client and financial systems data.
- 3.10. Our approach to deliver the wider changes required is to address increasing activity through a strong demand management programme including practice changes, improved information and advice for people and our front door practices. Diverting enquiries from transferring into statutory care by extending a 'digital by default' approach, improving information and advice to enable the maximum number of people help themselves in the community, and using direct payments as a first offer to residents.
- 3.11. We will move more practice to an asset based approach, building on people's strengths and what they can do for themselves and connecting with their family, friends, and community.
- 3.12. Our approach to bringing down spend for people who need long term care, is excellent brokerage and market management, ongoing successful business as usual care package reviews.
- 3.13. Our trajectory planning is based on reducing the total number of people in long term care in line with our savings plans trajectory, with a focus on cohorts such as younger adults with Learning Disability and Older Adults with long term care needs.

- 3.14. Reducing the numbers of people in institutional care settings and supporting people to arrange their own care and have this at home, form a main part of the plans.
- 3.15. A progression team will step people down through their care pathway, and provide creative solutions for people to manage well.
- 3.16. We will create a new 3 year commissioning plan, focusing on contract spend reductions, good alternatives to care provision and support from market leaders. This will provide creative solutions for people to manage well. It includes a strategy and a model to transition peoples support to the voluntary sector away from statutory provision as well as working co-dependently through multi-agency teams. Strong micro-commissioning, market management and effective placements, brokerage and payments functions all form part of the model. Revised structures for our commissioning and procurement staff will mean priorities are aligned and resources maximised.
- 3.17. Additionally, we will review all contractual arrangements with providers in the adult social care market: as 65% of contracts end in the next two years, opportunities will be taken to design out cost and apply further efficiencies during procurement, bringing forward new service models and implanting best practice
- 3.18. Where appropriate, the integration of health and social care and locality focused working in multi-disciplinary teams will also provide good outcomes for residents joining up care and resources, e.g. for hospital discharge, contributing to financial sustainability in the medium to long term.
- 3.19. We will work with colleagues in health to implement new continuing health care processes and joint funding arrangements.
- 3.20. Workforce and culture change are important enablers to delivering our plans successfully. Engagement with staff, empowering them to act and take difficult decisions and improve culture and accountability will be fundamental parts of the workforce plan. Strengths based practice – Community Led Support roll out incorporates much of the required culture change, reduction in hand offs and bureaucracy that will drive change in how we support our residents. Good learning and development on practice and a focus on core skill sets such as budget and financial management will be strengthened and introduced where absent. Workforce is not only internal, developing the external market and supporting the wider social care workforce is essential work with a focus on quality and outcomes with a culture of supporting progression and reablement for our residents.
- 3.21. We will continue to annually review the adult social care charging policy.
- 3.22. The following table details the current workstreams to control spend.

Spend control activity	Approach to saving	Progress
Demand management approaches	Activity reduction	Good progress, adult social care spend control panel in place, corporate spend control panel in place, strengths based practice rolled out, Head of Transformation for Learning Disabilities Practice started on 18 January, performance management on contracts, prescribing behaviour approaches
2020/21 package reviews	Activity reduction Average cost of care reduction	Achieved £600k for 2021/22 as full year effect from 2020/21 package reductions. Further review work commenced with success and tracking in place. Detailed placements programme to enable move from institutional care settings to closer to home and move to direct payments and assistive technology
Reviews progression team	Activity reduction Average cost of care reduction	Good progress: progressions team approved and recruitment commenced. Cohort focus on people with learning disabilities and older adults with care needs.
2021/22 business as usual reviews	Activity reduction Average cost of care reduction	Good progress: continued implementation of successful approach from 2020 with enhanced practice and resources
Contracts savings and 3 year commissioning plan	Average cost of care reduction	Good progress: targeting £33m of adult social care contract spend with 89 contracts expiring in due course with commissioning and spend reduction plans in place. 3 year commissioning plan in progress to be completed by March 2021. voluntary sector model designed and being implemented over next 6 months. Market development for direct payments receipt.
Care homes growth mitigation	Average cost of care reduction	Provider negotiations commenced with good progress (Care Home Covid-19 outbreaks risk to implementation)
Transitioning from children into adulthood	Average cost of care reduction	Programme established to plan with children and families at an earlier age and plan for their care into adulthood or exiting social care. Good commissioning for complex ongoing care needs
Hospital discharge pathways and funding share with NHS	Activity reduction Average cost of care reduction	Good progress: discharge service re-reviewed with LGA support. Recommendations set and moving to implementation phase (Covid-19 risks to implementation)
Learning disability framework review and strategic partnerships	Average cost of care reduction	Implementation of Alders Review, market specialist support to be commissioned to provide affordable care alternatives
In-house adult social care provider services options appraisal	Activity reduction Average cost of care reduction	Commenced – options appraisal scope agreed for our in house extra care provision, active lives (day opportunities), Shared Lives accommodation service and Dementia services – this looks at similar provision in the external market
Continuing health care, joint NHS funding for care and S117 aftercare cost share	Activity reduction Average cost of care reduction	Good progress: new SWL protocols agreed and being implemented (Covid-19 CHC delay risk)

## 4. GOVERNANCE AND FINANCIAL MANAGEMENT SYSTEMS

### *Governance*

- 4.1. The departmental leadership team (DLT) and Change and Efficiency Board will report through the Corporate Programme Management Office (PMO) and to the Improvement Panel/ Board.
- 4.2. It will also provide key reports and briefing updates to the Croydon Health and Social Care Scrutiny Sub-Committee.
- 4.3. Additional trackers are in place such as:
- |  |  |
|--|--|
| ✓ Dedicated Dept. PMO delivery team                                  | ✓ Trajectory plans month to month activity and spend |
| ✓ Corporate Spend Control Panel                                      | ✓ Commissioning Pipeline Plan                        |
| ✓ Corporate LBC Delivery Tracker                                     | ✓ Joint Plans with NHS                               |
| ✓ Adult Social Care Challenge Panel                                  | ✓ Contracts Review Group                             |
| ✓ Adult Social Care Reviews Tracker                                  | ✓ Placements Programme                               |
| ✓ Adults Social Care Change and Efficiency Board and savings tracker | ✓ Void and Capacity Management                       |
|  | ✓ Client Contribution Income Tracking                |

### *Financial management systems*

- 4.4. **Daily spend control panel** – The panel meets daily, and receives all new and reviewed package of care requests. The panel consists of adult social care, finance and commissioning heads of service.
- 4.5. The purpose is to ensure all cases presented have considered the following:
- Strengths based approach, focussed on individual's assets rather than need.
  - Best/appropriate use of placement options, i.e. using supported living, or shared lives, placement in extra care housing before residential homes.
  - Direct payments, which are personal budgets giving the resident and carer more control over how and where their care is purchased.
  - Assistive technology, such as ceiling hoists, to enable single rather than double handed care.
- 4.6. **Monthly budget monitoring** – all budget holders report monthly on spend and forecast, this is followed up by a Director and Head of Service and finance monthly meeting; this is then reviewed by the senior management team as a whole, to ensure timely and appropriate action/escalation can be planned and delivered to mitigate overspend. It is then promoted to the Department Leadership Team for Health Wellbeing and Adults, finally to the Executive Leadership Team. Additionally the Cabinet Member is briefed monthly.

- 4.7. **Savings validations** – all savings being realised through the Change and Efficiency Board, must be validated by the finance team, before it is ratified as delivered. Further all new proposed financial efficiencies, must also be validated by the head of finance in terms of their achievability, before projects can be progressed for corporate sign off.
- 4.8. **Health and Care Partnership** – Partnership in Croydon between the council, NHS and the voluntary sector is strong and mature. The One Croydon Alliance across the six partners are all working towards system financial sustainability and improved outcomes through the Croydon Health and Care Plan. Partners are supportive and engaged in social care transformation and savings programmes. Our work with the Kings Fund through the Healthy Communities Together programme with the voluntary sector is attracting external funding, facilitation of partnerships and building on our models of care.
- 4.9. The Shadow Health and Care Board will drive forward this commitment over the coming year. Partners are entering into a shadow budget year for 2021/22 with strengthened governance, financial and operational planning and transformation and a shared set of programmes to support financial sustainability and a shared understanding of impact, progress and risk. The Alliance will focus on community care and social care working closely with general practice and primary care networks to divert our residents away from acute care with a focus on the prevention of crisis and promotion of wellbeing. Operational services are increasingly delivered by multi-disciplinary teams.
- 4.10. **Continued savings development** – During 2021/22, further options appraisals and decisions will be added to the Adults Improvement Plan, to meet savings targets in 2022/23 and 2023/24. As cited earlier, the Health and Social Care Scrutiny Committee will be a key stakeholder in the development of options.

## 5. RISKS AND MITIGATIONS

### *Strategic*

- 5.1. The Director of Adult Social Services is a statutory role and is currently vacant, this is mitigated by the Director of Operations holding the role on an interim basis. Ultimately recruitment to the role is crucial to enable strong leadership on both the statutory elements of the role, to provide strategic direction for the operations services; and to ensure there is a leadership presence for adult social care and the Council, within the One Croydon Alliance and wider Integrated Care System.
- 5.2. Continued Covid / Long Covid impact on staff, resident welfare and savings targets – remains unknown. Work with the LGA and other boroughs, pan London and NHS will feed into our learning and forecasting ability around the impact.



## ***Financial***

- 5.3. **Savings delivery** - the 2.5% financial stretch target is in the cash limit, although the Local Government Association (LGA) advised that a 5% reduction is more achievable. The service will continue to develop plans to deliver the stretch, and use governance routes to advise on progress and achievability.
- 5.4. **Contract inflation** – a strategy has been drafted, and mitigations for inflation are being worked on by Commissioning and Procurement.
- 5.5. **Norfolk decision** – there is a potential charging policy impact, with an in year £0.400m pressure. The Council is likely to need to change aspects of what financial disregards it considers when financially assessing an individual for their personal contributions.

## ***Operational***

- 5.6. **Workforce morale** – remains pressured due to the impact of COVID and organisational change. The impact is evident in both the number of staff leaving Croydon and challenges with recruiting new social care staff.
- 5.7. **LAS implementation** – the case notes system still requires some final reporting capability to enable the service to have a strong oversight on activity and spend. Better Gov. who were the implementation partner, are expected back on site imminently to delivery this final capacity.
- 5.8. **Transitions service** - the service has moved back to adult social care. There are high activity numbers and spend on packages. The service is being aligned to the Adults Improvement Plan. The specific focus for 2021/22, will target embedding a strengths based approach, better use of placements, reviewing the core offer and a commissioning plan.
- 5.9. **Alders Learning Disability Framework** – commissioned by the LGA to conduct a self-evaluation on improvements and cost effectiveness and supporting our demand management and practice once into the implementation phases.

## **6. RESIDENT AND CARER IMPACT**

- 6.1. The changes in adult social care are being made on operational decisions and practice, using relevant legislation frameworks. The statutory service offer remains the same, and as outlined in the principles below:
  - Our adult social care service eligibility and service provision reflect the relevant legislation underpinning social care and health through the Care Act (2014), Mental Health Act 1983, Mental Capacity Act, Deprivation of Liberty Safeguards, The Children and Families Act, Children with Disabilities Act, and the current social care action plan related to the COVID Act.
  - All packages are assessed or reviewed, proportionately, through a strengths based approach, considering safeguarding, to meet the needs of the individual and carers.

- Residents can access appropriate services provided in-house or commissioned by the Council, or delivered independently by the voluntary and community sector.
  - Where people have the financial means to pay a contribution, or to pay for their care in full, this will be in line with the self-funding legislations outlined in the Care Act and wider National policy.
- 6.2. A range of resident engagement groups are in existence and will we work collaboratively with service users and their carers as we make changes, engaging as appropriate. Where statutory consultation is required this will be carried out. On the whole, however, the changes being made are on operational decisions, using relevant legislation frameworks. Working with Healthwatch Croydon to engage the resident voice is also part of the work programme.
- 6.3. Equality impact assessments (see Appendix) will be used to support decision making.
- 6.4. Additionally key projects and activities such as the discharge from hospital, implementation of a Learning Disability Framework commissioned by the LGA, transitioning from children to adulthood, and in-house provider services review, are all likely to require a mixture of co-production, engagement and potentially consultation, to inform the service models.

## **7. PROPOSED CONTRACTS REVIEWS AND COMMISSIONING MODELS**

- 7.1. A commissioning intentions document has been drafted, and there are significant contract decisions to be taken. Setting our strategy and engaging with the market, building strategic partnerships and drawing in expertise are all features of the commissioning agenda; as well as a focus on people with Learning Disabilities and Autism and commissioning to meet people's mental health needs.
- 7.2. There are 47 specific adult social care contracts in the register with a total annual value of c£104.1m)
- 5 contract lines in this register relate to placements that we spot purchase through contractual arrangements such as framework agreements and Dynamic Purchasing System for Residential, Nursing & Extra Care placements at a total value of £71m per annum (older adults & younger adults).
  - 2 contract lines within the register relate to packages of care that we commission through contractual arrangements such as framework agreements and Dynamic Purchasing Systems for Domiciliary Care at a total annual value of £24.5m (older adults and younger adults).
- 7.3. There are existing MTFS targets of £7.7m in year against these 7 contract spend areas which equates to 8% of annual spend and £25.5m savings over the 3 year MTFS which equates to c9%.

- 7.4. The remaining 40 adult social care contracts have a total value of £8.6m per annum. These contracts have an existing MTFS target of £1m in 2021/22 which equates to 13% or £2.4m over 3 years which is 9.3% of total spend. If contract savings are stretched to 20% for these contracts in year 1, an additional £720,000 in savings. Many of these contracts support meeting on statutory need. The levels at which we do this and the way in which we commission these service and specify them can all be reviewed.
- 7.5. A significant number of council contracts have expired or expiring this year and we will bring a transparent view through governance to ensure we have a holistic view of contract spend and actions required. 29 of the 300 council contracts expired or expiring are adult social care funded contracts. There is already a £1m contracts target from this value of £8.6m which is 13% as stated above.
- 7.6. Our voluntary sector contracts are important and we are implementing a commissioning model to support the improvement journey which includes:
- Effective and collaborative approaches to information and advice provision and understanding our front door (s) demand flow
  - Support services that work with people for intensive periods to avoid long term statutory intervention and enable independence
  - Integrated Community Networks that facilitate multi-disciplinary interdependent relationships between statutory and non-statutory care
  - Digital solutions and mapping of provision by locality
  - Data sharing solutions such as Connecting Your Care 2 which is going live in May 2021 to support access to records across health and care providers.
- 7.7. Our section 75 agreements with health partners are all being reviewed and redrafted and financially re-based as well as introducing a new Occupational Therapy specification, prescribing behaviour work on equipment and the Better Care Fund Section 75 is being set for 2021/22.
- 

## **CONTACT OFFICER:**

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adult social care division, Health Wellbeing and Adults Department.*

## **APPENDICES TO THIS REPORT**

- **Appendix A - Croydon Renewal Plan (Agenda item 5B, appendix B, section 3)**  
November 2020 Cabinet and Full Council
- **Appendix B - 2021/22 adult social care budget proposals'**  
Jan 2021 Health and Social Care Scrutiny sub-committee.

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# Cabinet Supplementary Agenda



**5. Croydon Renewal Plan**

a) **Croydon Renewal Improvement Plan and the Croydon Renewal Improvement Board** (Pages 3 - 40)

Cabinet Member: Leader of the Council, Councillor Hamida Ali  
Officer: Interim Chief Executive, Katherine Kerswell  
Key decision: no

b) **Croydon Renewal Financial Recovery Plan and the submission to MHCLG for the Capitalisation Direction** (Pages 41 - 86)

Cabinet Member: Leader of the Council, Councillor Hamida Ali  
Officer: Interim Chief Executive, Katherine Kerswell  
Key decision: no

**6. Strategic Review of Companies and other investment arrangements - Brick by Brick Croydon Ltd ("BBB") Shareholder decision - Directors and articles of association** (Pages 87 - 134)

Cabinet Member: Leader of the Council, Councillor Hamida Ali  
Officer: Interim Chief Executive, Katherine Kerswell  
Key decision: yes

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<b>REPORT TO:</b>	<b>CABINET 25<sup>th</sup> November 2020</b> <b>COUNCIL 30<sup>th</sup> November 2020</b>
<b>SUBJECT:</b>	<b>The Croydon Renewal Improvement Plan and the Croydon Renewal Improvement Board</b>
<b>LEAD OFFICERS:</b>	<b>Interim Chief Executive, Katherine Kerswell</b> <b>Executive Director Resources, Jacqueline Harris Baker</b> <b>Director of Finance, Investment &amp; Risk, Lisa Taylor &amp; Section151 Officer</b>
<b>CABINET MEMBERS:</b>	<b>Leader of the Council, Councillor Hamida Ali</b> <b>Cabinet Member for Croydon Renewal, Councillor Stuart King</b> <b>Cabinet Member for Resources &amp; Financial Governance, Councillor Callton Young</b>
<b>WARDS:</b>	<b>All</b>

**SUMMARY OF REPORT:**

The agenda item for the Croydon Renewal Plan contains a report submitted in two parts. Part 1 covers the Croydon Renewal Improvement Plan and the Croydon Renewal Improvement Board and Part 2 covers the Croydon Renewal Financial Recovery Plan and the submission to MHCLG for the capitalisation direction.

Both parts of this single agenda item seek to demonstrate that the Council fully recognises and accepts the scale of the challenge facing it and the scope of the work required to change the Council into one which can secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness within a financially sustainable budget.

This report is produced in the context of a Report in the Public Interest having been received and accepted by the Council and a S.114 notice having been published.

The scale of the challenge faced by the council is without recent precedent in London.

**KEY DECISION REFERENCE NO:** The decisions detailed in this report are reserved to Council and therefore not Key Decisions.

The Cabinet is recommended to:

**RECOMMENDATIONS:**

- 1.1 Agree to recommend to Full Council the approval of the development of the Croydon Renewal Improvement Plan, noting the first high level draft at Appendix A.
- 1.2 Agree to recommend to Full Council the approval for consultation on the terms of reference and membership for the Croydon Renewal Improvement Board at Appendix B.
- 1.3 Agree to recommend to Full Council to delegate to Cabinet in January 2021 approval of the final version of the Croydon Renewal Improvement Plan.
- 1.4 Recommend that the feedback on the terms of reference and membership for the Croydon Renewal Improvement Board following consultation and feedback from Scrutiny & Overview Committee (S&O), General Purposes & Audit Committee (GPAC), Staff, Partners and MHCLG is presented to Full Council in January 2021.
- 1.5 Note the outcome of the recent staff survey and staff focus groups and that their contents are reflected in the high-level draft Croydon Renewal Improvement Plan at Appendix C.
- 1.6 Agree to recommend to Full Council that the Interim Chief Executive is delegated authority to submit to MHCLG the proposal for a capitalisation direction, in consultation with the Leader of the Council, Cabinet Member for Croydon Renewal, Cabinet Member for Resources and Financial Governance, the Director of Finance, Investment and Risk, and that an update be presented to the next relevant Cabinet meeting when this is completed.
- 1.7 Agree to recommend approval to Full Council; the adoption of the new Council Priorities and Ways of Working in Appendix D and that this replaces the Council's Corporate Plan 2018-2022, which forms part of the Council's policy framework.
- 1.8 Note that the Interim Chief Executive in her statutory role as Head of Paid Service will, in accordance with her Section 4 duty under the Local Government and Housing Act 1989; commence consultation on a restructure of the Council's management arrangements. Following formal consultation, the proposals will be brought back to Cabinet and Full Council for final decision.



## **1. Executive Summary**

- 1.1 This report seeks to demonstrate that the Council has begun to understand the scale of the challenge it faces; it is starting to take the necessary action to correct previous mistakes and take the first steps on its journey to becoming an efficient, effective and financially sustainable council.
- 1.2 The Croydon Renewal Plan was commissioned by the September 2020 Cabinet and Full Council. The Croydon Renewal Plan is an umbrella term that covers a financial recovery plan, the submission to MHCLG for the capitalisation direction and the Improvement Board to provide assurance to government and the people of Croydon on the implementing of the changes required.
- 1.3 When the Croydon Renewal Plan was commissioned, a number of other independent and expert led pieces of work were also commissioned to ensure the final improvement plan captured the full extent of the issues needing to be addressed; for example the staff survey and focus groups report which is an appendix to this report and the Strategic Review of Council Companies and Other Entities which is also on this committee's agenda.
- 1.4 It is important to note that the scale of the challenge facing the Council means that, while some changes can and are being delivered relatively quickly, the type of systemic change Croydon needs to make will take a number of years if it is to be sustainable. This is not without precedent in local government, and other councils such as the London Boroughs of Camden and Hackney who have made whole council fundamental improvements from similar situations through sustained multi-year effort.
- 1.5 The Council will continue to learn from other local authorities' best practice and our partners in Croydon who have experience of delivering wholesale change and will use best practice programme management reporting and assurance methodologies to track implementation.
- 1.6 This report will set out the background to the Council's challenges. It will set out the improvement proposals framed around the different strands of work that will form the Croydon Renewal Improvement Plan. These will include:
  - The new Priorities and Ways of Working;
  - Improvements to governance and leadership practice
  - Improvements to management practice
  - Service improvements to manage demand and cost
  - A new system of internal control – Finance, Performance and Risk
  - A new approach to involving residents and partners
  - A new engagement and involvement programme with staff to create a working environment that values all our staff.
  - A new approach to ensuring respect for all and equity of opportunity for our staff.
  - A review of the member and officer code of conduct to fully embed the Nolan Principles in all work.

The depth and breadth of these strands of work means that some of the work is further forward, and other areas require development.

## **2. BACKGROUND**

- 2.1 Along with many councils in England, Croydon has experienced a challenging financial period, following the reductions in annual funding from national government due to its austerity programme.
- 2.2 Croydon faced further difficulties from its own decisions on expenditure. These led to the council experiencing deteriorating financial resilience for a number of years, culminating in a S.114 notice being issued in November 2020.
- 2.3 Since July 2018, the Council's external auditor consistently raised concerns in its Annual Audit letters about the need to "manage cost pressures, increase income sources and address the level of reserves". In October 2019, they issued an adverse conclusion on the Council's value for money assessment noting that "we are not satisfied that the council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources".
- 2.4 Structural deficits in the children's social care and adult social care budgets were not addressed in a timely fashion year on year which then manifested as significant overspends at the end of each financial year. Over £50m of transformation monies were spent on adults, children's services. Yet significant issues still remain with continued overspending and unresolved cost pressures
- 2.5 Since 2016, significant borrowing was undertaken (approximately £500million). Investments were made in external companies and assets acquired which increased the Council's liabilities and risk exposure. The governance of those external companies, the complexity of loan agreements and the investments themselves were not adequately supported by dedicated officer resources nor oversight by officers or members.
- 2.6 Reserves, either general or earmarked were not increased commensurately to mitigate the increased level of risk. The council's general fund and earmarked reserves reduced in value over this period by nearly 42m. The Council now has one of the lowest level of reserves in the country at £7m on an annual expenditure of approximately £300 million.
- 2.7 Funding for the Council's financial service was reduced and posts deleted. The management of and regular governance reporting to member was significantly weakened. The internal control system for assuring management and members was not able to adequately track, record, monitor and report upon the council's expenditure appropriately.

- 2.8 Following a meeting in April 2020 between the previous Chief Executive, the Director for Finance, Investment and Risk and the external auditor in which the issuing of statutory recommendations were discussed but then paused; a letter was sent to the previous Chief Executive with a number of actions which required a formal response.
- 2.9 In May 2020 the previous Chief Executive in response to the letter established an independently chaired Financial Review Panel, appointed an independent Finance Consultant to undertake significant improvement work, introduced a 15% staff reduction programme to reduce operating costs, initiated an “Immediate Measures” programme to reduce in-year spending and opened informal discussions with MHCLG.
- 2.10 Over the following months, work focused on the financial challenges the council faced. The independent Finance Consultant produced a report with 75 recommendations to improve the Council’s financial governance. This was presented to the General Purposes and Audit Committee in October 2020
- 2.11 The previous Chief Executive left the Council in August 2020. An internal appointment was made of an interim “caretaker” Chief Executive pending the external appointment of an interim Chief Executive. This appointment was advised upon and supported by the Local Government Association. The new Interim Chief Executive joined the Council on 14<sup>th</sup> September 2020.
- 2.12 At the 21<sup>st</sup> September Cabinet and then 28<sup>th</sup> September Full Council, the immediate measures and in-year savings that had been developed over the preceding summer months were agreed as an in-year amendment of a further £27.9m savings to the council’s budget. In addition, the Interim Chief Executive was requested to make a formal approach to MHCLG to seek a capitalisation direction to enable the 2020/21 budget to be balanced.
- 2.13 The report also gave authority to the new interim Chief Executive to develop the Croydon Renewal Plan as it was evident that a fundamental transformation of the Council’s systems of internal control, governance and management were required to underpin any financial recovery.
- 2.14 In October the Council’s external auditor published a Report in the Public Interest (RIPI) that set out the systemic issues that led to the Council’s current situation. The report set out a series of recommendations which the Council has accepted in full and proposed an additional 4 recommendations to further aid recovery.
- 2.15 The Action Plan was agreed at the Extraordinary meeting of Full Council on 19 November 2020. Delivery of the RIPI Action Plan will be incorporated into the Croydon Renewal Improvement Plan.
- 2.16 During September and October, the Council received support from a number of external bodies and has also initiated a number of further pieces of work, both internal and external to start to better understand the scale of the situation. PwC were commissioned to support the financial recovery work and

to conduct a strategic review of the Council's companies. This work is reported elsewhere on the agenda.

- 2.17 The Local Government Association has been enlisted to assist with member development, support and challenge on the Adult Social Care budgets and delivery model and to carry out a review of the Resources function. The interim Chief Executive has commissioned the LGA to carry out an investigation to gain better understanding of how the Council has arrived at this situation. Tower Hamlets provided early support to the Interim Chief Executive and new Leader. Camden Council are providing improvement partner support to our children's services and have provided additional expert communications resources. Internally, the council established the Croydon Renewal Task and Finish Group, drawing together staff from across the council to deliver the financial recovery plan (part 2 of this report), support the external reviews and develop the high-level Croydon Renewal Improvement Plan and Improvement Board.
- 2.18 On the 19<sup>th</sup> October 2020 the Interim Chief Executive also initiated a new staff survey and series of 18 staff focus groups to begin listening to staff and their ideas for what needed to change. The staff survey and output from those focus groups is attached at this report at Appendix C. A series of weekly webinars have been held by the Leader of the Council and the Interim Chief Executive with staff following the publication of the Report in the Public Interest. These have been attended by over 1000 staff at a time and the questions raised by staff have also helped shape the focus of the Croydon Renewal Improvement Plan.
- 2.19 The previous Leader of the Council and Cabinet Member for Finance & Resources resigned, and on the 22<sup>nd</sup> October 2020, a new Leader was elected and new Cabinet appointed.
- 2.20 Throughout this period the Interim Chief Executive and the Director of Finance, Investment & Risk have been in very regular dialogue with MHCLG.
- 2.21 On 20<sup>th</sup> October 2020 the Council welcomed the MHCLG non- statutory Rapid Review team who are undertaking a comprehensive assessment of the Council's position. The outcome of their review is expected at the end of November 2020.

### **3. NEW ADMINISTRATION PRIORITIES AND WAYS OF WORKING**

- 3.1 The new Leader and her team have worked quickly to identify a framework of new "Priorities and Ways of Working" that will help shape the Council's initial approach to its improvement work and crucially provide a high-level guide to help prioritise scarce resources.
- 3.2 As part of demonstrating the Council's understanding and awareness of its situation, it is important to acknowledge that the existing Corporate Plan for

Croydon, 2018-2022 needs to be replaced by the new Priorities and Ways of Working.

- 3.3 A full statement of the administration's new approach is at Appendix D. This will need to be developed into a new full corporate plan for presentation to Full Council for decision at the appropriate time.

#### **4. CROYDON RENEWAL IMPROVEMENT PLAN**

- 4.1 As has been described already, there are a number of supporting reviews, action plans and recommendations that need to feed into the Croydon Renewal Improvement Plan. There are also a number of pre-existing reviews such as the Governance Review and the Centre for Public Scrutiny Review whose recommendations will also need incorporating.
- 4.2 Work to date has identified a number of discrete reports or reviews and nearly 400 different recommendations for action. It is likely that additional recommendations will come from work yet to be concluded such as the MHCLG Rapid Review. These will all need to be drawn together, prioritised and assessed for input to the overall programme plan for improving the council.
- 4.3 A consistent theme identifying the Council's shortcomings has been the Council's previous failure to deliver on its plans. This will need to be addressed in the programme delivery aspect of the improvement plan through clarity on accountabilities, targets, reporting schedules, definitions of success, agreed RAG definitions of progress and effective challenge.
- 4.4 This will be essential to not only give assurance to MHCLG that their capitalisation monies are being effectively used but also to the people of Croydon that their council is properly addressing its weaknesses.
- 4.5 It is recommended that Cabinet and Council agree to a Croydon Renewal Improvement Plan to bring together all of the different strands of work and recommendations from the various reviews. The first draft of the high level improvement plan is attached at Appendix A.
- 4.6 It is further recommended that delivery of the Improvement Plan is not only overseen by Croydon Council member led bodies: S&O, GPAC, Cabinet and Full Council but it is also overseen by an independent Croydon Renewal Improvement Board. The draft terms of reference and membership of the Croydon Renewal Improvement Board are at Appendix B. The Board membership and terms of reference will be consulted on and brought back to January Cabinet and Full Council for final approval.

## **5. WORKING WITH OUR STAFF**

- 5.1 Croydon Council will not be able to fundamentally improve if it does not properly listen to and fully involve its staff in the Improvement Plan. Staff have made clear their concerns, worries and anger at the situation the Council is in.
- 5.2 Their views are laid out in the report from the recent staff survey and focus groups as attached at Appendix C. Staff have also made a series of suggestions on how to improve the situation, for example, improving contract management, clearer priorities, more effective use of digital technology. A very strong message from the Council's staff is the need to change the culture from one which is seen by many as a fearful culture with staff unable to speak up, to challenge bullying or other inappropriate behaviour, with less hierarchical silo-ed behaviour, better communication, more openness and trust. In addition we know we need to build on the work done to date listening to staff concerns about equality and diversity in the workplace, co-create a working environment that respects and values all our staff and take positive action to ensure that this is the case.
- 5.3 The LGA led independent investigation that is underway, will offer more insight and hopefully help build a more detailed understanding of how the council has arrived in this situation. It will also offer a route for any questions that arise that need to be addressed in terms of accountability through other formal processes. The report will be published.
- 5.4 High numbers of staff have attended the webinars. Staff will be going through a great deal of uncertainty over the next weeks and months as the Council begins to implement its financial recovery plan (part 2 of this report). It is essential to keep listening to staff, reaching out in these webinars either on a whole Council basis or more targeted smaller meetings, communicating as regularly as possible and fully involving them in designing the new organisation. Croydon Council is facing a significant challenge in the work needing to be done to improve on top of continuing to deliver its services to the people of Croydon - whilst in a pandemic.
- 5.5 The Council will need to continue to be able to rely on the support of staff to help us deliver the improvement needed. For this reason it is recommended that the results of this, and future, staff surveys are fully embedded in the Council's Improvement Plan.
- 5.6 A huge number of council staff from across the authority have been involved in the work to date as laid out in this report over and above their normal duties. The process for producing these reports is the first example of the new way in which the Council will work as one team harnessing the energy and idea of its staff. This report formally notes, acknowledges and thanks those staff for their contributions and suggestions to help shape the Council for the future.

## **6. CAPACITY TO DELIVER**

- 6.1 The Council's track record of delivery of its plans has been the subject of much criticism in the external reviews that have taken place. It is accepted that to deliver change of this magnitude the Council will need to set higher expectations of itself and its leadership both political and executive.
- 6.2 In the short-term to address gaps in capacity and capability the Council has sought the support of the Local Government Association, PwC, independent financial consultants and mutual aid from other Local Authorities.
- 6.3 As part of the restructure, the Interim Chief Executive will need to take steps to address the capacity and capability needed to deliver the plan, ensure service delivery is maintained and that the necessary skills and resources are available for the improvement work. There will need to be critical focus on:
- The delivery of high-quality statutory services
  - Finances are appropriately managed and controlled
  - A sound understanding of risk management at the heart of the organisation
- 6.4 The Council will need to take a refreshed approach to training and development for staff to give them the skills that are needed to deliver change. This will need to include financial management and budget setting, management of risk, development of business cases and project management delivery.
- 6.5 The LGA is already working with both the administration and opposition groups and has developed a detailed programme to improve skills and practice in governance, financial management, oversight and scrutiny for all Members. In addition to this there is a more detailed development programme available for Cabinet and Scrutiny & Overview Members to include finance, finance for scrutiny, finance management for audit.
- 6.6 To underpin the new way of working the Council will introduce a new system of internal control focussed on finance, performance and risk to manage the delivery of the Council priorities, its services and the overall improvement programme. This will follow a monthly cycle of Departmental Leadership Teams, Executive Leadership Team, Cabinet and Scrutiny and Overview as appropriate. In addition, progress on the improvement work will be reported to the Croydon Renewal Improvement Board.

## **7. APPROACH TO RISK**

- 7.1 Key to ensuring the improvement work will be successful will be adopting a new approach to risk, both in terms of how risk is assessed and managed. There will need to be a programme of training and development for decision making scrutiny and audit rules and also for council management.

- 7.2 The Council's management team has already commenced this work with a detailed review of the current risk register. Work is underway to strengthen the risk management framework.
- 7.3 Aligned to changing the approach and processes around risk, a change in behaviours and attitudes will be needed to ensure that all staff are able to manage risk appropriately in their day to day work. This change will take time to deliver and have impact.
- 7.4 The revised risk register and an update on this work will be reported to GPAC in January 2021.

## **8. WORKING WITH COMMUNITIES, RESIDENTS, BUSINESSES AND PARTNERS**

- 8.1 The administration's new priorities and ways of working highlight the need for greater transparency and openness in the Council's relationship with residents, communities, businesses and partners.
- 8.2 The first step the Council will take to demonstrate its new approach is a borough wide full consultation on the savings proposals for 2021/22. This consultation will take place with all residents and the business community on all the budget proposals being presented in part 2 of this report.
- 8.3 The next step is to seek to fully involve the residents of Croydon, its communities and the Council's partners in the improvement work. The draft terms of reference for the Croydon Renewal Improvement Board seek to establish Croydon Communities Board. This Board will receive the Improvement Boards papers will be asked to give their views first each meeting to the Improvement Board. Consultation will be undertaken on the best way to achieve this. They will also be able to suggest specific items for the Board agenda. There will also be a question and answer session for residents mirroring the Council's public question time at Full Council. Partners will be invited to be on the Improvement Board and on the Croydon Community Reference Board. All meetings will be held in public and every quarter the independent chair of the Improvement Board will be asked to present an update to Full Council and take questions from members on progress.
- 8.4 The Improvement Board will also report to MHCLG and the LGA on progress.
- 8.5 This is all in addition to the work that S&O and GPAC will undertake on the Improvement Plan.

## **9. CONSULTATION**

- 9.1 The draft high level Improvement Plan, Improvement Board membership and terms of reference will be consulted on and brought back to January Cabinet and January Council for final approval.



- 9.2 The interim Chief Executive will consult all staff and elected members on a restructure of the Council's management arrangements. The outcome of that consultation will be brought back to cabinet and Council for final decision.

## **10. REASONS FOR RECOMMENDATIONS/DECISIONS**

- 10.1 It is essential that the council takes steps to address the improvements required to enable Croydon Council to be a financially sustainable council delivering value for money efficient and effective services.

## **11. OPTIONS CONSIDERED AND REJECTED**

- 11.1 Should the Council have chosen not to act, it is very likely that MHCLG could have used their powers for intervention to address the situation. The proposals in this report aim to keep Croydon in local democratic control while working closely with national government, the LGA and others to make the necessary changes to become a financially sustainable and well governed council.

## **12. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 12.1 The financial consequences arising from the work of the Improvement Plan will need to be assessed once the plan is more fully developed. These will be presented to January Cabinet.
- 12.2 There are likely to be costs arising from the Improvement Board and these will also be brought back to members at January Cabinet.
- 12.3 Risk assessment and reporting will be an essential part of the reports on delivering the Financial Recovery Plan and the Improvement Plan. The most immediate risks that will need to be mitigated are a lack of resources both financial and human to undertake the amount of work needed. These will need to be mitigated by careful planning and prioritisation and seeking peer support from the local government sector.
- 12.4 There is also the risk of further disruption from the pandemic to council business and any impact of Brexit. Each of these risks will need to be assessed and reported upon and addressed as they become known.

## **13. LEGAL CONSIDERATIONS**

- 13.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Law and Governance that the Local Government Finance Act 1992 section 31A places the Council under a statutory responsibility to set a balanced budget i.e. the expenditure of the authority incurred (including

expenditure it proposes to incur) in a financial year must not exceed resources (including sums borrowed) available to it to meet that expenditure.

- 13.2 Whilst the Council must have due regard to the Equality Duty when taking decisions, there is a recognition that local authorities have a legal duty to set a balanced budget. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings. Finances cannot be the sole consideration.
- 13.3 Members are specifically referred to the case of *WX v. Northamptonshire County Council* [2018] EWHC 2178 (Admin) <https://www.casemine.com/judgement/uk/5b7a6bd92c94e0268d0dc356where> where decisions of both the Cabinet and Council to make budget cuts and changes to the delivery of library services following the service of a section 114(3) report were found to be unlawful and quashed for failure to take account of consultation responses. The court held that whilst Cabinet could not be criticised for being motivated by the financial situation this could not be their only concern when there were statutory duties to comply with. The key point of this decision therefore is the need to ensure that the rules surrounding consultation and decision-making are followed when reaching decisions about service provision even where there is a recognised urgent need to make a decision because of finances.

Approved by: Sandra Herbert Head of Litigation and Corporate Law on behalf of the interim Director of Law and Governance & Deputy Monitoring Officer

#### **14. HUMAN RESOURCES IMPACT**

- 14.1 The council recognises that its workforce is fundamental to the success of the improvement plan but also that services need to be reorganised to meet the financial challenges it faces. The impact on the workforce will be set out through specific proposals and the council's HR policies on consultation and managing organisational change will be followed.
- 14.2 The council will consult with its recognised trade unions in accordance with its collective bargaining arrangements on the proposals and cumulative impact across the workforce. Regular dialogue and engagement will continue throughout the course of the improvement plan.

Approved by: Sue Moorman, Director of Human Resources

## **15. EQUALITIES IMPACT**

15.1 In April 2011 the Equality Act (2010) introduced a new 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.

15.2 Section 149 Equality Act 2010 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.

15.3 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

15.4 Public bodies are required to analyse the likely effects of policy on the relevant protected groups. Where there is evidence of an adverse impact on any of the protected groups, the public authority must consider whether that policy is nevertheless justified in the light of wider aims. Even if it is justified, they should consider whether it should take proportionate steps to mitigate or avoid the adverse impact.

15.5 High quality information about the equality impact of savings proposals is necessary to enable budget decisions to be taken in an informed, fair and transparent way. At a time of significant financial pressure this is essential to maintaining the Council's commitment to tackling inequality and disadvantage, as well as fulfilling the authority's legal duties.

15.6 The Council will consider the extent and in what manner decisions were taken in accordance with the duties, whether there might be improvements in the process of decision-making; and propose ways in which future such exercises could be more effective, transparent, and offer greater value for money by ensuring that spending is better targeted.

15.7 The specific duties require listed bodies to meet the engagement provisions as part of assessing the impact on people with protected characteristics. This will help listed bodies to better understand the impact of their proposals on the different characteristics.

15.8 For our services to meet the needs of local residents, and of the community at large, it is essential that our plans and policies take into account the views of local people and others who use our services. Proportionate and relevant

consultation must be carried out with relevant public bodies, voluntary, community, trade union and other interest groups, such as staff, with an interest in the matter. This will help us to take account of the potential impact of the proposals on these groups, and to mitigate these impacts where possible

Approved by: Yvonne Okiyo, Equalities Manager

## **16. DATA PROTECTION IMPLICATIONS**

16.1 The Head of Democratic Services and Scrutiny Comments that there are no data protection implications arising from the contents of this report.

Approved by: Elaine Jackson, Assistant Chief Executive

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**CONTACT OFFICER:** Katherine Kerswell, Interim Chief Executive

### **APPENDICES TO THIS REPORT:**

- Appendix A - High Level Draft of the Croydon Renewal Improvement Plan
- Appendix B - Draft Croydon Renewal Improvement Board Terms of Reference and Membership
- Appendix C - Staff Engagement Report
- Appendix D - Administration Priorities for the Croydon Renewal Plan

### **BACKGROUND DOCUMENTS – LOCAL GOVERNMENT ACT 1972**

Letter from External Auditor, Grant Thornton to former Chief Executive, 22 April 2020.

## HIGH LEVEL DRAFT OF THE CROYDON RENEWAL IMPROVEMENT PLAN

### Introduction

Croydon Council faces serious governance, financial and operational challenges which have been exacerbated by the COVID-19 pandemic. The scale of the challenge the local authority faces is unprecedented and will require one of the most significant change programmes in local government.

Cabinet and Council agreed in September 2020 to the development of the Croydon Renewal Plan which incorporates a financial recovery plan to develop a sustainable budget over the medium term, the submission to MHCLG to secure the necessary capitalisation direction as part of that financial recovery, a corporate Improvement Plan to deliver the required changes to ensure the financial investment and rebalancing of the budget is sustainable and an Improvement Board that will oversee and ensure delivery and improvement actually takes place.

MHCLG will require assurance that;

- we have faced up to our situation and understand its depth and impact,
- we have acknowledged the errors made in arriving at this position
- we are clear about what we need to do
- we are continuing to challenge our position to establish whether there any addition financial problems
- we are developing a detailed improvement plan in a timely fashion that incorporates the Report in the Public Interest Action Plan and recommendations from other reviews such as the Strategic Review of council companies and their Rapid Review.

And that all together the Croydon Renewal Plan will provide MHCLG assurance for their decision in regard to the capitalisation direction and the improvement board will offer further assurance in our continued commitment to deliver the required change.

Part of the assurance to Government is the MHCLG non-statutory Rapid Review which is taking place during November 2020 and is on target to report at the end of the month. They were tasked to look at our governance, culture and leadership, financial sustainability, services and our capacity and capability to improve.

In summary this is an opportunity to consider a re-set moment for the Council where it can completely review the previously held ambitions and goals including the Corporate Plan 2018-22, the vision and values and the operational model that it has in place to deliver services.

### Approach to Improvement

From the outset it will be important to set clear principles to operate within so that residents and staff can see that the Council is taking an approach that is fundamentally different from the past. The new administration has committed to greater transparency and openness in the Council's operation and this will be an integral theme underpinning all aspects of the Council's business.

Measuring and monitoring delivery and actual change will be central to provide assurance on the implementation of the Improvement Plan. The interim Chief Executive and the management team will work with staff and Members to co-create criteria to measure and evidence progress in a meaningful way.

Reaching out to staff and actively seeking their involvement in co-designing and co-delivery of much of the change needed will be another hallmark of the new way of working. Already staff have put forward many ideas such as improving contract management, clearer priorities, more effective use of digital technology in the recent staff survey and focus groups. A very strong message from the Council's staff is the need to change the culture from one which is seen by many as fearful with staff who feel unable to speak up. Designing a new operating environment to tackle this culture without the full involvement of staff would be entirely inappropriate and highly likely to fail. There is also feedback from staff of unequal treatment, of nepotism, of cronyism, of racism, of discrimination and of unconscious bias all taking effect in their working lives. This will be tackled explicitly and openly with staff fully involved.

### **Administration new Priorities and Ways of Working**

The new administration, in place with effect from October 2020, has already set out its priorities for the Council (see Appendix D). In high level terms these are:-

#### **Priorities**

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on tackling ingrained inequality and poverty in the borough. We will follow the evidence to tackle the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe.
- To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.

In addition the administration has also set out new ways of working which are:

### **New ways of working**

- We will practise sound financial management, being honest about what we've spent and what we can afford.
- We will focus on what we, uniquely, can do as the local authority as the democratically elected leaders of our borough. This means we will focus on our core services, and a small number of evidence-based outcomes that deliver our priorities. But we will also continue to use our democratic mandate to convene our partners around a common purpose and to make a clear case for a better deal for Croydon.
- We will aim to become a much more transparent, open and honest council.
- We will involve residents in our decision making. But we will also need to be clear with residents about what we can do, and what we can't. When we have to say no, we will do so with compassion and take the time to explain our decisions.

## **Diagnosing the size and scale of the challenge for the Council**

As has already been stated the challenge the Council faces is to deliver one of the most significant change programmes in local government. A number of reviews are already underway or have recently concluded and their findings and recommendations must be incorporated into the detailed Croydon Renewal Improvement Plan.

### **1. Finance Review Panel and Independent Finance Review**

This is an independently chaired panel that has external stakeholders from other local authorities, Croydon NHS Trust and the Council's external auditor Grant Thornton. It was set up to oversee, challenge and endorse the Council's approach to the 2020/21 forecast overspend and residual financial challenges and external audit concerns. Latterly the panel has informed the approach to developing a revised Medium Term Financial Strategy and the budget setting process. The Finance Review Panel commissioned an independent review of the Council's financial governance, strategy, planning, leadership, decision-making, and management of group company structures. This resulted in a report to General Purposes and Audit Committee in October 2020 with 75 recommendations all of which the Council accepted and will be incorporated in the Croydon Renewal Improvement Plan

### **2. Strategic Review**

In September 2020, the Council commissioned PWC to undertake a strategic review of its subsidiary companies including structures, operations, financial position and

any additional liabilities. It will be essential to incorporate the recommendations from this review into the Improvement Plan.

### **3. Report in the Public Interest**

In October the Council's external auditor issue a Report in the Public Interest and in response to this the Council has agreed an Action Plan that has 83 recommendations. It will be essential to incorporate the recommendations from this review into the Improvement Plan.

### **4. Staff Survey**

During October the Interim Chief Executive initiated a new staff survey and series of focus groups to begin listening to staff and their ideas for what needed to change. In addition weekly webinars with the Leader of the Council and Interim Chief Executive have been held to hear how staff are feeling and to answer the many questions that colleagues have. The output from all of the activity to date and the ongoing dialogue that will take place will form an essential pillar of the Improvement Plan.

### **5. MHCLG Rapid Review**

The Council has recently welcomed the Rapid Review team which was commissioned by MHCLG and it is anticipated that their report will make a number of recommendations. It will be essential to incorporate the recommendations from this review into the Improvement Plan.

### **6. Governance Review and Centre for Governance & Scrutiny Review**

Both of these pieces of work will assist the Council to reshape its approach to governance and improve the way it scrutinises all plans and service delivery including the Croydon Renewal Improvement Plan.

### **7. The Financial Recovery Plan**

This plan will deliver the new medium term financial strategy and the use of the MHCLG capitalisation monies to enable the council to manage the current significant shortfall in this year's budget and address the long-term structural deficit within children's and adult's services. Its recommendations are in part 2 of this report on this agenda. The mechanisms for delivering the strategy such as the existing spending control panel and the placement review panels for adults and children's placements will be incorporated within the Improvement Plan

### **High Level Improvement Objectives**

The Croydon Renewal Plan will lay out in detail the improvements the Council needs to make, what actions it will take to deliver those improvements and have programme management disciplines and mechanisms in place to ensure accountability and track progress.

Using the outputs from the diagnosis process (steps 1-7 above) it will build a long-term approach to managing a significant programme of work that is likely to take up to 5 years. This will need to set out how the Council will stabilise its finances, make service improvements, operational improvements and deliver transformational approaches to modernise the way the Council works. This programme of work will



need dedicated resource and the Council will need to identify capacity and capability for this to succeed.

The high level improvement objectives that will need to be addressed are as follows;

<b>Leadership</b>	<ul style="list-style-type: none"> <li>• Effective Governance</li> <li>• Political &amp; Managerial Leadership improvement</li> <li>• Openness &amp; transparency</li> <li>• Equality &amp; Diversity</li> </ul>	<b>Financial Control</b>	<ul style="list-style-type: none"> <li>• Deliver MTFS-financial sustainability by 24/24</li> <li>• Deliver in-year</li> <li>• External companies deliver return on investment</li> </ul>
<b>Staff Engagement &amp; Involvement</b>	<ul style="list-style-type: none"> <li>• A council free from fear built on trust &amp; openness that reflects the diverse borough that we serve</li> <li>• Equality and diversity, tackling unconscious bias &amp; taking positive action</li> </ul>	<b>Service Transformation</b>	<ul style="list-style-type: none"> <li>• Adult's Social Care</li> <li>• Children's Social Care</li> <li>• Identify &amp; modernise core services</li> </ul>
<b>Residents &amp; Partners</b>	<ul style="list-style-type: none"> <li>• A new approach to engagement, openness and transparency</li> <li>• Collaborative working</li> </ul>	<b>Internal Control systems</b>	<ul style="list-style-type: none"> <li>• Risk Management &amp; Assurance Framework</li> <li>• Corporate Performance Framework (service delivery &amp; staff appraisal)</li> </ul>

## Delivering the Plan

The Council has fully acknowledged that it does not have a strong track record of delivery of plans and is making a positive step to address this by the introduction of an independently chaired Board to hold the Council to account for delivery of the Croydon Renewal Improvement Plan. The draft terms of reference and draft membership of the Croydon Renewal Improvement Board are at Appendix B. The Board membership and terms of reference will be consulted on and brought back to the January 2021 Cabinet and then onwards to Full Council for final approval.

In addition progress will be reported and overseen by Council Member led bodies: Scrutiny and Overview Committee, General Purposes and Audit Committee, Cabinet and Full Council. The Board will provide an external layer of governance and accountability for the Council. It does not preclude or prevent Scrutiny & Overview or GPAC from fulfilling the duties as described in the Council Constitution. The Chairs of both committees are in attendance and the Board can refer matters to them and vice versa.

The Council will need to fully adopt best practice programme methodologies which will set definitions to be achieved, milestones and deliverables in sensible time periods to ensure it achieves the required improvement and change. The plans will require regular review to check that delivery is on track, that risks are reviewed and mitigated and any external factors that may affect delivery are taken into consideration.

There are currently around 400 recommendations and actions already developed from different plans and there will be further output for incorporation into existing plans. Some of the recommendations and actions are likely to be cross-cutting, many may duplicate each other and the Council will need to use best practice frameworks and recognised programme management methodology to track progress and reporting.

The Council will use the CIPFA/Solace standards and the McKinsey 7s Framework to model best practice. In addition it will continue to work with and learn from partner organisations such as the Local Government Association, Centre for Governance & Scrutiny and other Local Authorities who can provide valuable support and insights.

### **First Order Actions and Immediate Goals**

The Croydon Renewal Improvement Plan needs to be written and brought to members for review and challenge. It is intended that this will happen in January 2021 at both Scrutiny and Cabinet. However there is a significant amount of work already underway whilst the detailed Improvement Plan is being constructed. The Council cannot wait for the Plan to be finally written before it begins the essential work needed.

It is important for the Council to set immediate goals to keep momentum and pace around the actions that need to be taken whilst it builds the more significant overarching Improvement Plan. The following table captures the work currently underway which will all be formally incorporated into the Improvement Plan for formal review in January.

<b>Immediate Priorities</b>	<b>Action</b>	<b>Delivered by</b>
Submission to MHCLG	Submit capitalisation direction	Dec 2020
Listening & engaging with staff and implementing outcomes from staff survey	Co-create success measures, listening, engagement and freedom from fear culture activities	Work started October 2020
Consultation on Council management arrangements restructure	Whole Council staff consultation on the redesign of management arrangements and resources to reflect new organisation priorities and ways of working. Proposals then brought to Cabinet and Full Council for final decision with a plan for any permanent appointments that may arise.	March 2021

Consultation on 2021/22 budget and sign-off	Agree proposals and consult staff and all residents	Feb 2021
Medium Term Financial Strategy consultation and sign-off	Agree proposals and consult staff and all residents	Feb 2021
Corporate Finance, Performance and Risk reporting in place	Develop new robust assurance framework and reporting system to members.	June 2021
Programme Management Office in place and Programme Management system agreed	Identify resource required and appropriate methodologies	February 2021
Improved finance system to support reporting and management of finances	Scope requirements and establish approach	June 2021
Report in the Public Interest Action Plan	Agreed by Cabinet & Full Council	November 2020

### Next steps

On receipt of the report from the MHCLG Rapid Review the Council will be in a position to set out next steps and offer to meet the requirements to secure a capitalisation direction.

It is envisaged that this will need a robust Medium Term Financial Strategy, a financial delivery plan and Improvement Plan to accompany any submission.

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**DRAFT CROYDON RENEWAL IMPROVEMENT BOARD  
TERMS OF REFERENCE & MEMBERSHIP**

<b>NAME</b>	Croydon Renewal Improvement Board
<b>DATE</b>	November 2020 (Board to commence January/ February 2021)
<b>CHAIR</b>	TBC – Independent Chair
<b>FREQUENCY</b>	Bi-monthly public meetings
<b>MEMBERS - 16</b>	<p>Independent Chair  Ministry of Housing, Communities and Local Government Representative  Chartered Institute of Public Finance Association Representative  Local Government Association Representative  External Equality &amp; Human Rights Expert Representative  External Health Partner Expert Representative  External Adult Social Care Expert Representative  External Children’s Expert Social Care Representative  External Local Authority Chief Executive (HoPS)  External Local Authority Director of Finance (S151)  Representative of LBC recognised Trade Unions</p> <p>External Auditor Grant Thornton (will attend but cannot be a member)</p>
<b>IN ATTENDANCE - 10</b>	<p>Leader of the Councillor  Deputy Leader of the Council  Chair of Scrutiny and Overview Committee  Chair of General Purposes and Audit Committee  Leader of the Opposition  Deputy Leader of the Opposition  Interim Chief Executive  Director of Finance, Investment and Risk (S151)  Executive Director Health, Well Being and Adults (DASS)  Executive Director Children, Families and Education (DCS)</p> <p>Other invitees as required</p>
<b>Croydon Communities Board</b>	<p>Representatives of Croydon Voluntary Services  Representatives of Croydon’s Faith Communities  Representatives of Croydon Tenants &amp; Residents’ Associations  Representatives of Croydon’s Business Community</p> <p>Other invitees as required</p>

	Discussion to be held between the Communities Board and the main board as to how best to convey their views. Should they have a representative on the main board?
<b>PURPOSE</b>	<p>The Croydon Renewal Improvement Board will be an independently chaired body of experts reporting to MHCLG and Full Council. It will hold the Council to account for the delivery of the Croydon Renewal Improvement Plan and the use of any MHCLG granted capitalisation direction funding.</p> <p>It will support and challenge the implementation of the Croydon Renewal Improvement Plan which aims to deliver by April 2024, a financially sustainable organisation, with strengthened governance and management controls, that is open and transparent, with reduced costs, delivering cost effective, value for money core services whilst respecting and valuing all its staff.</p>
<b>Constituent parts of the Plan</b>	<p>The Croydon Renewal Improvement Plan will draw together all the 400+ commitments from the following plans to deliver a coherent, corporate improvement programme:-</p> <p>Croydon Renewal Financial Recovery Plan 2020/21- 2021/22  Medium Term Financial Strategy 2021-2024  Report in the Public Interest Action Plan  MHCLG Rapid Review recommendations  Croydon Finance Review recommendations  Strategic Review of the Council's companies recommendations  Children's Services Improvement Plan  Adult Social Care Services Improvement Plan  The Centre for Governance &amp; Scrutiny Review recommendations  The Governance Review recommendations</p>
<b>ELECTION OF VICE-CHAIR</b>	The Board will nominate and agree a vice-chair from its membership who can deputise in the absence of the chair.
<b>ROLE OF BOARD</b>	<ol style="list-style-type: none"> <li>1. The Board will hold LBC elected Members and Chief Officers to account for the delivery of the Croydon Renewal Improvement Plan to ensure sustainable improvement is achieved within the agreed timescales and cost.</li> <li>2. Provide challenge to ensure that actions taken meet the improvement outcomes that are required of the Council.</li> <li>3. Ensure the Council is constantly seeking to learn from best practice elsewhere and builds a learning methodology into its improvement work. The Board to invite external advice where relevant.</li> </ol>

	<ol style="list-style-type: none"> <li>4. Refer to Scrutiny &amp; Overview and GPAC to develop items of work for further enquiry, and receive reports and referrals from both bodies where relevant.</li> <li>5. The Board papers will be shared with the Croydon Communities Board in advance for their input and consideration and feedback from them will form part of the agenda for each meeting.</li> <li>6. The Croydon Communities Board will also be able to suggest to the Board items for their consideration and discussion.</li> <li>7. Agree a suite of performance measures to assure the delivery of the Improvement Plan.</li> <li>8. Report quarterly to Full Council and MHCLG on the progress that the Council is making on its improvement journey. These reports to be public.</li> <li>9. Agree and implement a communication plan to ensure that stakeholders are both updated on progress and have the opportunity to challenge the delivery of the Improvement Plan.</li> <li>10. Ensure that council staff and all members are kept informed on a timely basis of the progress on implementing the Improvement Plan.</li> <li>11. Produce an Annual Report for Full Council, MHCLG and the LGA.</li> </ol>
<b>ACCOUNTABILITY &amp; REPORTING RELATIONSHIPS TO OTHER BODIES</b>	The Board will provide an external layer of governance and accountability for the Council. It does not preclude or prevent Scrutiny & Overview or GPAC from fulfilling the duties as described in the Council Constitution. The Chairs of both committees are in attendance and the Board can refer matters to them and vice versa.
<b>RISK MANAGEMENT</b>	The Board will maintain its own risk register in regard to the delivery of the Croydon Renewal Improvement Plan which will be incorporated within the Council's risk register and will receive a report on risk at each meeting. It's risk register will form a part of the regular risk report to GPAC
<b>REPRESENTATIONS FROM MEMBERS OF THE PUBLIC</b>	The Board will be able to receive representations from members of the public and have a question and answer session mirroring the principles used in the Council's constitution for this.

<b>MEMBERSHIP OF THE BOARD</b>	Recommendations for changes to membership of the Board can come from the Board or the London Borough of Croydon and will be proposed to Full Council for decision.
<b>BOARD MEETINGS</b>	Meetings of the Board will be held bi-monthly and the agenda and papers will be circulated one week in advance.  Meetings will be held in public and will be two hours in duration
<b>STANDARD AGENDA ITEMS</b>	<ul style="list-style-type: none"> <li>• Review minutes, actions and matters arising</li> <li>• Feedback from Croydon Communities Board</li> <li>• Any public representation or questions</li> <li>• Review and challenge to the progress relating to the Croydon Renewal Improvement Plan</li> <li>• Review of risks relating to improvement activities</li> </ul>
<b>SUPPORT TO BOARD</b>	The Board will be supported by the Council's Corporate Programme Office.  It is possible that payment will need to be made to Board Members.
<b>REVIEW</b>	At its initial meeting, the Board will agree its Terms of Reference. There will be a review of the Terms of Reference every six months and any changes will be recommended to Full Council for decision.
<b>DECLARATIONS OF INTEREST</b>	The Council's Member Code of Conduct requires Members to declare disclosable pecuniary interests and any other interest that they may have within the published register of interests and also any items for consideration by the Board.  These will be recorded in the minutes and a separate register will be maintained for Board members.
<b>BOARD REVIEW</b>	At the end of each year the Board will review its progress to ensure it has successfully met its aims and is adding value to the improvement work of the council and a public report will be produced for Full Council, MHCLG and the LGA.



# Croydon **Renewal** Plan: Staff engagement report

# Key overall findings

- Strong, palpable anger and vitriol towards senior management
- Lack of trust in senior management which has amplified sense of uncertainty, unease and anxiety
- Inconsistent health and well being support from managers, examples of exemplary and poor practices
- Fragmented engagement and communication from senior management with often low visibility
- Lack of accountability and taking responsibility
- Silo working which increases costs
- Technology was seen as an enabler that allowed for flexibility but also a vice as expectation that you are available all the time and 'MicroSoft Teams fatigue' is creeping in.
- In some cases working from home is creating isolation and affecting mental health and wellbeing as long term arrangements is uncertain
- Staff want to know what moving forward looks like, what is the plan?. "We are not working from home, we are at home trying to work". to share their insights.
- A number of low hanging fruit – 'actionable ideas' that are worth immediate attention

# Survey highlights and lowlights

- **1003** responses, equivalent to **28%** of staff
- **738** respondents gave ideas of what we can implement immediately to achieve a balanced budget this year
- **97%** of respondents support the need for a Croydon Renewal Plan, with **51%** feeling they can offer meaningful contributions to establishing a balanced budget
- **86%** of respondents feel connected to their team and manager during the pandemic, however only **69%** feel connected to the council as a whole
- **51%** are proud to work for the council, **21%** are not proud, **21%** are ambivalent
- **56%** of respondents feel the organisation supports them in their health and wellbeing, however **73%** enjoy working from home with the new technology
- **59%** of respondents agree that our council leaders are communicating and managing the public health (Covid-19) pandemic well

# Focus group highlights and lowlights

- **147** participants, **762** comments recorded
- “We cannot change how the senior management had handled things previously to get us in this predicament but we can be hopeful of better things with this new CEO and her approach.”
- “CEO needs to listen to the staff on the ground, we often tell the true story of the service the positive AND the negatives and it is the only way of really knowing what is happening. Staff are positive and want to see the changes.”
- “Culture change - look at us as a croydon council employer - do what you need to do to achieve an outcome - flattening the structure as opposed to silo working.”
- “On the surface, statements are made about concerns for staff and their well being but not in practice.”

# Staff feedback: where we need to move to

Where we are	Where we need to move to
Current narrative is jarring for the reality for the council, reflects former leadership	A hopeful, inclusive and sustainable new narrative about our future and aspirations developed and shared by all
Distrust/lack of trust in senior management	<ul style="list-style-type: none"> <li>• Competent, accountable management role modelling expected behaviours and our values.</li> <li>• All staff have confidence in leadership, feel they can speak truth to power and do not fear reprisals for respectful challenge.</li> </ul>
Passive staff voice in decision making	<ul style="list-style-type: none"> <li>• Staff voices heard and active involvement in shaping our future</li> <li>• New psychological contract with staff setting out mutual expectations, from operational staff to officers and leaders</li> </ul>
Silo working & decision making – lack of empowerment	<ul style="list-style-type: none"> <li>• Collaborative/partnership working is norm</li> <li>• Restructure/reorganise along lines of core services</li> </ul>
Low levels of resilience	Focus on wellbeing initiatives and support for staff both working remotely or in work to support positive mental health and connection to the council

# Staff say we need to do these things first:

- Reset the organisation & be clear on what a resilient culture and workforce looks and feels like
- Recognise that there are systemic constraint/barrier to true engagement and collaboration and address the issues inclusively
- Retain our best talent; work collaboratively and harness strengths cross-functionally to make this happen
- Improve leadership & management capability in key areas, esp. financial management
- Improve health and well being support

### RESETTING

- Take steps to create a psychologically safe environment
- Start with a clear vision and set of values which are shared across the council.
- Structure is a vital element of delivering the vision and values but it has to be complemented by the right systems, strategy, skills set, workforce planning, and working style of the new organisation.
- Follow through with feedback loop for survey and focus group (Croydon Renewal Plan)
- Embed good practice management and leadership positive behaviours within the organisation.
- Train Managers in supporting staff with mental health and promoting well being.

# Thank you



## **Priorities & new Ways for renewing Croydon**

### **About this plan: why are we doing this now**

Croydon faces the most serious financial challenges and is seeking a loan from the Ministry for Housing Communities and Local Government (MHCLG). This is caused by the issues highlighted in our auditor's Report in the Public Interest and exacerbated by the Covid 19 pandemic and to a lesser extent the uncertainty caused by leaving the European union, currently without a trade agreement.

These problems have deep roots, and while a decade of austerity, historic underfunding and the Covid-19 crisis have had a major impact on our finances they do not excuse where the council has made mistakes.

We will need to rebuild the council and rebuild trust with our communities and partners. We know this won't be easy and will require difficult decisions to be made. The challenges we face mean we have had to rethink the plans we set at the last local elections. We have had to work quickly to identify what is most important for our communities, in the immediate future and over the next three years.

This framework will give us a structure to help us identify: where our limited resources as a local authority can have the most positive impact for our residents; where we can leverage our partnerships to support our plans, and; where we should be using our democratic leadership to campaign and lobby government for change.

This framework will help council officers set a new corporate plan for the organisation. We will be able to assess spending and policy proposals in every area, from housing, to health, from economy to early help, from culture to community safety, or any other part of the council, any work or service will need to make a positive impact in addressing one of our three priorities. We have also set out how we will do this, so residents, partners, staff and service users know what they can expect from us and hold us to account for how we deliver, not just what we deliver.

### **Who we are: our values, our ambition**

We are a borough that cares, about each other, and about the communities we live in. We have strong neighbourhoods, thriving local businesses and a vibrant voluntary sector. We want Croydon to be a place where no one is left behind. This means we will focus our efforts on the most vulnerable and most excluded residents, including those living in extreme poverty.

As a council we are explicit that we can't do this alone. The council has over many years nurtured really strong partnerships: with the NHS, with the wider public sector, with employers and businesses in the borough with the voluntary sector and above all with the people who live here. We will seek to work with every resident and organisation that wants to work with us to face our challenges and build a better future for Croydon. We know that we will need to work to earn back the trust we need for these partnerships to be effective.

Above all we want to build a compassionate, resilient and caring Croydon.

## **Our priorities – 2021-2024**

The challenges we face are immense. While this doesn't stop us being ambitious for Croydon in the future, it does mean we will need to be clear about our priorities and make some tough decisions about what we will and won't do over the next few years.

For the next year to 18 months at least, Covid is going to be absolutely central to our day to day experiences, as a community and a country. The pandemic will continue to have a huge impact on what we are able to do and how we are able to operate as a local authority. Covid has also meant changes to how we deliver some services, introducing digital options which are more convenient for residents and more efficient for the council. The three priorities below should be viewed through that lens. Since March we have been regularly reviewing and updating our response to Covid to support our communities and will continue to do so as we simultaneously improve as a council.

Taking our significant challenges, together with our ambition for our borough and the assets we have, in the council, our communities and through our partners we have decided to focus on the following priorities for our borough:

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on tackling ingrained inequality and poverty in the borough. We will follow the evidence to tackle the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe. To ensure we get full benefit from every pound we spend, other services in these areas will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand.

This will mean some tough decisions for the council. We will stop delivering some services that we know our communities find valuable. But we believe that by focussing on a smaller number of priorities for our residents we will be more impactful on those issues, and ultimately deliver what we do keep doing to higher standard. We will be working with our residents, our staff and our partners to identify the right way to deliver our priorities for the next three years, and welcome everyone's views.

## **How we will do it – 2021-2024**

The need for us to rebuild trust and in order to meet the scale of the challenges we face, means we will also need to change the way we work. This change won't be easy, and while some changes can be made quickly others will take time.

Throughout this we will focus on some key ways of working in the council, with our communities and partners to build a better Croydon.

- We will practise sound financial management, being honest about what we've spent and what we can afford.
- We will focus on what we, uniquely, can do as the local authority as the democratically elected leaders of our borough. This means we will focus on our core services, and a small number of evidence-based outcomes that deliver our priorities. But we will also continue to use our democratic mandate to convene our partners around a common purpose and to make a clear case for a better deal for Croydon.
- We will aim to become a much more transparent, open and honest council. We will involve residents in our decision making. But we will also need to be clear with residents about what we can do, and what we can't. When we have to say no, we will do so with compassion and take the time to explain our decisions.

### **The context for Croydon**

Croydon, along with the rest of the UK, is about to enter one of the most challenging periods of its history. We don't yet know the full extent of Covid's impact – significant economic and social restrictions to protect us from the disease remain in place, themselves both causing social and economic problems now and storing up more for the future. In a matter of weeks we leave the European Union. A trade deal is currently uncertain.

Leaving the EU and Covid are exposing ingrained inequality, disadvantage and poverty, already present in our borough. It's likely that the people and groups who are already worse off will be hardest hit by these twin storms. We have particularly seen the racial and economic inequality in our borough laid bare.

These challenges will require us all to pull together to support each other and play our part to get us through the tough times to come.

Covid and leaving the EU are beyond the council's control, but it is against this backdrop, Croydon Council itself faces a financial challenge the scale of which has not been seen in local government. We have been subject to stinging external criticism – which although it hurts, we accept. We know if we are to put things right every area of our work will be impacted as we seek to reshape the council and put it on a stable financial footing, in order to weather the storms to come.

It's clear that Croydon faces crises on a number of fronts. It would be easier to give up and let someone else try to solve our triple challenges. But giving up is not in our nature. We are determined to use our democratic mandate, our convening power and influence and our resources efficiently and effectively to support residents through the tough times to come.

We remain hopeful and ambitious for our borough, and know, that while the immediate future looks uncertain, Croydon has a bright future.

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<b>REPORT TO:</b>	<b>CABINET 25<sup>th</sup> November 2020</b> <b>COUNCIL 30<sup>th</sup> November 2020</b>
<b>SUBJECT:</b>	<b>The Croydon Renewal Financial Recovery Plan and Submission to MHCLG for the Capitalisation Direction</b>
<b>LEAD OFFICERS:</b>	<b>Interim Chief Executive, Katherine Kerswell</b> <b>Executive Director Resources, Jacqueline Harris Baker</b> <b>Director of Finance, Investment &amp; Risk, Lisa Taylor &amp; Section151 Officer</b>
<b>CABINET MEMBERS:</b>	<b>Leader of the Council, Councillor Hamida Ali</b> <b>Cabinet Member for Croydon Renewal,</b> <b>Councillor Stuart King</b> <b>Cabinet Member for Resources &amp; Financial Governance,</b> <b>Councillor Callton Young</b>
<b>WARDS:</b>	<b>All</b>
<b>SUMMARY OF THE REPORT</b>	
<p>The council's annual budget is required by law to be both balanced and deliverable in year and to provide a sustainable and balanced footing over the medium term for the delivery of all council services. However, it currently forecasts an in-year overspend in excess of £30m at the end of 2020/21.</p> <p>Further risks are very likely to arise which would increase the overspend up to £67m. This is considerably in excess of the council's general fund reserve, which now stands at £7m.</p> <p>In addition, the draft Medium Term Financial Strategy presented to Cabinet and Council in September 2020 identified future savings of £79m required over 2021/24 to meet future pressures not funded within the existing base budget.</p> <p>The Council does not currently have a deliverable plan to balance its budget this year as required by law. In view of this, the Chief Finance Officer issued a S.114 notice on 11 November 2020.</p> <p>The report proposes additional in-year savings of £0.5m revenue and £0.5m capital spending and department savings of £70m for 2021/24.</p> <p>Delivery of the level of savings needed will require a fundamental re-shaping of the organisation, not achievable in a single year. A capitalisation direction will therefore be requested from MHCLG for both the current year forecast and the likely gap in 2021/22 and future years with in the medium term financial strategy.</p> <p>In order to secure a Capitalisation Direction from government, the Council will need to demonstrate that it is willing to take difficult decisions in order to balance its budget in 2020/21, 2021/22 and future years.</p>	

This report sets out the first consultation proposals for savings in order to balance the 2021/22 budget and for later years. The financial gap will remain significant once these savings are implemented and the Council will need to continue to develop savings proposals to balance its budget over the next three financial years.

**FORWARD PLAN KEY DECISION REFERENCE NO.:**

The decisions in this report are not key decisions

**1. RECOMMENDATIONS**

The Cabinet is recommended to

- 1.1 Note that the in-year savings options approved at Cabinet and Full Council in September 2020 to reduce the forecast overspend this year and amend the 2020/21 budget have been reviewed and revised as part of the quarter 2 financial monitoring from £27.9m to £10.2m.
- 1.2 Note and recommend to Full Council the latest in-year forecast revenue budget overspend of £30m and the further risks that are likely to materialise which could increase the overspend up to £67m in this financial year.
- 1.3 Consider the additional in-year savings for 2020/21 that will be presented to the extraordinary meeting of Full Council on 1 December 2020 to respond to the S.114 notice.
- 1.4 Consider and recommend to Full Council the savings proposals for consultation as set out in this report for the Medium Term Financial Strategy and 2021/24 and note that consultation will begin on 9 December 2020. To note that the outcome of this consultation will be brought back to Cabinet and Full Council as part of the 2021/22 budget setting process in February / March 2021.
- 1.5 Delegate to the Executive Director of Place authority to commence the statutorily defined and required consultation to review the provision of library services.
- 1.6 Note that the September Cabinet and Full Council noted that an in-year review and future review of the capital programme was underway and that it would be reported back to the November cycle of meetings. Pressure of work has resulted in this report needing to be deferred. It will be reported to the December cycle of meetings.

**2. EXECUTIVE SUMMARY**

- 2.1 The London Borough of Croydon faces a significant challenge to become a financially balanced and sustainable council as required by law.

- 2.2 This situation has been caused by financial and other governance failures as identified in the Report in the Public Interest and other reports, and exacerbated by the Covid19 pandemic and a decade of austerity funding of local government nationally.
- 2.3 This lack of good governance and effective internal controls has led to the council experiencing deteriorating financial resilience for a number of years, culminating in a S.114 notice being issued in November 2020. The issuing of this notice by the S.151 officer was fully supported by the administration.
- 2.4 A new 2020/21 budget will be presented to Full Council on the 1<sup>st</sup> December 2020 to respond to the S.114 notice.
- 2.5 The September Cabinet and Council noted that an in-year review and future review of the capital programme was underway and that it would be reported back to the November cycle of meetings. This work is underway but due to pressure of work has resulted in this report needing to be deferred. It will be reported to the December cycle of meetings.

### **3 BACKGROUND**

- 3.1 Following an April 2020 meeting with the external auditor and receipt of their letter, the Council set up a Finance Review Panel in May 2020. With the support of external expert advisers, this panel attempted to deliver sufficient savings in year and rein in expenditure to balance the budget which was forecast to overspend by some £62.7m at the time.
- 3.2 An immediate measures programme and in-year savings were identified totaling some £27.7m in additional savings. This £27.9m when added to the existing £14m residual savings agreed as part of the 2020/21 budget would have contributed a significant amount towards the £62.7m forecast overspend.
- 3.3 However some errors in reporting led to £17.7m of these additional savings being incorporated into the forecast outturn in month 5 resulting in double counting. This was revealed from the extra due diligence checking of Quarter 2 outturn (month 6 reports). In total over £25m of savings are planned to be delivered in 2020/21.
- 3.4 Additional in-year pressures also emerged. The external auditor has raised concerns about the accounting treatment for some £5.8m of expenditure on the 2019/20 accounts. The non-payment of previous years' interest payments of £14m and the £5m dividend and £11m interest due in this financial year as per Brick by Brick's business plan for 2020/21 as agreed by Cabinet in February 2020 have also materialised as a serious risk to this year's accounts.
- 3.5 This has led the Council to revise its in-year forecast to project a £67m overspend in 2020/21 with only £7m in reserves.
- 3.6 For future years, taking account of increased demand and other inflationary pressure the council faces a deficit by the end of its medium term financial strategy in 2023/24 of £190m without corrective action.

- 3.7 It is clear that the Council will need a loan from government (known as a capitalisation direction) to cover the majority of the deficit for this financial year and for future years as the council works to reshape and balance its budget in a sustainable way.
- 3.8 In September 2020, Cabinet and Full Council agreed to formally open negotiations with MHCLG to agree a capitalisation direction. Based on the need to address the structural deficits in children's' and adults' services and broader savings proposals, loans would be required of £70m in 2020/21 and £64m in 2021/22.
- 3.9 MHCLG has appointed a non-statutory Rapid Review Team to report on the council's governance, culture and management of risk before recommending to MHCLG whether to agree to the request for a Capitalisation Direction for Croydon and to recommend whether any other intervention is warranted.
- 3.10 Full Council will meet on 1 December 2020 to consider the S.114 Notice, agree a revised budget and decide on any further action required to balance the budget in year. This will need to include the immediate reduction of the council's operational and service delivery costs.
- 3.11 This report therefore presents additional proposals for in-year non-staffing related savings of £0.5m revenue and £0.5m capital spending for 2020/21. It also presents consultation proposals for department savings totalling £70m for inclusion in the Medium Term Financial Strategy for 2021/24.

#### **4. ADDITIONAL RISKS TO BE CONSIDERED**

- 4.1 It is important to draw to Cabinet and full Council's attention that further risks may materialise that could have considerable impact on the Council's ability to balance its budget in year and in future years.

These risks include:

- The annual audit of accounts is underway and there could be adjustments required that could impact on the Council's current level of general fund reserves.
- The Report in the Public Interest recommendation requests a review of all Transformation Funding and whether it meets the national schemes criteria. Any expenditure that does not meet this will need to be covered in the general fund revenue budget.
- The HRA review currently underway could reveal charges that need to be posted to the general fund.
- Strategic Review of Companies recommendations could generate requirements for future funding
- Redundancy costs are not included in any of the estimates for future costs to be covered and will need to be capitalised.
- The review of all Council debt could result in write offs that are currently not covered in any forecasts.
- Whilst some future demand has been factored into growth, it could still outstrip forecasts.



- Cost to deliver the improvement plan and provide any specific and specialist skills to deliver have not been factored in at this stage.
- It would be reasonable to assume that the Government would cover further cost of the pandemic but this may not be sufficient to cover all costs incurred.
- The cost of the Democratically Elected Mayor referendum should it proceed next year has not been factored in at this stage.
- Covid19 may have an impact on the future income collected via the Collection Fund (Council tax and Business Rates).
- There is a risk of contract failure arising as a result of Covid19.
- Track record of delivery of savings.
- The Spending Control Panel has seen significant numbers of purchase orders raised which are backdated. It is unclear at this stage if these have been fully included in the financial forecast.

## **5. S.114 NOTICE AND EXPENDITURE CONTROL PROTOCOL**

- 5.1 On 11 November 2020 the Council's Chief Finance Officer (S.151) issued a S.114 notice to the London Borough of Croydon.
- 5.2 Once such a notice has been issued, the council is immediately prevented by law from incurring any expenditure, unless the Chief Finance Officer authorises it under grounds specified in the Local Government Act 1988. She has issued guidance to the Council on what expenditure is considered essential. The Council has set up a Spending Control Panel, which meets daily and is chaired by the Chief Finance Officer, her deputy or another manager in the council's finance team to control council spending. All expenditure; whatever the amount, must now be approved by the Panel, along with any recruitment requests.
- 5.3 Full Council is due to meet on 1 December 2020 and is required by law to consider the concerns raised in the S.114 notice and decide whether it agrees with the view contained in it and any action it proposes to take in consequence of it. The Chief Finance Officer will recommend a new budget for 2020/21 at that meeting.

## **6. ADDITIONAL IN-YEAR SAVINGS**

- 6.1 In order to address its' severe financial pressures, Full Council approved in-year additional revenue budget savings of £27.9m on 28 September 2020. In addition, capital expenditure was reduced by £156m (45%) in-year against a programme totaling £343m. However, the S.114 notice clarified that £17.7m of those £27.9m revenue budget savings were incorrectly identified as new savings.
- 6.2 Further related savings for this financial year are set out in the schedule in Appendix A and include for example; maintaining the existing stringent controls on all expenditure and recruitment, the reduction of agency staff, the stopping of all overtime, and the temporary reduction of highways maintenance to a minimum safe level. The total value of in-year savings is estimated at £0.5m revenue and £0.5m capital spending.

- 6.3 It is estimated that there may be some further savings to be achieved in this financial year but it is very difficult to predict with any certainty the amount at this stage. The Spending Control Panel has only been operational for a few weeks and therefore it is too soon to accurately predict the long term impact of its' work. In line with prudent financial management, the schedule in Appendix A offers a range in which the minimum figure is taken as the forecast or a zero forecast. Actual savings will be closely monitored and reported.

## **7. CROYDON COUNCIL RENEWAL (FINANCIAL RECOVERY) PLAN**

- 7.1 The Croydon Renewal Plan consists of a number of elements; an overarching improvement plan, a financial recovery plan, an improvement board to ensure delivery of these plans and a submission to MHCLG for the capitalisation direction the Council needs. This report; part 2 on the agenda is presenting to Cabinet the financial recovery plan element of the Croydon Renewal Plan.
- 7.2 In order to address the initially identified £79m budget gap in 2021/24, £91m of savings and income options have been identified across departments and corporate services. However, a total of £155m in investment was also required to address structural deficits and other financial correctives.
- 7.3 Structural deficits in the children's social care and adult social care budgets were not addressed in a timely fashion year on year which then manifested as significant overspends at the end of each financial year. Over £50m of transformation monies were spent on adults and children's services. Yet significant issues still remain with continued overspending and unresolved cost pressures.
- 7.4 This investment is required in 2021/22 to bring social care and other service budgets up to a level that reflects the actual cost of services currently delivered and committed to such as in placements or expected to meet future demographic and demand-led growth. It is also required to increase capacity in the Resources Department to support the transformation of the council such as a programme management office. Corporate investment is for inflation, including contracts and salaries.
- 7.5 Overall, there is growth of £105m in 2021/22, savings of £41m resulting in net growth of £64m. For the following two years growth is £50m and savings are £50m.
- 7.6 These incremental annual changes do not currently achieve a balanced budget position as the total growth requested significantly exceeds that included in the original modelling of the savings.
- 7.7 Further work will now commence to bring these growth bids down so a more affordable medium term strategy is presented to Cabinet and Full Council in February / March for the 2021/22 budget.

	<-- Incremental Annual Change -->			<-- Cumulative Annual Change -->		
	2021/22 (£,000's)	2022/23 (£,000's)	2023/24 (£,000's)	2021/22 (£,000's)	2022/23 (£,000's)	2023/24 (£,000's)
<u>Efficiencies Proposals</u>						
Children, Families & Education	(6,467)	(3,521)	(1,564)	(6,467)	(9,988)	(11,552)
Health, Wellbeing & Adults	(9,708)	(10,614)	(9,505)	(9,708)	(20,322)	(29,827)
Place	(11,755)	(5,749)	(4,426)	(11,755)	(17,504)	(21,930)
Resources	(3,491)	(1,536)	(1,230)	(3,491)	(5,027)	(6,257)
<b>Total Efficiencies Proposals</b>	<b>(31,421)</b>	<b>(21,420)</b>	<b>(16,725)</b>	<b>(31,421)</b>	<b>(52,841)</b>	<b>(69,566)</b>
<u>Growth Requests</u>						
Children, Families & Education	24,870	85	77	24,870	24,955	25,032
Health, Wellbeing & Adults	28,891	6,919	6,880	28,891	35,810	42,689
Place	6,082	(400)	1,000	6,082	5,682	6,682
Resources	8,541	(565)	(355)	8,541	7,976	7,621
Corporate Budgets	10,463	10,673	10,886	10,463	21,136	32,022
<b>Total Growth Requests</b>	<b>78,847</b>	<b>16,712</b>	<b>18,488</b>	<b>78,847</b>	<b>95,559</b>	<b>114,046</b>
<b>Net</b>	<b>47,426</b>	<b>(4,708)</b>	<b>1,762</b>	<b>47,426</b>	<b>42,718</b>	<b>44,480</b>
Corporate Pressures	26,245	7,994	7,052	26,245	34,239	41,291
Corporate Funding (C/Tax & NNDR)	(9,423)	(5,756)	(5,872)	(9,423)	(15,179)	(21,051)
<b>Net Remaining Gap</b>	<b>64,248</b>	<b>(2,470)</b>	<b>2,942</b>	<b>64,248</b>	<b>61,778</b>	<b>64,720</b>

7.8 In developing these proposals a number of options have been considered in budget development meetings. They have been further challenged at the business development meeting challenge panels with rigorous LGA/external challenge input. The conclusions of all those meetings have resulted in the savings proposals for consultation as outlined in Appendix B.

## 8. CONSULTATION

8.1 Each savings proposal in this report will require further verification and due diligence along with its own process for implementation including consultation with staff, the public, the business community and service users prior to any decision to implement is taken and as part of this consultation the equalities impacts will be fully considered.

8.2 Significant changes to library services are subject to specific statutory consultation processes, with weight attached to engagement, allowing time for responses, equalities impact assessments and the level of resource available to fund services. The Executive Director for Place will draw up a consultation timetable and process that accords with the statutory requirements.

## 9 PRE-DECISION SCRUTINY

9.1 Members of the Scrutiny and Overview Committee considered progress in developing the Council's improvement programme and work to improve the council's financial position on 17 November 2020. The Croydon Renewal Plan reports both Parts 1 and 2 will be further considered by that committee during December and January with feedback provided to Cabinet in January and February as part of the formal budget decision making process.

## **10 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 10.1 This report clearly identifies that the Council currently cannot balance its budget over the period of the Medium Term Financial Strategy and support from MHCLG in the form of a capitalisation direction will be essential to ensure that there is time to remodel the council's operating costs and deliver the savings programme safely.
- 10.2 The table above details the savings and growth that have currently been identified for next year and the two following years. It can be seen that the budget is unbalanced for 2021/22 with a forecast budget gap of £64.2m. Whilst work will continue to reduce this budget gap support will be required in the form of a capitalisation direction.
- 10.3 The forecast departmental growth next year is currently estimated to be £68m, with a further £37m of corporate growth, offset by departmental savings of £31m and corporate savings of £9m, resulting in a budget gap of £64m at the time of writing.
- 10.4 Further work will continue to be undertaken to reduce this budget gap. The lower the gap the less capital borrowing will be required in the form of the capitalisation direction. It is essential that the borrowing is kept as low as possible as this will incur repayment costs for the council for a long period.
- 10.5 Given the current forecast budget gap the capitalisation direction will be essential to the future financial viability of the London Borough of Croydon and Members and Officers are committed to working with MHCLG to agree the direction and deliver plan to make Croydon financially sustainable by the end of the MTFS period.
- 10.6 The issuing of a S114 notice was necessary as the current year's budget remains unbalanced with costs greater than the funding available and no deliverable plan to deliver a balance budget at present. This will be dealt with in more detail at the extraordinary Full Council meeting on the 1 December 2020 which will be dedicated to the issue of the S114 notice and response within the statutory 21 day deadline.

## **11. LEGAL CONSIDERATIONS**

- 11.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Law and Governance that the Local Government Finance Act 1992 section 31A places the Council under a statutory responsibility to set a balanced budget i.e. the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year must not exceed resources (including sums borrowed) available to it to meet that expenditure.
- 11.2 The report presented to Members by the Chief Finance Officer on 11 November 2020 was issued under section 114(3) of the Local Government Finance Act 1988 (LGFA) . Such a report must be issued where it appears to the Chief Finance Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources

(including sums borrowed) available to it to meet that expenditure. A copy must be served upon Members and the council's auditors.

- 11.3 Where a report has been made under S114(3), then during the prohibition period the authority shall not enter into any new agreement which may involve the incurring of expenditure (at any time) by the authority unless the chief finance officer of the authority authorises it to do so. For these purposes "the prohibition period" means the period—
- (a) beginning with the day on which copies of the report are sent, and
  - (b) ending with the first business day to fall after the day (if any) on which the authority's consideration of the report under is concluded.
- 11.4 During the prohibition period, the Chief Finance Officer can authorise expenditure only to improve the situation, prevent the situation from getting worse or prevent it from recurring. Contracts entered into in breach of these provisions are void.
- 11.5 The report proposes numerous ways of changing/reducing/removing services and each of these proposals will need to be assessed to ascertain whether or not there is a requirement to consult prior to consideration of such changes. The law has recognised that there are four main circumstances where a duty to consult may arise. First, where there is a statutory duty to consult. Second, where there has been a promise to consult. Third, where there has been an established practice of consultation. Fourth, where, in exceptional cases, a failure to consult would lead to conspicuous unfairness.
- 11.6 The key features of a lawful consultation process, commonly referred to as the "Gunning" requirements are set out in R v Brent LBC ex parte Gunning (1985) 84 LGR 168 QBD. These principles require that consultation should:
- a) be undertaken at a time when the relevant proposal is still at a formative stage;
  - b) give sufficient reasons for particular proposals to permit of intelligent consideration and an intelligent response;
  - c) give consultees adequate time for consideration and response; and
  - d) the product of consultation must be conscientiously taken into account when finalising any proposals.
- 11.7 In addition, in making decisions pertaining to changes in spending and budgets which could impact on service delivery, the decision makers need to consider the Council's obligations under the Equality Act 2010, in particular, the requirement to have due regard to the three aims of the Public Sector Equality Duty (the Equality Duty) in designing policies and planning / delivering services. In reality, this is particularly important when taking decisions on service changes. The three aims of the Equality Duty are to;-
- a) Eliminate unlawful discrimination, harassment and victimisation;
  - b) Advance equality of opportunity; and
  - c) Foster good community relations between people who share any of the defined Protected Characteristics and those who do not.
- 11.8 Whilst the Council must have due regard to the Equality Duty when taking

decisions, there is a recognition that local authorities have a legal duty to set a balanced budget. However, where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. This means that the adverse impact must be explained as part of the formal decision making process and attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance the detrimental impact against the strength of legitimate public need to pursue the service change to deliver savings. Finances cannot be the sole consideration.

- 11.9 Members are specifically referred to the case of *WX v. Northamptonshire County Council* [2018] EWHC 2178 (Admin) <https://www.casemine.com/judgement/uk/5b7a6bd92c94e0268d0dc356where> where decisions of both the Cabinet and Council to make budget cuts and changes to the delivery of library services following the service of a section 114(3) report were found to be unlawful and quashed for failure to take account of consultation responses. The court held that whilst Cabinet could not be criticised for being motivated by the financial situation this could not be their only concern when there were statutory duties to comply with. The key point of this decision therefore is the need to ensure that the rules surrounding consultation and decision-making are followed when reaching decisions about service provision even where there is a recognised urgent need to make a decision because of finances.

Approved by: Sandra Herbert Head of Litigation and Corporate Law on behalf of the interim Director of Law and Governance & Deputy Monitoring Officer

## **12. HUMAN RESOURCES IMPACT**

- 12.1 Any budget proposals that may have an impact on the workforce would be consulted on in line with agreed formal consultation arrangements with the recognised trade unions.

Approved by: Sue Moorman on behalf of the Director of Human Resources

## **13. EQUALITIES IMPACT**

- 13.1 The 2010 Equality Act, whilst not imposing a specific duty to consult, lays a requirement to have due regard to the equality impact when exercising its function. As a public body, the Council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time-consuming and reputation-damaging legal challenges.
- 13.2 An Equality Impact Assessment (EqIA) is the chosen procedure by the Council for checking the lawfulness of decisions in relation to the impact on people with certain characteristics protected by the Equality Act

- 13.3 Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.
- 13.4 Our approach is to ensure quality information about the equality impact of savings proposals are considered as part of the process and financial decision making and is therefore designed to demonstrate that the Council has proper regard to these aims, in accordance with its statutory equality duties.
- 13.5 The Council seeks to ensure that even in this time of economic challenges the substantial savings are identified and delivered in an informed, balanced and sustainable way. At the end of the process we seek to ensure that going forward our budget is better targeted and that money is spent where it will have the greatest effect.
- 13.6 As an organisation we are committed to protecting the most vulnerable in our communities and to ensure that in making difficult decisions about funding we maintain an absolute commitment to tackling inequality and disadvantage and promoting equality for everyone who lives and works in the borough.
- 13.7 The equalities impact assessment identifies those areas within the 2020/21 savings proposals which are relevant to equalities and seeks to describe their potential equalities impact when taken together. Our approach for assessing the equalities impact of savings proposals is an ongoing process. At this stage the analysis is indicative and as individual proposals are further developed and implemented they will be subject to further assessment.
- 13.8 The Council recognises that, in determining the savings proposals, account is taken of relevant knowledge and information within the relevant area or directorate, as well as from service users or potential users. It is possible that there will be people that will be impacted on more by more than one reduction or service change outside the managers influence. This is referred to as 'cumulative impact' and the council has sought to understand such an impact, particularly in relation to people with protected characteristics.
- 13.9 In undertaking the cumulative equality analysis we have focused on the following:
- 13.10 As the proposals have developed they have been screened for potential impacts on those with protected characteristics (race, sex, disability, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity, and age), as well as non-statutory equalities considerations: language, socioeconomic and health and social wellbeing.
- 13.11 We will not complete separate EAs on each proposal. We will undertake a screening of all savings proposals and identify those that are relevant to equality and thereby need to be assessed - for the most part these will be assessments that focus on the potential for the proposals to affect staff, residents and/or service users.

13.12 The impact of the proposals on staffing is addressed through Equality Analysis undertaken as part of the HR process except where a savings proposal involves the deletion of a service in its entirety and the impact on staff of redundancies is clear.

13.13 Initial analysis of the potential cumulative equalities impacts has been carried out, and is reported in Appendix C to the report with the potential impact of the budget proposals on the Council's equality objectives.

Approved by: Yvonne Okiyo, Equalities Manager

#### **14. ENVIRONMENTAL IMPACT**

14.1 It is proposed to consult on closing one Household Waste, Reuse and Recycling Centre. Consideration will be given to the necessary improvements to another facility to increase its capacity.

#### **15. CRIME AND DISORDER REDUCTION IMPACT**

15.1 As a result of the financial challenges the Council faces, there are a range of proposals in this report for consultation that could impact the local authority's ability to act on crime and disorder in the borough.

15.2 The Council will continue to work through its Community Safety Partnership (the Safer Croydon Partnership Board) to mitigate the impact of proposals in this report. In the next financial year the local authority will update and replace its current community safety strategy to make best use of the assets and resources in the borough to reduce crime and disorder and the impacts on our residents.

#### **16. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

16.1 Following the issue of a S.114 notice on 11 November 2020, this report presents further in-year savings of £0.5m to reduce the projected budget deficit for 2020/21 of £30.2m plus the £36m of further pressures arising from Brick by Brick non payment and clarification of accounts for 2019/20. The report also presents savings proposals for consultation to aid the development of the 2021/22 budget and later years in the medium term financial strategy.

#### **17. DATA PROTECTION IMPLICATIONS**

##### **17.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO.

The Director of Finance, Investment and Risk comments that this report presents high-level financial data only.



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**CONTACT OFFICER:** Katherine Kerswell, Interim Chief Executive

**APPENDICES TO THIS REPORT**

Appendix A – Schedule of additional in-year savings for 2020/21

Appendix B – Schedule of proposals for savings and growth in 2021/24

Appendix C – Equality Assessment

**BACKGROUND DOCUMENTS:** None

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Department	Description	Type	Timescale	Impact	Mitigation	2020/21 (£)
<b>Corporate /Cross-cutting</b>						
All	Agency Staff – Monthly spend is ~£2m. High proportion of spend is on social workers. Implement top-down approach to use of agency staff and bring forward proposal to give immediate notice where not exempted. Freeze all further agency recruitment until end of financial year.	Temporary reduction	Nov/Dec	Impact in all areas	Agree exceptions for some job types (e.g. social worker). Local triage through covering of roles by permanent staff or stopping activity	£0.5m
All	Introduce general voluntary redundancy opportunity based on existing VR scheme. Allow “bumping” of redundancies. Promote reduced hours and flexible retirement schemes. Capitalise redundancy costs.	Permanent reduction	TBC	Impact most areas	Manage locally by reallocating work or stopping activity	TBC
Adults, Place, Resources	Transformation Spend – review of all allocated transformation fund related activity and terminate activity where possible. Some activity already stopped.	Permanent reduction	TBC	Activity will be stopped		TBC
All	Stop all overtime.	Cost avoidance - assume overtime not in forecast	Immediate	Activity will be stopped	Redistribute / reorganise workload	TBC
All	Freeze on non-essential spend - additional controls on procurement and ordering of services. Procurement pipeline to be controlled. Additional layer of controls on PO authorisation. Withdraw purchase cards.	Temporary reduction - assume already in forecast	Immediate	Contract activity will be stopped or reduced		TBC
All	Continue recruitment freeze - this is already in place but strengthen process to reduce exceptions and compliance	Temporary reduction - assume already in forecast	Immediate		Cover vacancies by redistributing / reorganising workload	TBC
All	Subjective analysis of spending – follow up to spending freeze work - identify budgets where spending is to be completely frozen and issue further instructions to budget managers, with weekly compliance monitoring by spending panel and intervention where required	Work in progress - assume already in forecast	Immediate	Cost avoidance		TBC
All	Blanket review of PO's over 6 months old	Work in progress	Immediate	Will assist with spending control by preventing spending against orders issued in previous financial years		TBC
All	Review of 2019/20 accruals	Work in progress	Immediate	To identify accruals where spend is no longer required. Will potentially result in reduction in forecast		TBC
All	Review of balance sheet credits – e.g. credit balances on council tax, business rates, debtors	Work in progress, initial indications are sums are not substantial	Immediate	Unclaimed credit balances over a certain age can be taken as a one off saving.		TBC
<b>Place - Temporary Measures</b>						
Place	Temporarily reduce highways maintenance to minimum safe level until end of financial year / spending restrictions lifted.	Temporary reduction	Immediate	Increased risk of claim Moving into the winter period and ability to react to weather conditions Contract issues	Maintain minimum safe level	£500k (capital)

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**SCHEDULE OF PROPOSALS FOR SAVINGS & INVESTMENT IN 2021/22****1 Place Department**

1.1 The following table details the savings and investment for the Place Department.

<b>Place - savings</b>	£'000
Closure of Libraries Buildings – in year 2	9
Combining posts across Museum and Libraries	(73)
<b>Culture and Leisure total</b>	<b>(64)</b>
Economic Development Team Streamlined Service	(208)
Move to Streamlined Regeneration Team	(153)
De commission Croydon Works	(66)
Reduce/remove services	(941)
<b>Growth, Employment and Regeneration total</b>	<b>(1,368)</b>
Merge parks and green spaces	(369)
<b>Parks total</b>	<b>(369)</b>
Cease Specialist Nursery Transport	(113)
ANPR camera enforcement	(5,025)
Parking Charges Increases	(3,014)
Public Realm - Phase two	(270)
Providers' Savings Proposals	(13)
Revised Landlord Licensing Scheme	(800)
Night Time Noise Reduction Service	(85)
Re-introduce bulky waste charges	(250)
Reviewing provision of Household Reuse and Recycling Centres (HRRCs)	(20)
<b>Public Realm total</b>	<b>(9,590)</b>
Reduce the Antisocial Behaviour Team	(160)
Reduce Functions and Team in the VRN	(204)
<b>Violence Reduction Network total</b>	<b>(364)</b>
<b>Place – Savings total</b>	<b>(11,755)</b>
<b>Investment</b>	
Highways Maintenance Growth	400
Violence Reduction Management - Sufficient Revenue Costs	82
Investment Property Income reduction	5,400
Building Control	200
<b>Place - Growth</b>	<b>6,082</b>
<b>Place Total</b>	<b>(5,673)</b>

***Culture and Leisure:***

- 1.2 Culture and Leisure covers the borough's Museum and Archives, Libraries and Leisure Contract. Croydon has 13 library buildings, Croydon has to reduce its service levels in the light of current resources and will present proposals on library closures and changes in service provision. Significant changes to library services are subject to statutory consultation. Croydon Museum is currently closed to the public and will remain closed for the next two year period with a reduced service through the 2021/24 period, to include statutory provision of Archives and care of our collection whilst keeping the main focus on planning for the London Borough of Culture in 2023 which will be a reformed programme which responds to, and within, the current context.
- 1.3 The council's 15-year leisure contract with GLL is across five leisure centres and three sports facilities. Currently in year 3, the immediate closure of all leisure facilities in response to Covid-19 meant that GLL subsequently experienced cash flow issues, resulting from the immediate and complete loss of income, as well as unavoidable operating costs. In May 2020 the council agreed a supplier relief loan for £279k, accounting for the closure period of March-June 2020. Upon government guidance to reopen facilities, a phased reactivation process was implemented; however, increased safety measures have resulted in significant reductions in footfall and membership. GLL have requested a further revenue loan to support their ongoing position, a decision which will impact the stability of the contract in the longer term and is key in our medium-term financial strategy.

***Growth, Economy and Regeneration:***

- 1.4 A coordinated approach to growth, economic development and regeneration will be retained through an integrated, streamlined team. Whilst there will be a reduced service and some programmes that are not part of the renewal programme will be stopped, this proposal will enable a number of core functions to continue and to ensure that the significant growth that will be delivered through the Growth Zone and across the borough, will be rooted in the principles of 'good growth'.
- 1.5 The team will focus on the core areas of business enablement and employment and skills, with an immediate focus on supporting businesses through the Covid-19 pandemic, safeguarding our high streets and driving the economic recovery of the borough as we navigate through the challenges of the recession. The team will continue to focus on supporting the growth of the borough and ensuring that the benefits of this growth are harnessed for local residents and businesses.

**Home and Social Investment:**

- 1.6 A review on all council assets will take place and is likely to make a significant contribution to revenue savings over the next three year period, as well as generating a capital receipt. The review has commenced and it covers an initial 35 council owned assets that will be subject to closure, rationalisation, sale, demolition or redevelopment. During 2021/24, the team will also focus on delivering an Asset Management Plan that will inform longer term spending requirements across the portfolio and ensure that budgets are developed in an accurate and timely manner.

**Parks:**

- 1.7 It is proposed to merge all current resources for development and maintenance of the borough's parks into one team and make a further saving. Most of this will be achieved by radical changes in maintenance regimes, including adopting a meadowing approach to grass cutting and stopping bedding schemes. Other services relating to parks and outdoor sporting facilities will also be affected, including locking up and unlocking and there will be a reduction in support for and maintenance of facilities such as bowling greens. Specific clubs and user groups will be engaged with in terms of further detail in the new year, but the council's intention is to reduce spend in these areas.

**Planning and Strategic Transport**

- 1.8 It is a statutory requirement for a local planning authority to have an up to date Local Plan. Croydon is currently 60% through its review of its current 2018 Local Plan and is scheduled to publish its proposed submission Local Plan in January 2021, prior to its submission to the Secretary of State and ahead of a Planning Inspectorate Examination of the Plan in late 2021. Should the Local Plan Review be endorsed by the Secretary of State, it is anticipated it will be adopted in mid-2022. The review addresses the increase in housing targets from the new London Plan and provides three transformational chapters setting out new policy for the areas of East Croydon station, Purley Way and the town centre. Having an up to date Local Plan is imperative for Croydon's sustainable growth and being able to manage and facilitate development, but once adopted the Spatial Planning Service could be reduced for a period of time. skeleton service would remain to provide minimum statutory plan making function, policy and place making expertise for the determination of planning applications and pre application advice, research and monitoring function, conservation and heritage function, Section 106 and Community Infrastructure Levy function and support fee income
- 1.9 The Grenfell tragedy has been the catalyst for major change within this industry and the introduction within the next 18 months of the most major revisions to the Building Regulations and Building Control in 30 years, under the new Building Safety Bill. This will include new statutory duties to local authorities for

enforcement and compliance of high risk residential buildings including existing buildings, under the direction of the newly formed Building Safety Regulator, a new arm of the Health and Safety Executive (H&SE). In Croydon this will create considerable new work, albeit with full fee recovery and possible start-up funding from MHCLG. Investment in this service will be required.

***Public Realm proposals:***

1.10 Safer streets

The Road Traffic Regulation Act 1984 makes provision for the council managing parking facilities on and off the highway, having regard to the desirability of securing and maintaining reasonable access to amenities, the National Air Quality Strategy and other relevant traffic management objectives.

The RTRA1984 is not a fiscal measure and does not authorise the council to use its powers to charge for parking solely to raise revenue. Any surplus from parking charges is ring-fenced to the Traffic Management Account (TMA), from where it can be allocated to highway or transport related expenditures as defined under the Act.

***Other Public Realm proposals***

- 1.11 Croydon has three Household Reuse and Recycling Centres (HRRCs) where residents can take their waste. These are: Factory Lane, Purley Oaks & Fishers Farm. The Statutory requirement under the Environmental Protection Act (EPA) is for Waste Disposal Authorities to have one HRRC, meaning that Croydon is operating with two more sites than is legally required. Therefore there is an opportunity to explore closing either one or two of HRRCs which may reduce the operational costs of running these sites. It is assumed that one site would be closed and a small amount of investment will be made in the remaining sites to ensure they are fit for purpose.
- 1.12 As part of the councils staffing review in 2020 the Public realm directorate brought together a number of services through a rationalisation at head of service level, the primary aim of this was to bring together service areas that have a significant synergy. This approach has provided further opportunities below head of service. This also includes a proposal to reduce the councils Noise service and stop the night time noise service , but the council will continue to respond to statutory noise complaints and take reasonably practicable steps to investigate where the complainant is a borough resident.
- 1.13 It is proposed that we withdraw specialist nursery transport (for children with Special Needs). However, due to DfE guidance on not changing provision within year, this cannot be implemented until the earliest September 2021, for the academic year (Sept 2021-July 2022). The planning and conversations with those families who are planning their nursery places beginning in September 2021 is about to start happening now, with those nursery placements (which



may be accepted on the premise of receiving transport) being agreed by March 2021.

**Violence Reduction Network:**

- 1.14 The Violence Reduction Network was created in 2019 to adopt a public health approach to tackling the underlying causes of violence in Croydon. Very few of the functions in the VRN are statutory, but many of the non-statutory functions keep people safe or directly avoid costs elsewhere. Croydon benefits from significant external funding streams for these services and the specific capacity to support bidding and monitoring in particular remains key. Additionally, demands in this service area are high and the impact of COVID has been to increase this.
- 1.15 Elsewhere further streamlining is proposed: reducing provision to a stricter statutory definition in the response to anti-social behavior, for example, and a review of all non-statutory enforcement services across the council.
- 1.16 As has been amply proved over the last six months in particular, the council cannot reduce its resilience function; indeed, it is proposed to strengthen and broaden it. To date funding has had to be found on a year by year basis with no base budget for it. A revenue growth bid is included in relation to this service in order to re-set a realistic and permanent baseline position. This does not represent growth in real terms, but rather realignment and proper budget re-basing.

**2 Children, Families and Education**

- 2.1 The following table details the proposed savings and investment for the Children, Families and Education department

	2021/22 (£,000's)
<b>Children, Families and Education</b>	
Restructure children's EDT service	(60)
Options to reconfigure Early Help	(424)
Reconfigure across the adolescent, youth and YOS services	(1,450)
Review CWD care packages	(384)
Reduce the numbers of children in care	(794)
Appeal Rights Exhausted	(288)
Increase social work case loads	(1,065)
Reduce support for systemic model of practice	(272)
<b>Early Help and Children's Social Care</b>	<b>(4,737)</b>
Reconfigure children's centres	(535)
Additional Education Savings	(876)
Early Learning Collaboration (Decommissioning)	(82)
Family Group Conference Service	(203)

Croydon Music & Arts (CMA) - Waiver of match funding	(34)
Education	(1,730)
<b>Children, Families &amp; Education - Savings</b>	<b>(6,467)</b>
Children Looked After	9,196
Leaving Care	2,031
Loss of Grant Income	1,297
Asylum Seekers Budget Correction	2,357
Children with Disabilities and Transition	8,662
Early Help and Children's Social Care	<b>23,543</b>
SEND Strategy	1,327
Education	<b>1,327</b>
<b>Children, Families &amp; Education - investment</b>	<b>24,870</b>
<b>Children, Families &amp; Education - Net</b>	<b>18,403</b>

### ***Early Help and Children's Social Care***

- 2.2 Following an inadequate judgement from Ofsted in 2017, a comprehensive improvement programme underpinned by £28.9 million transformation funding and the appointment of skilled and experienced leaders led to the Ofsted grading of 'good' in March 2020 and the lifting of the improvement notice issued by the Secretary of State for Education. The transformation programme is aimed to shift demand for services across early help and children's social care, reducing the high numbers of children on statutory plans, subject to repeat interventions and coming into Croydon's care.
- 2.3 With the scale of the council's financial challenge there is a need to re-assess services and reduce spend, maintaining statutory responsibilities and minimising the risk of adverse consequences for children and families. As a result, the following savings are being proposed.

### ***Unaccompanied asylum seeking children***

- 2.4 The location of Lunar House in the borough makes Croydon a national point of entry for asylum seekers, including unaccompanied children. The National Transfer Scheme protocol (NTS) was created by the Home Office to enable the safe transfer of unaccompanied children from the entry authority to another local authority, to ensure a more even distribution of unaccompanied children across local authorities. The NTS protocol is intended to ensure that unaccompanied children can access the services and support they need, and forms the basis of a voluntary agreement between local authorities in England to ensure a more even distribution of unaccompanied children. It is intended to ensure that any participating local authority does not face a disproportionate

responsibility in accommodating and looking after unaccompanied children under its duties under the Children Act 1989 simply by virtue of being the point of arrival for unaccompanied children.

2.5 The national voluntary agreement limits the number of unaccompanied children that local authorities take care of to 0.07% of the child population. Based on the current 0-17 population in Croydon this would be around 66 children. The number of children cared for by the council has far exceeded the voluntary agreement for a number of years. In September 2020 there were 249 unaccompanied children in Croydon's care, almost four times the voluntary agreement. Moreover, as children reach 18 and leave care they are entitled to care leavers' services. The effect of the high numbers over a number of years means that formerly unaccompanied children make up almost 60% of Croydon's current care leavers.

2.6 The financial strain on Croydon is significant and unsustainable. A fresh approach that continues to fulfil statutory responsibilities as corporate parents whilst securing a fairer deal for Croydon is required. A number of actions are underway to achieve this:

- Complete a forensic review of grant income from the Home Office against the total expenditure for unaccompanied asylum seeking children and care leavers over the past 3 years, including the co-ordination of pan-London arrangements on behalf of all London boroughs. This is being carried out with external support and challenge from the council's retained financial consultants and will include the impact on the wider children's services budget
- Negotiate with the Home Office and Department for Education to secure the same support that is already being provided to other port of entry authorities such as Kent and Portsmouth:
  - Full cost recovery for services provided by Croydon such as age assessments, the social care duty service at Lunar House and the substantial legal fees
  - Increased funding for children cared for over and above the voluntary national rate
- Work with London local authorities to safely transfer responsibility for children in Croydon's care to reduce the disproportionate financial burden
- Introduce a needs-based approach to withdrawing services to young people whose appeal rights are exhausted alongside earlier, robust triple planning as part of their pathway plan at 16+. This will assist and support a planned, safe voluntary return when all legal routes to remain have been exhausted and avoid forced detention and removal when young people have no recourse to public funds, limited access to the NHS and education and cannot work legally in the United Kingdom.

2.7 The outcomes of these actions and negotiations will inform decisions on

whether Croydon can continue to accept newly arrived children into its care. This is commensurate with the approach taken by Kent and Portsmouth in recent months. The outcomes will also inform options to identify the capacity threshold for the numbers of unaccompanied children that can be safely cared for within the grant funding available. Cabinet will be kept updated on progress against the above actions.

***Reconfigure services for adolescents***

- 2.8 There are duplications within the adolescents' service, resulting in additional costs which are not sustainable. Further challenges can arise when considering whether children should transfer to the social work with families or looked after children services, and where there are sibling groups statutory oversight has proved a challenge. The proposal is to realign the adolescents' service to establish one team providing expertise across the practice system to enhance the offer to young people from statutory case holders. The proposals will ensure that specialisms built up are sustained and continue whilst delivering in a smarter, more streamlined manner.

***Reduce support for the systemic model of practice***

- 2.9 Fully embedding the system practice model will ensure that practice continues to make sustained change with families. The service enables clinical therapists to offer bespoke interventions to address emotional well-being and mental health needs. The service will review what has been most impactful and prioritise the essential minimum offer that will continue to support high quality day to day practice. To ensure that the improvements to Children's Services are not lost from October 2020 the Children's Improvement Board has been reinstated. The board will provide additional assurance to oversee and challenge the implementation of the budget reductions to ensure the improvement journey is not undermined.

***Remove support for young people whose appeal rights are exhausted***

- 2.10 Appeal Rights Exhausted (ARE) describes a person whose request for asylum or immigration application has been refused, and who has made all of the appeals allowed, without any success. A needs-based approach to withdrawing services to young people who are ARE is proposed, alongside earlier, robust triple planning with unaccompanied minors as part of the pathway plan completed for all children looked after aged 16+. This will assist and support a planned, safe voluntary return, when all legal routes to remain have been exhausted and avoid forced detention and removal when the young person has no recourse to public funds, limited access to the NHS and education and cannot work legally in the United Kingdom.

**Reconfigure Early Help**

- 2.11 Reduce the early help and youth engagement offer to a targeted service that continues to provide step down from children's social care and contribute with our partners towards early intervention where this will prevent, delay or reduce the need for statutory services, and where not to do so would lead to a direct increase in cost. Close working with partners to identify opportunities to enhance service delivery through ongoing multi-agency working and use of partners' settings and buildings on a locality basis.

**Review care packages for children and young people with disabilities**

- 2.12 Children and young people with disabilities receive packages of care to enable them to remain safely at home with their families and then move on to safe, supported living arrangements where this is in their best interests as young adults. Packages will be regularly reviewed to ensure these continue to meet needs and support transition to independent living.

**Reduce the numbers of children in care**

- 2.13 Children's services are committed to keeping children with families wherever it is safe to do so, reducing the number of children in care. The number of local children in care has steadily reduced since April 2018, supported by a number of key actions including:
- A weekly care panel to review all requests for care, agreeing packages of support to keep children at home;
  - A fortnightly Children Looked After review panel to systematically review children who could be reunited with families, and to review the highest cost placements to ensure these continue to meet children's needs;
  - The systemic practice model, enabling social workers to build on families' strengths to safely care for their children;
  - The edge of care service working with adolescents and their families to resolve familiar conflict and reduce either the need for care or duration of emergency placements.
- 2.14 Benchmarking Croydon with similar local authorities indicates that a further reduction is achievable. The savings following these reductions are proposed over 2021/23 to ensure that the decisions about the care of individual children are robust, in the child's best interest, effectively supported and confidently hold risk.

**Increase social work caseloads**

- 2.15 The 2017 Ofsted inspection identified a legacy of poor practice leading to poor outcomes for children and families. Additional staff were recruited to reduce social workers' caseloads, taking these to below both London and national averages. Focused work to improve the quality of day-to-day practice has been effective. Caseloads will now be gradually increased over 2021/23 from 16 to

an average of 17. Heads of service will manage and monitor the increase closely to balance continuity of care for children and their families and manageable workloads for individual staff with the need to address the financial challenge for the service.

***Review managers' spans of control***

- 2.16 Review staffing structures to ensure these meet the council's design principles for managers' span of control. Implement this change over 2022/24 to ensure the increase in social work caseloads is carefully supported and managed at the front line.

2.17 ***Cease providing a Family Group Conference service***

The proposal is to end the Family Group Conference service and develop the capacity for staff in the targeted early help service to undertake systemic family meetings, supervised and supported by a clinical therapists. Developing the offer to families through early help staff will remove the reliance on external sessional workers and build more agile internal capacity to meet families' needs

***Education***

***Early Learning Collaboration***

- 2.18 It is proposed to de-commission the Early Learning Collaboration, bringing functions in-house and deploying internal staff to deliver the statutory functions. Funding from the 5% top slice of the Dedicated Schools Grant will replace the General Fund.

***Music and Arts Service***

- 2.19 An agreement has been reached with the Arts Council in relation to the match funding requirement in 2020/21. The service will become fully funded by grants and traded services in the future.

***Reconfigure children's centres***

- 2.20 It is proposed to reconfigure children's centres to a hub & spoke model based on a locality footprint. The delivery model will be worked up alongside the current children's centres leadership to inform a commissioning exercise.

***Additional Education Savings***

- 2.21 The following savings are being proposed across Education services:
- Reduction/cessation of non-statutory education functions from 2021/22,
  - Moving of functions and related costs to be covered by traded and grant income
  - Reduction in business support across children's social care and education, achieved through a de-centralisation of business support management and deletion of vacancies.

### ***Growth across the Children, Families and Education Department***

#### ***Placements for children looked after, children with disabilities and care leavers***

2.22 The department currently spends more than the budget each year on all placement costs and the Independent external challenge through the Partners in Practice programme and the council's retained finance consultant has taken place to enable valid judgements to be made to ensure the right size budgets enable us meet the needs of Croydon's children in care, children with disabilities and care leavers.

#### ***Special educational needs transformation***

2.23 Investment to improve the experience of children and young people with special educational needs and disabilities (SEND) and their families. Realign the service to meet the needs of pupils at a much earlier stage and educate more SEND pupils in the borough and in mainstream schools, delivering the Council's 0 – 25 SEND strategy and the Department for Education Dedicated Schools Grant Recovery Plan.

### **3 *Health, Wellbeing and Adults***

3.1 The following table details the savings and investment for the Health Wellbeing and Adults Department.

	2021/22 (£,000's)
<b><u>Health, Wellbeing and Adults</u></b>	
Reduction in Welfare Rights	(230)
Baseline Savings - Disabilities Operational Budget	(3,015)
Stretch Savings - Disabilities Operational Budget	(1,367)
Review of Contracts - OBC Commissioning, Working Age Adults	(600)
Baseline Savings - Mental Health Operational Budget	(459)
Stretch Savings - Mental Health Operational Budget	(225)
Reduction in Placements & Accommodation - budget (PLAN A)	(200)
Croydon Discretionary Support - reduction in service (PLAN A)	(292)
Contact centre and Access Croydon: Reduction in line management	(95)
Restructure	(72)
Savings on care provision - ASC Older People Baseline (5%, 7.5%, 10%) - Net of income adjustments	(1,908)
Savings on care provision - ASC (Older People - Stretch (2.5% extra Yr 1 & 2) - Net of Income Adjustments	(691)
Income from Care UK Beds released to self-funders	(254)

Welfare rights in-house service deletion - stretch (300)

**Health, Wellbeing & Adults - savings (9,708)**

Growth to fund current Activity/Run Rate 23,048

Growth to fund Cost Inflation in Care UK Contract 254

Growth to fund projected Demographic and Cost Pressures 5,221

Convert Unfunded Income Officers to Permanent GF Funding 311

Growth to fund demographic and inflation in future years - ASC (Community Equipment Service) 57

**Health, Wellbeing & Adults - investment 28,891**

**Health, Wellbeing & Adults - Net 19,183**

### ADULT SOCIAL CARE

- 3.2 The Adult Social Care budget has been overspending for a number of years with the underlying causes of overspends in adult social care being rising demand and complexity of need. These are now are being addressed through effective action to manage both demand and the resulting cost pressures.
- 3.3 The council is working with social work practice and finance leads from the Local Government Association (LGA) and have accepted their view that Croydon's spending on younger and older adults is significantly higher than that of comparable boroughs.
- 3.4 A 'cost of care' tool has therefore been developed to build a zero based adult social care budget and set a baseline for current activity and cost from which then to reduce to bring in line with the average level of spending in London or England as appropriate. Work to resolve overspends in other demand led areas in housing such as emergency and temporary accommodation is ongoing.
- 3.5 The table above sets out the budget growth and savings requirements for next year for Health Wellbeing and Adults and the plans to reduce expenditure from this starting point.
- 3.6 The stretch targets are 10% over three years' package and placement spend reductions. Further areas being developed will support increasing the savings proposals further.
- 3.7 On the advice of the LGA finance lead, the council is setting a revised budget to reflect current activity. The revised 2020/21 budget limits current spending where it is safe to do so.
- 3.8 The 2021/22 budget is based on current activity (the 2020/21 outturn) with 3% added for demand growth and 4% added for inflation\* (based on an assumed



National Living Wage increase next year of 5% as part of the Government's objective to increase the rate to £10.50 by 2024); a 5% saving is then applied to the revised budget achieved.

- 3.9 LGA advice is that 5% savings for 2021/22 will be challenging but are achievable if implementation starts as soon as possible with appropriate resources and focus. Given high spending on adult social care, higher savings should be achievable in later years – potentially 10% a year.
- 3.10 The intention is that by the end of 2023/24, spending and activity for younger adults should be aligned to the average for London and spending and activity for older adults should aspire to be at or below the national average.
- 3.11 National comparison data is not yet available, so the growth figures above have been applied to the national 2018/19 spend figures to provide a comparison figure.

#### **Year one Medium term financial strategy (MTFS) proposed savings**

- 3.12 The total impact of the proposals below is expected to provide a minimum of £9.7m savings in year one (2021/22). Further options appraisals and decisions will continue to be made to add to these proposals.
- 3.13 For year one of the MTFS period of 2021/22 the adult social care package and placement spend will be reduced by between 5 & 10%, to be achieved through:

#### ***Savings proposals ready to be taken forward***

- a. The 'placements programme' will contribute significantly to the placement and package spend reduction by improving systems, processes and payments; better use of accommodation, and better use of placements.
- b. By using good information and advice for self-help, direct payments as a first offer to residents and 'digital by default' plans will all contribute. The adult social care front door is diverting 85% of enquiries from transferring into statutory care. Further work to embed the gateway model and strengths based practice to continue to increase diversion and improve information and advice to ensure self-help is maximised.

#### ***Savings proposals can be taken forward after external engagement***

- a. Contractual arrangements with providers in the adult social care market are being reviewed. 65% of contracts are due to end in the next two years and opportunities will be taken to design out cost at the design stage, apply further efficiencies during procurement and ensure value for money during the contract period once let with good contract management, operational and strategic provider relations.
- b. The integration of health and social care and locality focused working in multi-disciplinary teams will provide good outcomes for residents joining up

care and resources, contributing to financial sustainability in the medium to long term. Accurate funding and affordable service models for hospital discharge pathways are included. The community equipment joint pool with health will be re-evaluated in relation to health and social care spend and re-negotiate the funding levels.

- c. Croydon remains an outlier for those assessed as eligible for continuing health care (CHC) health funding for people with health conditions compared to its South West London neighbors. New CHC processes and joint funding agreements are being negotiated and put in place to ensure appropriate levels of funding for people across health and care.
- d. The adult social care charging policy will be re-reviewed, although it has already contributed to an additional £3.2m is being achieved from the review implemented this year as outlined above.

### ***Savings proposals needing more work before they can be progressed***

- a. Spending on younger adults transitioning into adulthood.
- b. A transition to the voluntary sector of adult social care activity will bring a return on investment in the medium term.
- c. Where subsidy remains, such as for service user of the meals service, this will be reviewed and consulted on as appropriate.
- d. A three year care commissioning plan and sourcing of appropriate accommodation plan is being defined to contribute to the 5-10% reduction in package and placement spend.
- e. The in-house provision service providing extra care accommodation for older adults, active lives day services for people with autism, learning disabilities and physical disabilities, day provision for people with dementia, careline responders service and shared lives accommodation which provides an efficient way of accommodating and caring for people with disabilities to meet assessed eligible care needs. An options appraisal will be conducted to:
  - ensure we maximise the use of these services as an alternative to commissioned care packages as the first priority
  - decommission external contracts and bring people with needs into this provision, or decommission parts of the in-house service;
  - deliver a combination of these.
  - The Careline response service income targets will also be maximised as well as looking at the funding levels for this service.

## **GATEWAY SERVICES**

### ***Savings proposal needing more work before they can be progressed.***

- 3.14 An options appraisal will be completed for a Gateway service re-design and structure to identify the opportunities, risks and benefits of integrating services

across the Health, Wellbeing and Adults department. The further integration of the gateway model into the operations of social care and housing is central to this.

- 3.15 The welfare rights service that supports people to maximise their income. An options appraisal is being developed to determine the impact of moving the service to the front door and reducing it and working with the voluntary sector to ensure advice is delivered well to residents.
- 3.16 The No Recourse to Public Funds Service. A target is being worked through to reduce this budget through more efficient use of accommodation.
- 3.17 Contact Centre and Access Croydon. Access Croydon remains closed to the public as a 'walk-in' service and operates on an emergency only and appointment basis as it has done since March 2020. And as such less management cover is now required in the Contact Centre.
- 3.18 For 2021/22 in Gateway Services - subject to consultation it is proposed to delete 2 vacant posts within Gateway Services where the current post holders are holding interim roles. It is recommended that the deletions of these roles will align to the timeline of any organisational restructure.

## **HOUSING**

### ***Savings proposal needing more information before they can be progressed.***

- 3.19 Savings are being modelled through the ongoing review of Croydon's Temporary Accommodation/Discharge of duty schemes – reviewing and revising current contract terms and negotiating new Terms and conditions as well as planning exit strategies (where appropriate). Developing 'Croydon's Offer' to private sector landlords/agents, making our schemes work better for Croydon and reducing costs and improving income recovery and working with housing partners to develop schemes and improve take up are underway.

### ***Savings proposal is ready to be taken forward***

- 3.20 There will be an independent strategic review of the Housing Revenue Account.

## **4 Resources**

- 4.1 The following table details the savings and investment for the Resources Department.

Appendix B  
2021/22  
(£,000's)

**Resources Department**

VCS Small Grants	(100)
Rent Subsidy	(246)
Policy Team Reduction	(110)
Communities Team Reduction	(123)
VCS Community Fund Reduction	(400)
<u>Strategy and Partnerships</u>	(979)

Stop Your Croydon publication	(50)
Reduce Communications to statutory minimum	(109)
Remove campaigns budget and stop campaigns	(50)
<u>Communications and Engagement</u>	(209)

Digital -Reduce to statutory minimum with invest to save model for funding projects	(150)
CDS Reduction in IT contract costs due to LBC smaller workforce	(50)
Extensions or procurements of core IT contracts	(340)
Rent out LBC capacity to Brent	(72)
<u>Croydon Digital Services</u>	(612)

Reduce staffing in Mayor's Office	(98)
Deliver governance review in cost neutral way	(250)
Staffing reductions	(100)
Scale back members special responsibility allowances	(103)
Delete Head of Service and replace G15 post	(15)
<u>Law and Governance</u>	(566)

Deletion of Learning & Development manager post	(80)
Consolidation of Training Spend	(200)
<u>Human Resources</u>	(280)

Health Wellbeing and Adults contract reductions	(242)
Community Equipment Service Income Generation	(75)
Business intelligence	(65)
Review of staffing portfolio across Commissioning & Procurement services	(260)
<u>Commissioning and Procurement</u>	(642)

Automation Of Revenue Processes	(50)
ICT savings - contract renewal efficiencies	(153)
<u>Finance, Investment and Risk</u>	(203)

**Resources - Savings** (3,491)

Agency rebate internal model	3,610
<u>Commissioning and Procurement</u>	3,610

Realign services charges to other funding sources	3,451
<u>Croydon Digital Services</u>	3,451

	Appendix B
Enhance capacity and resilience in the finance team <u>Finance, Investment and Risk</u>	1,000
Corporate Programme Management Office <u>Strategy and Partnerships</u>	480
<b>Resources - investment</b>	<b>8,541</b>
<b>Resources - Net</b>	<b>5,050</b>

### ***Commissioning and Procurement proposals***

4.2 The commissioning and procurement division will contribute to the council's delivery of its Medium Term Financial Strategy in a numbers of ways, directly and indirectly. As a main priority the division will work with the service departments to review the current commissioning pipeline to prioritise and de-prioritise the programme. The pipeline priority criteria will be based on maximising value and proposing to reduce spend through:

- Negotiating in-year for cost reduction, stabilising the market and providing assurance to providers
- Designing out cost at the design stage of the commissioning cycle
- Procuring for best value and reduced costs, maximising the benefits from the market
- Ensuring once the contracts are let that the services meet the KPI's and that efficiency and value for money are rigorously tested and continuously improved
- Ensuring improved governance and reduced thresholds for contract and spend controls

4.3 The Commissioning and Procurement division proposes to provide direct savings in 2021/22, contributing with the following savings proposals:

A review of Health, Wellbeing and Adults contracts.

A review of the Business Intelligence service for the Council.

Increased income in Community Equipment Service through growth of the service and excellent quality to the client contracts held providing additional income.

A review of the division's staffing portfolio, including a review of grading and spans of staffing reporting.

### ***Policy & Partnership***

- 4.4 The service will continue to support the political and officer leadership teams to deliver against the Council's priorities, however, this will be with smaller teams and therefore the level of support will reduce.

Staff levels will reduce in the policy team, communities' team and the Leader and Cabinet Office. This will only be possible by reducing the support that is provided by these teams.

Budget growth is proposed for the Corporate Programme Office. This funding was established on a temporary basis in 2020 to provide capacity and capability to manage, monitor and report on corporate programmes and projects. If this is to continue revenue growth is required.

#### **Voluntary & Community sector spend**

The majority of spend within the division is through the Community Fund, under which the Council has provided grants and commissioned services within the voluntary and community sector.

The Community Fund includes financial contributions from external funding sources including the Better Care Fund, Public Health, HRA and CIL . Any change in these funding streams would require a reduction in spend.

In addition, it is proposed to remove the small grants fund and Councillor Ward budgets programme.

### ***Croydon Digital Service (CDS) and Communications***

- 4.5 Digital capacity and skills will be essential to support the organisational change required. Likewise communications will be critical, both internally and externally, as the Council moves to a sustainable balanced budget. However, there are opportunities for savings in these services:

- CDS staffing reduction: There are potential savings if CDS staffing reduced to a minimum level required to operate, but not improve, core digital and technology systems and products. Discussions are ongoing in light of high demand for enhanced digital offer in support of savings across all council services.
- The service continues to identify income opportunities, and the proposals include increased income from renting hardware capacity to another local authority, with a contract already in place generating income.
- Contract procurement will deliver significant savings next year, based on core IT contracts that are due to expire in May 2022 covering data centre and cloud hosting, end user technical support, IT infrastructure, hosting and networks, mobile phones, print and telephony.

- Communications and Engagement staffing reduction, the communications team will not fill vacancies, remaining at its current reduced size, reshaping at an appropriate time within this reduced budget to ensure it meets the needs of the council.
- Campaign budgets will be reduced and the Council will cease the publication and distribution of Your Croydon. The Council will rely instead on communications via community networks and digital channels, as well as the ongoing use of our e-newsletter and website.

### ***Finance, Investment and Risk***

- 4.6 Investing in a strong finance, investment and risk division is key to driving the improvements that have been identified through the Report in the Public Interest and ensuring that the Council moves to a sustainable and balanced budget.

Investment is planned to increase the capacity and resilience with the Finance Team. This will be critical for both managing and monitoring our expenditure against budget and ensuring that savings are delivered on time. Additional capacity will be created to support services with improved financial monitoring and verification,

Digital changes in the Revenues and Benefits team within the division will result in savings,, with contractual changes with key suppliers, recommissioning of existing contracts and consolidating the systems used to result in efficiencies and savings.

Further automation of Revenues processes will also mean that staffing levels will be able to be reduced in future years, 2022/23 and beyond. We plan to automate resident contact, special arrangements, improve eforms and enhanced citizens' access - the replacement for my account.

### ***Human Resources***

- 4.7 Continuing to administer and deliver HR policy, undertake recruitment, pay staff, administer pensions and train the organisation are e key functions of this division.

The division is also supporting the organisation to reorganise and undertake the culture change required. This is why the savings are profiled to take most effect towards the later end of the MTFs period.

The first year savings will include centralising training spend across departments to deliver efficiencies and opportunities to develop further shared learning and practice and build more resilience into team and make savings on management.

The future focus for efficiency will include, a review of the HR divisional management team, a review and redesign of the workflow activity between recruitment, HR and payroll and an informed reorganisation of resources. Learning and development service model will also be reviewed and reorganised.

### ***Law and Governance***

4.8 The Law and Governance division will continue to provide clear legal and professional advice and guidance to enable the organisation to deliver its statutory duties during a time of significant change and challenge. Savings are proposed within the division as follows:

- Earlier this year the governance review published its final report with a number of recommendations which the council accepted and intend to implement. These were costed and budget growth previously approved to support the changes. In light of the financial context, it is proposed to deliver the recommendations in a cost neutral way. This will require a rationalisation of existing meetings and support.
- Savings are proposed in the Mayor's Office, with staff reductions. As a result, there will also be a reduction in the civic programme.
- The division will remove the role of Head of Legal Business and Compliance and replace it with a revised role at a lower grade.
- The Administration is undertaking a review of Members Allowances, including Special Responsibility Allowances. This is expected to deliver savings for the 2021/22 budget.



# 2021/22 Budget Savings Proposals for Consultation - Equality Analysis

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The Council's budget is under significant pressure and is no longer fully balanced or deliverable. The impact of Covid19 has led to a reduced level of income, increased costs, and the inability to deliver some of the savings that were approved in the 2021/22 budget.

Croydon is proud to be home to 386,710 people, all of whom have needs and aspirations, and at every stage of the budget development process and delivery we will consider how the decisions we make will affect them. We have taken great care in putting this cumulative impact assessment together, and as we get new information and our proposals develop we will refine this further.

We are facing huge financial challenges and some of the decisions we are looking to make will be difficult. All have been considered with the interests of our residents at heart, and the work that we have done to strengthen communities and understand the needs of our residents will help us to support them in the years to come.

## 1. Our approach to equality impact assessing our 2021/2022 budget savings proposals

### Scope of this assessment

This assessment identifies those areas within the 2021/22 savings proposals for consultation which are relevant to equalities and seeks to describe their potential equalities impact when taken together. Our approach for assessing the equalities impact of savings proposals is an ongoing process. At this stage the analysis is indicative and as individual proposals are further developed and implemented they will be subject to further assessment.

### Our legal duties

In April 2011 the Equality Act (2010) introduced a new 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.

Section 149 Equality Act 2010 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.

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 – this includes decisions relating to how they act as employers; how they develop, evaluate and review policy; how they design, deliver and evaluate services, and how they commission and procure from others.

In the context of major reductions being required we have therefore endeavoured to ensure that:

- The process followed to assess the equality impact of financial proposals is robust; and
- The impact financial proposals could have on equality groups is thoroughly considered before any decisions are taken.

By law an assessment must:

- Contain sufficient information to enable a public authority to show it has paid “due regard” to the equalities duties in its decision-making; and
- Identify methods for mitigating or avoiding any adverse impact

Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.

Our approach is to ensure quality information about the equality impact of savings proposals are considered as part of the process and financial decision making and is therefore designed to demonstrate that the Council has proper regard to these aims, in accordance with its statutory equality duties. It seeks to ensure that even in this time of economic challenges the substantial savings are identified and delivered in an informed, balanced and sustainable way. At the end of the process we seek to ensure that going forward our budget is better targeted and that money is spent where it will have the greatest effect.

As an organisation we are committed to protecting the most vulnerable in our communities and to ensure that in making difficult decisions about funding we maintain an absolute commitment to tackling inequality and disadvantage and promoting equality for everyone who lives and works in the borough.

## **Context**

Croydon Council faces a financial crisis of unprecedented severity. It has been experiencing rising financial and service demand pressures for a number of years. The coronavirus pandemic has exposed serious underlying weaknesses in the Council’s financial resilience and governance. In accordance with the Local Government Act 1988, the Council is required to “manage its budget within the approved estimates”. This means that it cannot spend more than it has available to fund those costs, and if it appears that expenditure in the year is going to exceed available resources then action needs to be taken immediately to ensure spend is reduced and the budget is balanced and therefore remains lawful.

The council is currently forecasting an overspend at the end of the 2020/21 financial year in excess of £30m despite the approval of in-year savings on 28 September. While additional savings in current and future years are proposed, further risks are likely to arise which could result in an overspend in the region of £66m. This is several times in excess of the Council’s unrestricted reserves, which now stand at £7m (subject to external audit). The council does not currently have a deliverable plan to balance its budget this year as required by law. In view of

this, the Director of Finance, Investment and Risk (Croydon Council's Section 151 Officer) issued of a S.114 notice by on 11 November 2020.

The new administration has provided a framework of priorities for 2021-24 and ways of working to inform the task of reshaping the council and refocusing its work which is required in order to put it on a stable financial footing and ensure that the most vulnerable residents are protected from the impacts of the covid pandemic. The three priorities are:

- To live within our means, balance the books and provide value for money
- To focus on tackling ingrained inequality and poverty in the borough
- To focus on providing the best quality core service we can afford, in particular social care for the most vulnerable people and keeping streets clean and safe. This means we will stop delivering some services.

### **Our Approach**

In undertaking the cumulative equality analysis we have focused on the following:

- As the proposals have developed they have been screened for potential impacts on those with protected characteristics (race, sex, disability, religion or belief, sexual orientation, gender reassignment, pregnancy and maternity, and age), as well as non-statutory equalities considerations: language, socioeconomic and health and social wellbeing.
- We will not complete separate EAs on each proposal. We will undertake a screening of all savings proposals and identify those that are relevant to equality and thereby need to be assessed - for the most part these will be assessments that focus on the potential for the proposals to affect staff, residents and/or service users.
- The impact of the proposals on staffing is addressed through Equality Analysis undertaken as part of the HR process except where a savings proposal involves the deletion of a service in its entirety and the impact on staff of redundancies is clear.
- Initial analysis of the potential cumulative equalities impacts has been carried out, and is reported here along with the potential impact of the budget proposals on the Council's equality objectives.
- This cumulative EA report will be considered by Cabinet alongside the budget

### **Consultation**

The specific duties require listed bodies to meet the engagement provisions as part of assessing the impact on people with protected characteristics. This will help listed bodies to better understand the impact of their proposals on the different characteristics.

Consultation must be carried out with relevant public bodies, voluntary, community, trade union and other interest groups, such as staff, with an interest in the matter. It needs to be proportionate and relevant.

For our services to meet the needs of local residents, and of the community at large, it is essential that our plans and policies take into account the views of local people and others who use our services.

We will ensure we consult citizens, including equality on the budget proposals as they are developed in more detail. This will help us to take account of the potential impact of the proposals on these groups, and to mitigate these impacts where possible

### **Our approach to consultation**

We will use a broad range of consultation methods to ensure as far as possible that people have sufficient information to comment, as well as the time and necessary support they require to have their say. All feedback gathered will be collated and carefully considered as part of the decision making process.

### **Staff implications**

A significant number of savings as presented in the savings proposals for consultation will include the restructure of teams and service areas. To ensure that in delivering the savings required by the reduction in the Council's budget, we maintain our focus on promoting equality of opportunity and eliminating discrimination for our workforce, we have taken steps to monitor the impact of staffing changes and retain a focus on promoting equality of opportunity and eliminating discrimination for our workforce.

At this stage the equalities impact on staff is unknown. Each of the proposals which impact on staff will undergo an EIA to identify which staff will be affected and to put forward mitigating actions as part of the HR process except where a savings proposal involves the deletion of a service in its entirety and the impact on staff of redundancies is clear.

We will undertake meaningful consultation with both employees and the trade unions. The contribution of the trade unions will be important in the council achieving its key aims and objectives particularly in these challenging times. Officers and members will continue to consult widely with them in all aspect of service design and delivery.

Staff supported by the proposals in this budget will be supported as appropriate throughout the process and the number of compulsory redundancies will be minimised wherever possible

Proposal	Type of change	Who is affected	Potential Equalities Impact	EA Status	Savings
<b>Place Dept.</b>					
<b>Libraries</b>					
Close libraries	Service change (stop service)	<p>Service users – parents</p> <p>Impact on specific groups/communities – age (all ages) , disability, gender, race</p>	<p>Potential breach of statutory duty to provide a comprehensive and efficient library service.</p> <p>Need to carry out an assessment of local needs to determine accessibility needs including physical,</p> <p>Public consultation required with current service users.</p> <p><i>Race</i> – free internet access allows user to access information in different languages. Libraries also provide books in other languages</p> <p><i>Disability</i> – Travelling further to the nearest library can limit the frequency of visits by disabled users. There may be additional transport costs associated with having to access services further away</p> <ul style="list-style-type: none"> <li>- Loss of access to computerised technology and provision of specialist equipment</li> </ul> <p><i>Age (older people)</i></p> <ul style="list-style-type: none"> <li>- Loss of ability to connect with others on the web which keeps their mind busy and prevents them from developing dementia</li> </ul> <p><i>Age (younger people)</i></p> <ul style="list-style-type: none"> <li>- Loss of activities - story time, holiday activities, homework</li> <li>- Loss of opportunities to socialise, learn socialising skills,</li> <li>- Fewer opportunities to form a connection between pre-school and</li> </ul>	Consultation and EA pending	

			<p>school could have a negative impact on literacy and attainment levels</p> <ul style="list-style-type: none"> <li>- Children from underprivileged and low income families could be more affected more seriously by the reduction in opportunities to have access</li> <li>- Reduction in number of libraries in buildings, school-age children could lose 'safe' havens during after school hours before parents return from work</li> <li>- Fewer opportunities for younger and older generations to mix could lead to more social rifts and a lack of understanding between generations</li> </ul> <p><i>Gender</i> – more female than male use the library service. People who are 65 years old and over and who live alone are more likely to be women</p> <p><i>All Groups:</i> Loss of opportunity to contact with others/socialise –could lead to social isolation and loneliness</p> <p>Loss of opportunity to have access to computers and the internet which may restrict access to information, services, participation in activities e.g. story time, holiday activities, research and connect with others on the web</p> <p>Withdrawal of services could impact on social inclusion and access to specific support services e.g. books on prescription resources for people with mild to moderate emotional or psychological issues</p> <p>Loss of opportunity to offer promotional material, including signposting to</p>		
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			appropriate educational opportunities and providers of advice e.g. Further education		
Combining posts across Museum and Libraries	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
<b>Growth, Employment and Regeneration</b>					
Economic Development Team Streamlined Service	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Move to Streamlined Regeneration Team	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Reduce/remove services	Service transformation on staffing	Reduce our capacity to deliver services that around community safety	This could have a negative impact in relation to socio-economic inequalities: - employment - jobs for local people (inc construction jobs) - housing - new homes - environment/public realm - public squares & spaces	Consultation and EA pending	
<b>Parks</b>					
Merge parks and green spaces	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
<b>Public Realm</b>					
Cease Specialist Nursery Transport	Service change (stop service)	Young people (age), disability, socio-economic	It would be problematic for a small number of families who this service supports.	Consultation and EA pending	
Reduce the Antisocial Behaviour Team	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Reduce Functions and Team in the VRN	Service change (reduction provision) Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope  Reduce our capacity to deliver services that around community safety/keeping residents safe	Consultation and EA pending	

Children Families and Education					
Restructure children's EDT service	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Options to reconfigure Early Help	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Reconfigure across the adolescent, youth and YOS services	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Review CWD care packages	Service change (reduction provision)	Age – young people	Reduction in support provided to children with disabilities and their families	Consultation and EA pending	
Reduce the numbers of children in care	Service change (reduction provision)	Age – young people	<p>Covid 19 has seen a significant rise in domestic violence, this will also impact on young people affected by this in particular as well as other children at immediate risk of harm and those in need of help and protection</p> <p>Could impact on care and support for children and young people where there is evidence that they have suffered significant harm or are at immediate risk of significant harm</p>	Consultation and EA pending	
Reconfigure children's centres	Service transformation on staffing and reduction in provision	<p>Age – young people</p> <p>Socio-economic Families</p> <p>Staff working in children's centres</p> <p>Health Practitioners such as Health Visitors and Midwives</p> <p>Provision provided by VCS and Faith sectors</p> <p>Schools due to impact on school readiness</p>	<p>Inability to offer support to the children and families who need it most</p> <p>Reduce mechanism to improve outcomes for young children and their families and reduce inequalities between families in greatest need and their peers in child development and school readiness, parenting aspiration and parenting skills, child and family health chances</p> <p>Reputational risk to Council</p> <p>Consultation required</p>	Consultation and EA pending	
Health, Wellbeing and Adults					



Reduction in Welfare Rights	Service change (reduction provision)	Vulnerable residents	Service is integral to our strategy of supporting vulnerable adults and low income/benefit dependent families in Croydon particularly as the financial landscape of the borough continues to be impacted by Covid-19. Service is pivotal to our strategic and operational response to impacts of Covid and recovery of our residents to financial and housing stability and resilience. This service has seen an increase in demand of 300%	Consultation and EA pending	
Review of Contracts - OBC Commissioning, Working Age Adults	Procurement/Contract	Age- Older People	Could put vulnerable adults at risk and push more residents into statutory services costing more further downstream	Consultation and EA pending	
Contact centre and Access Croydon: Reduction in line management	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
<b>Resources Dept</b>					
VCS Small Grants	Service change (reduction provision)	Vulnerable residents  Communities including those who share protected characteristics	Reduce our ability to support VCS organisations and grass roots projects.  Negative impact on our VCS relationships and partnership.  Reduction in grass roots VCS activity	Consultation and EA pending	
Policy Team Reduction	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Communities Team Reduction	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	
Community Fund Reduction	Service change (reduction provision)	Vulnerable residents  Communities including those who share protected characteristics	Reduce our ability to support VCS organisations and grass roots projects.  Negative impact on our VCS relationships and partnership.  Reduction in grass roots VCS activity	Consultation and EA pending	
Reduce staffing in Mayor's Office	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	

Staffing reductions	Service transformation on staffing	Could affect staff across all 9 protected characteristics	Proposal could have negative impact on different groups pending the equality data of staff in scope	Consultation and EA pending	

# Agenda Item 6

<b>REPORT TO:</b>	<b>CABINET 25<sup>th</sup> November 2020</b> <b>COUNCIL 30<sup>th</sup> November 2020</b>
<b>SUBJECT:</b>	<b>Strategic Review of Companies and other investment arrangements</b> <b>Brick by Brick Croydon Ltd (“BBB”) Shareholder decision – Directors and articles of association</b>
<b>LEAD OFFICER:</b>	<b>Katherine Kerswell – Interim Chief Executive</b>
<b>CABINET MEMBER:</b>	<b>Leader of the Council</b> <b>Councillor Hamida Ali</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT/ AMBITIOUS FOR CROYDON</b> The strategic review arises from the report in September on the wider review of the Council’s general fund budget and the development of the Croydon renewal plan.	

## **FINANCIAL IMPACT**

In order to ascertain the financial impact of the Council’s previous investment and lending decisions in particular those relating to BBB, further detailed work will be required. The impact of the non payment to date of any interest and dividends is reflected in revised spending plans.

In relation to Director changes and changes to BBB’s articles of association, this does not have a direct financial impact on the Council.

## **FORWARD PLAN KEY DECISION REFERENCE NO.: 3320CAB**

The decision is due to be taken under Special Urgency (notice published on 20 November 2020).

This decision cannot reasonably be deferred because the results of the Strategic review need to be reported as a matter of urgency to limit the Council’s cost exposure. When commissioned at the September Cabinet, it was always the intention to report to the November Cabinet, but no separate listing was made in the forward plan. If the report is not considered at this meeting, the Council will not be able to take appropriate action in regard to its associated companies and other entities where necessary.

The agreement of the Chair of the Scrutiny & Overview Committee has been obtained.

## **1. CABINET RECOMMENDATIONS**

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

The Cabinet is recommended to:

- 1.1 Note the recommendations set out in the report by PwC, and refer the report to the December meeting of the Scrutiny and Overview Committee for their

challenge and assessment. A report from that meeting to be presented at the January Cabinet meeting alongside an action plan.

- 1.2 Authorise the initial further work required on the options identified by PWC regarding the Council's interest in BBB in order to best inform further consideration of those options at the January Cabinet meeting.
- 1.3 Agree that funding of BBB shall continue in line with current loan arrangements and conditions, provided that all funding for construction, and completed unit purchases shall be reviewed on a site by site basis.
- 1.4 Agree that all site transfers to BBB, be halted until the Council has completed the options appraisal.

The Cabinet, on behalf of the Council, exercising its functions as sole shareholder of BBB is recommended to:

- 1.5 Approve the special resolutions contained in Appendix [2] to amend the articles of association of BBB to
  - i. allow quorate meetings to take place with any two Directors present, removing the requirement for an Executive Director to be present and
  - ii. provide for the provision of all unanimous or majority decisions taken by the Directors and minutes of all Directors meetings to the Council as sole shareholder.
- 1.6 Approve the ordinary resolutions contained in Appendix [2] to appoint two Non-Executive Directors to the Board of BBB (both with a finance background), also noting and agreeing that BBB shall indemnify those new Directors in accordance with the company's articles of association and by utilising the company's own insurance policy.
- 1.7 Approve the ordinary resolutions contained in Appendix [2] to remove the two current Directors of BBB, in their capacity as Directors (also noting Executive Directors are employees of the company).
- 1.8 Approve the ordinary resolution contained in Appendix [2] to provide for the right of the Council as sole shareholder to inspect any of the Company's accounting or other records or documents at any time.

## **2. COUNCIL RECOMMENDATIONS**

- 2.1 The Council is asked to note the recommendations set out above, which are to be considered by Cabinet on 25<sup>th</sup> November 2020 and that Council shall receive a verbal update in respect of the outcome, in accordance with recommendation xii of the "Croydon Renewal Plan and amendments to the 2020/21 General Fund Budget" report to Council of 21<sup>st</sup> September 2020.

## **2. EXECUTIVE SUMMARY**

- 2.1 This purpose of this report is to receive and note the reported outcomes of the strategic reviews requested by Cabinet and Council in September 2020. The review has highlighted that the governance arrangements with the Council's subsidiaries are not adequate and that existing protocols need to be enforced and enhanced. In addition governance of the Council's loan portfolio has also been inadequate.
- 2.2 The initial financial conclusions of these past decisions have been included in forecasts for the current year. However, further detailed work will be required with regard to BBB to enable the Council to determine the optimum future relationship with BBB.
- 2.3 Additionally, the purpose of this report is to seek approval from Cabinet, exercising their functions as the sole shareholder of BBB on behalf of the Council, to resolve by ordinary and special resolutions of the company the changes to the Board of Directors and amendments to the articles of association of the company as detailed in the recommendations set out in Appendix[2].

## **3. THE REVIEW**

### **Background**

- 3.1 The Cabinet at its meeting on 21<sup>st</sup> September 2020, instructed that a strategic review be undertaken of the Council's group of companies and other entities and to report back to the November Cabinet. To ensure that the review was independent the Council asked Mr Chris Buss former Director of Finance and Deputy Chief executive of Wandsworth council to act as client for the review and reporting direct to the Interim Chief Executive.
- 3.2 Following a procurement exercise PwC were appointed to undertake the review which covered the following five areas:
- BBB – Council's wholly owned company
  - Croydon Affordable Housing - LLP group structure
  - Growth Zone
  - Revolving investment fund (RIF)
  - Asset investment fund (AIF)

The review concentrated on BBB due to the high value of loans with the company and the higher public profile of that investment.

- 3.3 PwC undertook the review over four weeks interviewing a range of council staff, staff from BBB and a number of other parties. Daily report backs were made to the Council and the project was completed in time for this report to be made to the November committee as requested. The report from PwC is attached and the key findings are summarised in paragraphs 3.4 - 3.9.

## **Key Findings**

- 3.4 The review commenced by examining BBB and reached the following findings. The financial governance arrangements within BBB are lacking, there is an absence of company wide cash flow and forecasting arrangements and inadequate reporting at board level of financial issues. BBB's performance has consistently been below that forecasted in its business plan. As a matter of urgency a Finance Director should be appointed. The Council's oversight of BBB has been lax, allowing inadvertently for loans to expire without formal agreement to extend them. BBB's ambitious strategy of development, endorsed by the Council when it agreed the business plans, has placed the Council at risk in relation to these loans.
- 3.5 The absence of adequate financial systems and processes in BBB means that the Council cannot have assurance as to the accuracy or veracity of the financial information produced by BBB. The outcome is that additional work will be required to enable the Council to determine what is the best strategy for the Council in its future relationship with BBB including which of the options detailed in the report is recommended for future action. It is for the Council as the sole shareholder to determine the future arrangements for BBB including future funding of the company. The work to enable this decision to be made has commenced and will report back as soon as it is completed.
- 3.6 The review has indicated that budgeted income figures within the Council in respect of interest receivable in the current year and potential dividends are at risk. The likelihood of receiving them cannot be confirmed due to forecasts and financial systems within BBB not being suitably robust to enable the Council to place reliance on them.
- 3.7 With respect to the Croydon Affordable Housing, the review identified a range of governance and possible accounting issues as well as issues over tenants having the ability to pay. However, the report does not recommend discontinuing the current arrangements with external investors and suggests exercising caution about further delivery of affordable housing through this route until a further review is undertaken .
- 3.8 The review of the Growth Zone arrangements has noted that the Council's financial circumstances mean that investment though the Growth zone will be limited but that at present the Growth Zone should remain in existence.
- 3.9 The RIF, which was set up as a Council investment portfolio with Cabinet approval in September 2014, and AIF, set up as part of the Council's investment strategy in 2018, both need improved governance around them and clearer reporting to the Council both in terms of costs and reporting. The asset investment fund is under performing compared to the original business plan and there is currently a loss of asset value, this will need to be considered in any decision to dispose of any of the assets.

## **Next steps**

- 3.10 The review makes a number of recommendations for acceptance and implementation by the Council. These are detailed in Appendix 1 and relate

both to the Council's own arrangements but also those of its subsidiaries (BBB and the Croydon Affordable Housing LLP group companies). Many of the findings of the review echo the findings of the report in the public interest issued by Grant Thornton. As with that report, it is recommended that the Council accepts all the recommendations and instructs officers to draw up an action plan to ensure that these recommendations are implemented.

- 3.11 The issues arising with BBB have been raised with the management of BBB at a meeting attended by the Chief Executive and the Leader of the Council. They were also discussed at a Shareholder Investment Board meeting held on the 17<sup>th</sup> November.
- 3.12 Once the second phase of the review has been completed, the Council should be in a position to determine the future of BBB. This will take some time. There are over 20 schemes currently on site which have existing funding agreements in place, although some of these are past the repayment period. To stop BBB drawing down on those agreements could present cash flow issues with consequences that would further increase the risk to the Council. It will therefore be necessary to make payments to BBB in line with current loan arrangements ensuring that conditions for funding are met. The purchase of completed units previously agreed in July will also need to be reassessed on a site by site basis and reviewed in the light of the resources available to the Council.
- 3.13 The Council is also due to transfer a number of sites to BBB, including some with planning approval, in the light of the current review, it is proposed to suspend the transfer of all sites to BBB until the Council has completed the options appraisal.

### **Functions as sole shareholder**

- 3.14 The Council, as BBB's sole shareholder, is able to amend the company's articles of association and also has the ability to appoint and remove Directors.
- 3.15 There have been recent changes to the Board of Directors at BBB, meaning there are currently only two appointed Directors of BBB (which is the minimum number of Directors to enable quorate meetings to take place). Given the proposed removals, it is necessary to appoint two new Directors of BBB.
- 3.16 Given PwC's report and recommendations, it is proposed that the new Directors have a strong background in finance. The following individuals are recommended to be appointed as Directors because of the skills and experience they have, as detailed below:
- a. Duncan Whitfield is the Strategic Director of Finance and Governance at the London Borough of Southwark with over 20 years experience in the local government finance sector.
  - b. Ian O'Donnell is a finance consultant working on the financial review at the Council. A CIPFA accountant, he has been a consultant since June 2019 and has previously worked as the Executive Director of Resources and s151 officer at Ealing Council as well as the Director of Finance at Waltham Forest Council with a career spanning over 30 years in local government.

- 3.17 In relation to the associated indemnity, it is recommended that the Directors be indemnified under BBB's own insurance policy. This would not cover criminal acts, any other intentional wrongdoing, fraud, recklessness, any acts outside of their powers or the bringing of any action in defamation.
- 3.18 To strengthen oversight of the Company by the Council, as sole shareholder, two further resolutions are recommended. The first enables the Council to have sight of all minutes of Directors meetings and records of all decisions made by the Directors in future. The second ensures the ability of the Council to inspect all Company accounting or other records or documents at any time.

#### **4. CONSULTATION**

- 4.1 No formal consultation has been made on this report, other than factual accuracy checks with external third parties including BBB .

#### **5. PRE-DECISION SCRUTINY**

- 5.1 The Report in the Public Interest which was discussed at the emergency council meeting on the 19<sup>th</sup> November 2020 raised a series of concerns in regard to BBB and the Council's relationship with its external companies and entities. Recommendations 17 and 18 in the Action Plan for the Report in the Public Interest describe the strategic review report being presented to Scrutiny and Overview before being presented at Cabinet.
- 5.2 With the kind support of the Chair of Scrutiny and Overview, the report has in fact been presented to Cabinet first. This is due to the timing of the receipt of the report and the need to progress some interim urgent measures based on its findings. The strategic report and proposed action plan is referred to the December meeting of Scrutiny and Overview committee for a full review and challenge prior to it returning in January to Cabinet for final decision.

#### **6. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 6.1 It is important that the Council has a thorough understanding of all of its investments, particularly where they are deemed high risk or the financial exposure can change. This will enable the Council to mitigate and manage those risks and inform any future decisions.
- 6.2 The Council has budgeted £16.7m of interest and investment income from BBB within the 2020/21 Budget and therefore the financial position of BBB has a considerable impact on the Council's finances.
- 6.3 The estimated cost of this review to date is £125k These costs have been included in the quarter two financial monitoring.
- 6.4 In order to respond to the recommendations in the review , it will be necessary



to review the capacity and skills of officers and Members to ensure they are suitably qualified and trained to undertake their roles.

## 6.5 Options

The Council has a clear need to carry out this work, in order to inform its Medium Term Financial Strategy and the financial support required from MHCLG.

The Council did not have sufficient capacity or in-house expertise to carry out this review, so external support has been commissioned.

## 6.6 Risks

By accepting and responding to the recommendations of this review, the Council can address the ongoing risks:

- That the Medium Term Financial Strategy will not properly reflect the financial impact of its investments; and
- The Council may be exposed to financial losses over the medium to long term
- The Council needs to make significant improvements to its governance arrangements over external organisations and its investments.

Approved by: Lisa Taylor, S151 Officer and Director of Finance, Investment and Risk

## 7. LEGAL CONSIDERATIONS

7.1 The Interim Director for Law and Governance comments that as sole shareholder of BBB, the Council has the ability to act on this Report and its recommendations. The Council has authority under the general power contained in Section 1 of the Localism Act 2011 to continue to take steps in relation to the operation of the company (including its financial relationship with the company), having particular regard to the Council's fiduciary duties.

Approved by: Sean Murphy, Interim Director of Law and Governance and Deputy Monitoring Officer

## 8. HUMAN RESOURCES IMPACT

8.1 There are no direct implications for LBC employees. However, the implications of the issues raised and how they are addressed may have an effect on the medium term financial plan. Any subsequent savings plans that have a staffing impact will be subject to agreed HR procedures and formal consultation

Approved by: Sue Moorman, Director of Human Resources

## **9. EQUALITIES IMPACT**

- 9.1 There are no equalities impacts arising from this report. However the implications of the issues raised and how they are addressed may have an effect on the medium term financial plan. Any subsequent savings plans that have a staffing impact or impact on vulnerable and/or groups that share a protected characteristic will be subject to agreed HR procedures, formal consultation and equality analysis

Approved by: Yvonne Okiyo, Equalities Manager

## **10. ENVIRONMENTAL IMPACT**

- 10.1 There are no environmental impacts arising from this report

## **11. CRIME AND DISORDER REDUCTION IMPACT**

- 11.1 There are no Crime and disorder reduction impacts arising from this report

## **12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 12.1 The report by PwC details a wide range of governance failures on behalf of the Council, in its relationship with BBB in particular but also in respect of Croydon Affordable Housing. The recommendations made by PwC will improve the Council's oversight of all of the areas covered by the review. The additional work required on BBB will enable the Council to fully consider its options with regard to the future of BBB with a view to minimising the future financial risk to the Council and maximising the return on its financial outlay in support of the company.

## **13. OPTIONS CONSIDERED AND REJECTED**

- 13.1 The Council has the option of either accepting all or in part the recommendations included within the strategic review. Having examined the recommendations it is difficult to argue from a Council perspective that none of the recommendations should be implemented as they will improve the Council's governance of its directly owned companies and other investments.
- 13.2 In relation to the exercise of the Council's functions as sole shareholder of BBB, the option to do nothing has been considered but is not recommended. In particular, the appointment of Directors with the right expertise will assist with implementing the recommendations of the PwC report, and the carrying out of any further agreed options for its future.

**14. DATA PROTECTION IMPLICATIONS**

**14.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

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

NO

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**CONTACT OFFICER:**

Chris Buss, consultant

**APPENDICES TO THIS REPORT:**

Appendix 1 - PwC Report  
Appendix 2 – Proposed BBB Shareholder resolutions

**BACKGROUND PAPERS:**

PwC Report

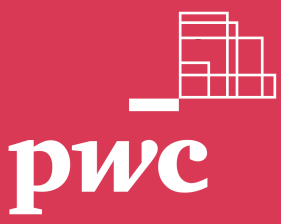
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# London Borough of Croydon

Independent strategic review of Brick by Brick Croydon Ltd, Growth Zone, Croydon Affordable Homes LLP, the Revolving Investment Fund and the Asset Investment Fund

Page 933

13 November 2020





# Guidance

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London Borough of Croydon Council  
Bernard Weatherill House  
8 Mint Walk  
Croydon  
CR0 1EA

We report on London Borough of Croydon Council (“LBC”) and its subsidiaries, Brick by Brick Ltd (“BBB”) and Croydon Affordable Homes LLP (“CAH”) (together, the “group”) in accordance with our engagement contract dated 5 October 2020.

This report has been prepared in connection with the purpose as stated in the engagement contract. This review was carried out for LBC only.

We draw your attention to important comments regarding the scope and process of our work, set out in the appendices.

Save as described in the agreement or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else or for any other purpose in connection with this report, and it may not be provided to anyone else.

Yours faithfully

PricewaterhouseCoopers LLP

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# PwC scope and limitations of our work

## Scope of our work

The London Borough of Croydon Council (“LBC” / “the Council”) has engaged PwC to carry out an independent review of its property development related subsidiaries/funding vehicles (“the entities”).

The scope of our engagement specified that c.75% of time should be spent on the review of Brick by Brick Croydon Limited (“BBB”) with the balance spent on the remaining entities. Accordingly, the depth of analysis on BBB is greater than that delivered on Croydon Affordable Homes LLP (“CAH”); Growth Zone (“GZ”); the Revolving Investment Fund (“RIF”); or the Asset Investment Fund (“AIF”). We have taken a prioritised approach to this review given the finite amount of time and resource available.

### Key parts of our review work:

- Rapid financial and operational review of BBB;
- Strategic options review of BBB;
- Review of governance arrangements between LBC and BBB plus desktop review of governance arrangements with the other subsidiaries/funding vehicles;
- Current performance, Value for money and Governance arrangements of CAH, GZ, RIF and AIF.

Due to Government mandated Covid-19 travel restrictions, all meetings were held by video conference or telephone call with correspondence via email.

### Approach to our review

We have taken a prioritised approach to this review given the short timeframe (four weeks). Whilst information was provided quickly by LBC, some financial information from BBB took over two weeks to be provided, limiting our ability to undertake analysis.

We have carried out initial and follow-up reviews of documentation provided by BBB and LBC to build understanding of the BBB financial position and performance including detailed Board, committee and other working papers for FY19/20 and FY20/21, plus any other available and relevant supporting documentation (including governance structures, loan agreements and detailed development site reporting where available).

We held initial and follow-up interviews with the Board and key staff members of BBB as well as key Council personnel, to form a view on performance, operations, governance and strategic options.

A similar approach was adopted for the other entities within scope albeit on a reduced scale due to the agreed focus of review work toward BBB.

## Limitations in relation to our work

Our work commenced on 5 October 2020 with a first draft reporting deadline of 3 November 2020.

It was recognised that this short time frame of four weeks would require prioritisation of work, and that this would result in a high level of review across a large number of complex issues.

The full details required by the Council in respect to certain matters will require further work up, using information that has not been available to us during the course of our review.

In particular, in respect to BBB, delays in receiving information and the quality of information received have impacted the depth of review analysis we have been able to perform, in particular in relation to the current financial position and forecast performance of BBB.

Additional time would be required to refine the analysis, particularly regarding the strategic options available to the Council. Therefore the options set out should be considered indicative. We would recommend further work before a final decision is made by LBC on the future of its investments.

We also bring attention to the following:

- There are several examples of information provided not reconciling with information held by the Council (e.g. loan amounts and drawdown amounts) and we have had to work through these on a line by line basis to understand the correct current position;
- Audited FY19/20 accounts for BBB were outstanding during our review and accordingly we have based our analysis on the draft 2019/20 accounts provided to us by BBB;
- We have not conducted scenario modelling to assess the likely impact of COVID-19 or Brexit on the future performance of the entities or the Council's requirements.

# Brick by Brick - operational review

Section two

# 2a

# At a glance

Page 109

**1** LBC created BBB in FY15/16 to increase the quantity and quality of affordable housing available and deliver a positive contribution.

Against a backdrop of a nationwide shortage of social housing and affordable homes, with particular acuity felt in London, London Borough of Croydon (“LBC”) established a commercial subsidiary, Brick by Brick Croydon Limited (“BBB”) in FY15/16 to support an increase in the pace and quality of affordable housing being brought to market in the borough.

Delays in development timelines together with market uncertainty created by COVID and Brexit have impaired BBB’s performance against plan and resulted in significant delays to LBC’s return on investment.

BBB’s draft accounts for the year ended 31 March 2020 (FY19/20) suggest a small profit before tax against LBC’s cumulative lending of £199.5m and £14.4m of interest due.

LBC has proactively sought to gain a better understanding of the current and future performance of BBB and strategic options by commissioning this independent review of BBB.

**3** We have completed our work through a combination of interviews and review of documentary evidence.

Our independent review has been conducted through the following:

- Initial and follow-up review of documentation provided by BBB and LBC to build understanding of the BBB financial position and performance including detailed Board, committee and other working papers for FY19/20 and FY20/21 plus any other available and relevant supporting documentation (including governance structures, loan agreements and detailed development site reporting where available);
- Initial and follow-up interviews with the Board and key staff members of BBB as well as key Council personnel to form a view on performance, operations, governance and strategic options.
- Council and BBB staff have been supportive of this process however there have been delays and limitations to the information available, that have impeded the ability to meet the scope in the timeframe available.

**2** The depth of our work has been limited by unavailability of robust financial information from BBB. The lack of management accounts and a 13 week rolling cash flow is concerning.

- We have been asked to perform a rapid review of BBB finances, operations and governance and identify strategic options for LBC.
- Our review and analysis has been limited by the absence of BBB financial documents, such as up to date management accounts, forecast financial performance for the Company and a 13 week rolling cash flow. The business keeps a detailed summary of incoming and outgoing funds, but this does not give the Board, shareholders or lenders an up to date overview of Company performance, profitability or cash requirements. This lack of financial oversight is concerning.
- Our review has been limited by the time in which to conduct the fieldwork, analyse and prepare outputs. It was agreed with LBC that a prioritised approach should be taken. Further detailed work is required in a number of areas.

**4** BBB has significantly underperformed against the FY19/20 business plan.

- Since its inception in 2015, BBB has been entirely dependent on funding from LBC and to date (September 2020) has total borrowings of £214m, comprising loans of £199.5m plus interest payable of £14.4m.
- In its FY19/20 business case, BBB ambitiously stated an ambition to deliver c.500 residential units per annum, targeting the completion of 14 sites already in development (307 units). Planned sales of £132.3m and a profit of £10.3m (7.8%) should have allowed the commencement of repayment of debt to LBC. No interest or loan capital was repaid to LBC in FY19/20.
- BBB attributes this to a number of factors including delays due to COVID, development issues and delays with actions sat with Council departments (such as Planning). We believe COVID was a relatively minor causal factor given the year ended on 31 March 2020. We note there is no reference to a FY19/20 impact in BBB’s March or April Board minutes.

# At a glance

Page 100

5

BBB's governance requires significant strengthening at Board level with a need for substantially improved financial oversight. LBC also needs to enhance oversight of BBB.

- BBB's governance structure and practices require significant improvement. In particular there is a need for greater financial stewardship and assurance to both the Board and its shareholder (LBC).
- The Board lacks a qualified Finance Director. In addition, the business' in-year financial reporting processes have significant gaps and must improve substantially.
- The appointment of a suitably qualified Director of Finance to strengthen the Board is essential. BBB should prepare monthly management accounts including both year to date overall performance versus plan and forecast outturn for the year, with narrative against any variance. This will provide increased Board oversight of BBB's financial performance and allow it to provide greater assurance to its shareholder and lender, LBC.
- LBC's shareholder oversight of BBB must improve. We recommend rapid appointment of suitable LBC representatives to the BBB Shareholder and Investment Board.

7

Land transfers have been conducted in a way which appears to be s123 compliant, but the method used has been inconsistent.

- The Council has sought to comply with obligations under s123 of the Local Government Act 1972 in relation to best consideration for any land which transfers to BBB. However, there are inconsistencies and differences in the approach that the Council and BBB have used in valuing the land, and where there are material valuation differences these should be better understood and resolved;
- There has been no previous formal documentation or agreement on the 'high' value of affordable housing units to be acquired from BBB which underpinned the valuation BBB has ascribed to the land acquired from the Council;
- The Council and BBB should ensure that all commercial arrangements between them are comprehensively documented going forward.

6

BBB's loan portfolio has not been properly managed by LBC or BBB, and several of the Company's loans are technically in default as a result.

- BBB and LBC put in place loan agreements which cover the lending against specific developments. We have had sight of 30 of these documents.
- In many of the documents we have reviewed, the loans have breached their final repayment dates, and as a result BBB is technically in default on those loans. This is despite the fact that BBB continues to request further drawdowns against the loans.
- We understand that the loans were treated as extended by virtue of discussion of BBB's business plans but have seen no documentary evidence of Board or Cabinet discussions in this respect. This has resulted in loans not defaulting, due to an informal renegotiation apparently endorsed by LBC's lack of action in this respect.
- The loan drawdown process has not operated as stipulated in the loan agreements. The appropriate controls have not been applied by LBC to the LBC lending to the Company.

8

BBB's ambitious strategy of developing large numbers of small, complex and more risky sites has led to significant delays. This strategy has put LBC's investment at risk.

The 2016 Cabinet proposal for the establishment of BBB included the following:

1. Maximise the use of the Council's assets to deliver new homes;
2. Enable an innovative commercial model which will benefit the Council financially and help meet savings targets;
3. Bring forward the development of key sites across the borough;
4. Secure improved community facilities.

As of October 2020, the delays in bringing new homes to the market has put the Council at serious financial risk and resulted in only a handful of new homes being available. As a consequence, savings have not been made. The severity of this situation has not been exposed until late in 2020, as the formal controls that should have been in place were absent.

# At a glance

## 9 Next steps

- As BBB's sole funder, LBC has a number of options in respect to how to address this situation and maximise potential value from BBB. We have set these out for LBC in section 2b.
- Irrespective of the options, LBC should:
  - Review the governance and management of BBB, tightening controls around loan funding in particular;
  - Improve capacity and capability of the teams that interact with BBB on a daily basis including in finance and planning;
  - Require BBB to improve its financial oversight by producing a 13 week rolling cash flow forecast and integrated forecast profit & loss and balance sheet statements; and
  - Require BBB to appoint a sufficiently qualified Director of Finance.

# Brick by Brick - Strategic options

Section two

# 2b

# At a glance: Options available to the Council regarding BBB

Page 107

1

We have set out what we consider to be the options available to the Council at this point in time.

- We have used the available information to assess the options in respect to BBB, taking into account:
  - The likely costs and potential revenue from BBB’s development activities;
  - Further funding required (noting that LBC’s financial position is extremely challenged);
  - The status of BBB’s developments, and known problem areas;
  - The potential impact on LBC’s loan funding to BBB, and interest accrued;
  - The impact of insolvency on BBB’s assets;
  - The likely challenges in implementing the options;
  - The likely time requirement to deliver the options.

3

The options that present the best financial outcomes for the Council are continuing to trade: Limited build out or build out tranche 1 and some of 2.

- We believe, based on the available information and our discussions to date, that continuing to trade the business while further examining build out or sales options but they do require continued investment in BBB before a cash return is generated.
- Please note that our ability to assess the future costs, future sales and impact on the assets values has been extremely limited. LBC should undertake further work in respect to the detail on these options.
- All of the options result in the Council writing off substantial loan funding and accrued interest.

2

Seven options are available to the Council under three categories: Close, Continue to trade or Sell

- We have assessed the options available to LBC having considered the available limited information, and have classified seven options under three categories:



4

There is a significant amount of detailed work still to do, to firm up the options, the financial impact of each and their viability

- At this time, we do not believe BBB’s information (i.e. lack of company level financial forecasts) is robust enough for the Council to make a strategic decision in respect of these options.
- As a result, the following actions should be immediately taken, to ensure that the Council is able to make a fully informed decision about the best option to select:
  - The appointment of a Director of Finance;
  - The rapid work up of robust BBB financial (P&L) forecasts; and
  - Further asset review work to test asset values.

# Growth Zone - review

Section four

3



# At a glance

Page 109

## 1 Growth Zone is LBC's funding vehicle for investment regeneration in Croydon and is set up to retain and invest business rate increases.

Growth Zone was set up to provide LBC with a vehicle to coordinate its regeneration funding. The original business plan included £309m of Council and £209m of partner funding (GLA, TfL and others) and was predicated on the building of a Westfield retail centre in Croydon.

- Since the submission of the final business model in 2018 the economic climate has changed substantially and the planned scope has been greatly reduced.
- An original £167.8m of approved spend was reduced to £78m by LBC in February 2020, with FY20/21 planned spend reduced from an initial £21m to £6.7m.
- Of an initial 100 projects, 35 are paused and 15 have been stopped.

## 3 The impact of COVID-19 on the Council and its partners presents a significant risk to fund planned investments and a future business rates receipts on which the model relies.

- There is a significant risk that the parties involved in GZ will have a reduced scope to invest in the near future given the competing demands and costs of the COVID-19 response to date and the potential reduction in forecast business rate increases on which GZ is reliant for future investment.
- Furthermore any increase in lockdown measures may adversely impacted existing project timescales and/or increase the costs of delivery.
- We recommend that LBC continues to communicate clearly with its GZ partners and seeks assurance from each on the forecast ability to fund existing projects to support its own investment decisions and before committing to fund any projects that have not yet commenced.
- A revised business case is recommended to adequately reflect changes in current and future population behaviours and requirements. This should come back to the LBC's cabinet in light of the severity of the cash issue in LBC.

## 2 Given the ongoing COVID-19 pandemic and economic uncertainty, reducing planned funding in FY20/21 to £6.7m was a sensible step as the original business plan is no longer fit for purpose and requires revision.

- Further to the case by case COVID-19 review undertaken by LBC that resulted in the pausing of 35 projects and the cessation of 15, we recommend a project by project review of the remaining 47 projects be made to assess the return on investment (financial and non-financial) be undertaken to ensure further investment still delivers value.
- This review should also consider if the £6.7m currently forecast in FY20/21 should continue. We understand LBC are in the process of reviewing this.
- Reappraisal may enable LBC to pause further investment. However, we would not recommend closing down the GZ programme as this provides LBC with a vehicle to focus any recovery investment required of it and (dependent on central government policy) does provide LBC with the ability to use Business rates that it may otherwise have to return to central government.

## 4 Governance structures appear reasonable but the frequency of meetings with partners may need to increase to provide more assurance to LBC in the current climate.

- The monthly suite of meetings including the GZ Steering committee and subgroups seems appropriate in terms of membership and frequency, but the frequency of meetings with key stakeholders may need to increase in particular with GLA given current uncertainty.
- Processes for risk assessment of ongoing projects gives a means of exception reporting but should be completed consistently in order to give a complete picture.

# At a glance

5

There are a number of key next steps LBC should consider in relation to Growth Zone

Given the current economic uncertainty, the steps the Council have taken to review and revise down the ambitious investment plan for Growth Zone are sensible.

There will be a continuing need for some investment in Croydon, particularly in light of the need to generate growth after the pandemic, and so switching off all planned investment would be unwise.

Any subsequent increase in planned investment should be supported by a business case and taken through robust governance and sign off processes for full scrutiny.

# Croydon Affordable Homes LLP - review

Section five

4

# At a glance

Page 148

**1** The LLPs were created as commercial entities to provide affordable housing and generate a positive contribution to the LBC general fund of £1.4m per annum.

- The LLPs are jointly owned by LBC (10%) and Croydon Affordable Housing LLP (90%) which is a registered charity.
- They currently lease 344 properties (248 in CAT and 96 in CAH) from the Council on 80 year leases with a 40 year Council break clause. These properties were purchased through sale and lease back to two funders.
- The LLPs' structure has enabled LBC to utilise right to buy receipts previously not permitted through the housing revenue account allowing investment in Croydon Borough rather than releasing these funds to central government.
- The transfer of assets to LBC's Pension Fund is outside of our review, however we note that the Council is planning to transfer the properties to LBC's pension fund at the 40 year lease break clause to reduce the annual LBC pension contributions.

**3** The life cycle costs of maintenance and repair do not appear to be reserved for in the LBC accounts. This must be addressed and may create an additional increasing annual liability.

- We understand that reserves for life cycle costs for the leased properties are currently not being made in the accounts of LBC. We understand that legal advice suggests the LLPs cannot make the provision in their own accounts.
- We note that the model used for CAH's development included average lifecycle costs of c.£1.4k per property per annum based on 8% of rental income. RICS life cycle costing guidance suggests that provision should be made of c.3% of the asset value per annum. The CAH approach is significantly lower than this but we note that 3% of asset value may be excessive for affordable housing and a tailored approach may be required.
- Immediate steps should be taken by LBC and CAH to assure the Board and Cabinet that suitable provisions for life cycle costs are being made. The amount not reserved may need to be backdated.
- This is particularly important given the planned transfer of the benefit of the properties to LBC's pension fund and reliance on the future rental revenues.

**2** The LLPs' latest financial statements were not available for review, but the FY19/20 forecast outturn was £317k (68% behind target) behind plan, due to bad debts and voids.

- Detailed financial information regarding the group's financial performance in 2019/20 was not available, nor was any record of FY20/21 financial performance in the year to date. We understand that 2019/20 accounts are currently with the external auditors but have not received these. This is a clear shortcoming in the LLP's financial monitoring and governance, given the value and significance of the assets held.
- The forecast outturn as at Q3 FY19/20 indicated the LLPs expected to deliver a combined surplus in 2019/20 of £148k against a budget of £465k. This shortfall in performance was attributed to higher than budgeted voids in CAH (12%) in year, reducing income by £108k and a growing bad debt provision in CAT (£127k over budget). Lettings management performance may also be a factor.
- We note that in Q4 a further 81 homes were transferred but these would not be reflected in the Q3 figures.

**4** The governance arrangements of the CAH LLPs require significant strengthening, as they have been run with insufficient financial oversight.

- Our desktop review of Board and other papers plus interviews with CAH personnel suggests that the quality of financial reporting internally and externally needs to improve. Board papers suggest the last detailed financial update was in February 2020 (in the previous financial year) but only gave a forecast outturn and there is no evidence of the Board receiving a final 2019/20 position or update on FY20/21 trading performance.
- LBC's holding company was dissolved as Companies House filing deadlines were not met. We understand this position is being addressed by LBC, but indicates a need to significantly improve corporate governance and administration.
- We recommend LBC puts in place robust governance around the LLPs given the value of the assets held, with dedicated team resource aligned to the funding that the LLPs provide.

# At a glance

5

CAH and CAT have partially met their purpose of increasing affordable housing available to Croydon residents, however we understand there is an ongoing mismatch of tenants to appropriate properties, resulting in the increase in rent arrears.

- We note that whilst the LLPs have increased the affordable housing available to Croydon residents, they are not forecast to deliver the surplus in line with business plans.
- If the 2019/20 Q3 forecast outturn was accurate, small cost increases or reductions in rental income would result in a failure to breakeven. This would trigger a waterfall payments model that may result in the Council not receiving its full management fee. The Council's overall position would be exacerbated by the need to increase lifecycle reserves.
- Properties are not generating rents in line with plan and costs of chasing rent arrears and increasing bad debt provision are driving financial underperformance.
- Better matching of tenants to appropriate properties is required if the LLP model is to deliver returns in line with the business plan.

6

The operational and business model for the CAH group of LLPs requires detailed review before further investment is made by LBC, and dedicated oversight of the LLPs should be established.

- Before LBC invests any further funds in properties via the CAH LLPs, it should undertake a detailed review of the businesses to ensure:
  - The full future cost of the properties is understood and accounted for appropriately, including lifecycle reserves.
  - There is a clearly understood cash impact for LBC in terms of forecast flow of funds from the LLPs.
  - There is a clear strategy on the use of homes in terms of tenant type and affordability.
  - The quality of financial reporting LBC receives from the LLPs improves, so that LBC has a detailed monthly phased financial plan at the start of each year with monthly progress reports against this at an income and expenditure level, with variance analysis and narrative plus a revised forecast outturn for the year.

# Revolving investment fund - review

Section six

5

# At a glance

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**1** The RIF was set up in 2014 to increase the amount of funding available to drive growth. Loans totalling £269.7m have been provided through the RIF, mainly to BBB. Many are in default.

- The RIF was set up with Cabinet approval on 29 September 2014, to accelerate the provision of homes, fund development projects, drive growth and sustainable employment opportunities. The RIF was explicitly intended to deliver capital and revenue returns for the Council.
- Since inception, RIF has provided loans totalling £269.7m to Council initiatives and subsidiary companies owned by LBC.
- The main areas of lending are to BBB (£208.8m\*), Real letting property investments - relating to a management property fund providing housing to homeless individuals (£45m), and CAH (£8.4m).
- As at July 2020, the outstanding balances against loans, including accrued interest, provided through the RIF totalled £269.7m.
- No BBB loans have been repaid as a consequence of the lending, in direct contravention of multiple loan agreements which are technically in default.

**3** Governance around the Loans provided has been informal and is not in line with the plan agreed by Cabinet, or best practice.

- The RIF fund was intended to be ring-fenced and have clear governance and decision making. Neither of these stated intentions have been put into place.
- There is no robust treasury plan for management of these loans, or set of standard operating procedures in relation to the management of RIF loans and loan management is not in keeping with industry best practice in relation to management of loans of this size.
- Changes in personnel have left a lack of corporate memory in relation to the RIF loans. It has been particularly challenging to locate copies of loan documentation for the purposes of this review.
- Management of the RIF's loan book has been left to the LBC finance team, but up until mid-October 2020 there was no individual within LBC who had current active oversight of the RIF loan portfolio.

**2** A limit of £272.2m was placed on lending by RIF in the 2018-22 Medium Term Financial Strategy. The RIF has loaned £17.5m more to date than budgeted, in contravention of the Strategy.

- The 2018/22 Medium Term Financial Strategy (“MTFS”) noted that total RIF borrowing from 2018 to 2022 would be £272.2m.
- However, the scale of the funding through the RIF suggests that no cap has been exercised on the funding that the RIF has provided per annum to the extent that in FY20/21 the RIF can currently only lend a further £2.5m before reaching the £272.2m limit stated in the MTFS.
- Since there was an expectation that funding provided would revolve back from BBB to the Council to reinvest, there may have been an expectation that funding would not become excessive. However since the majority of funding to date (£208.8m to BBB\*) has not delivered returns, any further investment represents an increased borrowing requirement for the Council.

**4** RIF lending is currently invested in 23 development projects, several of which are not performing as planned.

- Key investments are not performing as intended. Indeed, many BBB loans are overdue with no evidence of having been renegotiated or interest paid to date.
- The risk profile of the RIF loan book is therefore much higher than planned.
- The RIF has not been revolving, because very few of the loans have repaid with £208.8m\* tied up in BBB loans with no interest received to date.
- The Council has not operated a balanced lending approach in contradiction to the careful analysis set out in the 2018 MTFS paper, with the majority on RIF investment focused on residential development.

\* Note: £208.8m as at July 2020. Total funding as at 30 September is £214m.

# Asset Investment Fund (“AIF”) - review

Section six

6



# At a glance

1

The AIF was set up in 2018 as part of LBC's investment strategy, to fund non-residential property investments. LBC has made investments of £98.8m through the AIF.

- The AIS was designed to group Council investments in commercial property as a vehicle to deliver revenue returns. The fund created is referred to as the Asset Investment Fund ("AIF") and was capped at £100m. The purchase of Croydon Park Hotel ("CPH") at £31.3m was completed before the AIF's inception but is accounted for in the AIF, bringing the fund limit to £131.3m.
- Based on the latest LBC documentation, the AIF has spent £98.8m on £93.5m of assets plus £4.9m of purchase costs, funded through general LBC borrowing.
- Assets purchased (including purchase costs) are: Croydon Park Hotel (£31.3m), Colonnades phases 1 & 2 (£53.5m), 60 Vulcan way (£7.4m); and 37-39 Imperial Way (£6.6m.)

3

Croydon Park Hotel and the Colonnade leisure and retail park both present significant financial risks to LBC that need to be addressed.

- The closure of CPH creates a £1.7m shortfall in FY20/21 rent receipts and exposes the Council to unbudgeted costs for the vacant property including maintenance, repairs, security and insurance.
- LBC currently estimates CPH is worth less than the purchase price. The asset should be appropriately impaired following external valuation, with the corresponding impact reflected in the income and expenditure statement.
- To mitigate this LBC are in the process of assessing alternative uses for the site with a view to generating income and currently expect to retain the property until the market recovers. This process should be prioritised.
- The Colonnades leisure & retail park has a number of tenants that have and will continue to be impacted by COVID-19 restrictions. Rents have underperformed and there is further risk of rent default. LBC should monitor this investment closely and plan for a downside scenario on rent receipts.
- The forecast net return on investment may be overstated by up to £0.6m as described in point 2. LBC should review and agree on the appropriate rate at which the AIF interest is calculated.

2

LBC is forecasting significant AIF underperformance in FY20/21, with a £82k forecast net return against a budget of c.£2.4m. We think the actual return could be a loss of £(0.5m).

- The AIF is forecast to deliver a £82k net return to the Council in FY20/21 against a FY20/21 budget net return of c.£2.4m. The target return based on 2% of total investment of £131.3m is £2.6m.
- Forecast underperformance is driven by two key factors:
  - Croydon Park Hotel ("CPH"). This was expected to deliver rents of £1.7m p.a. but the tenant trading company went into administration in June 2020 in part due to COVID-19 trading pressures with no rent expected in FY20/21.
  - Colonnades leisure & retail park - COVID-19 restrictions have impacted several tenants, leading to rent deferrals and reduced interest in vacant slots, all reducing in year rent receipts.
- The forecast net return of £82k is predicated on an assumed 2.44% rate of interest on borrowing. The current average borrowing rate for LBC is 3.15% which equates to an additional c.£0.6m cost per annum. Adjusting the forecast £82k net return for this additional interest cost would result in a net loss to LBC of c.£0.5m.

4

The monitoring and governance of AIF investments is very limited, and should be strengthened with clear Cabinet scrutiny.

- The process by which assets were acquired is clearly documented and followed LBC policy in terms of formal notices, recorded decisions and supporting documentation.
- The timeframes around making offers for the assets were short and delegated authority was used to make offers, but the commercial rationale behind this was documented.
- However, ongoing monitoring of the AIF portfolio and governance is very limited. AIF performance is not discussed at any formal board, with reporting confined to within the Asset and Estates team and Place directorate. AIF is covered by general financial monitoring on a monthly (previously quarterly) basis.
- The current underperformance of investments, in part due to COVID-19, underlines the importance of the AIF receiving suitable and regular executive oversight. Given the issues regarding Croydon Park Hotel and the need to quickly address these, we recommend higher levels of Cabinet scrutiny going forward.

5

The Council will need to make a strategic decision on the future of the AIF, considering current financial pressures vs long term investment. Immediate sales are likely to reduce value achieved.

- Given the the Council's financial pressures and the current economic uncertainty in the UK due to COVID-19, we agree with the decision to not pursue any further investment in the AIF.
- Making strategic decisions on asset realisation at a time of uncertainty may impact value and therefore disposals in the immediate term are currently unlikely to realise best value.
- We believe the best course of action at present is to seek to maximise returns on the existing investments and undertake annual strategic reviews of the AIF to assess if/when disposals will result in best value.
- However, if LBC needs to release cash to mitigate financial pressures in year, the AIF does represent significant potential for unlocking cash.

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# Recommendations and next steps

Section six

7

# Key observations and recommendations

## Priority

The actions have been given a 'Priority' rating from high to low. This reflects the degree of urgency with which we believe the actions should be addressed.

High

This is critical to progress.

Medium

This is important to progress.

Low

This is least important to progress.

## Ease of implementation

The 'Ease of implementation' rating in the final column indicates the level of difficulty of implementation, taking into account any work already undertaken

R

Hardest to implement in the available time period.

A

Can be implemented in short to medium term.

G




Easiest to implement in the available time period.

# Key observations and recommendations








Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
1	BBB - Financial planning	The Company does not currently produce a consolidated phased plan against which to assess year to date financial performance, nor does it produce consolidated forecasts in terms of cash flow, profit and loss or financial position. We recommend that BBB should improve its financial oversight by producing: A 13 week rolling cash flow forecast; and integrated forecast profit and loss and balance sheet statements.	BBB	High	A
2	BBB - Financial governance	There is currently no financially qualified member of the Board to provide challenge to BBB's reported performance or forecasts. BBB should ensure that there is a sufficiently qualified Director of Finance in post to increase the internal financial scrutiny and challenge and support the Shareholder Board to improve its understanding of the business's finances.	BBB	High	A
3	BBB - Financial Governance - reporting	BBB does not currently have any integrated company-wide financial monitoring or forecast and therefore it is challenging for the Board to make effective decisions on the basis of Company financial performance. Whilst we understand there is an ambition to produce monthly management accounts moving forward, BBB should integrate development, sales and financial projections into a monthly reporting cycle to provide visibility to the Board on the Company's financial position.	BBB	High	R
4	BBB - Financial Governance	There is a lack of financial capacity and capability within BBB. In addition to the appointment of a qualified Director of Finance we expect there to be at least one additional suitably qualified member of staff who can support the development of robust financial information to proactively manage the BBB business.	BBB	High	A
5	BBB - State aid	Improve documentation of arrangements for the subsequent sale of assets by BBB, particularly where this has a direct influence on the valuation of land to be acquired / transferred.	LBC	Med	A

# Key observations and recommendations

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Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
6	LBC - Purchase of BBB properties	<p>The Cabinet has approved in July the further purchase of 231 BBB properties, but has not yet entered into contract for any of these. We understand that the status of these property purchases is pending, subject to review. The Council will need to decision on a site by site basis whether to pursue this option and notify BBB accordingly immediately prior to the practical completion of the schemes.</p> <p>LBC should review the proposed purchases of these properties in light of current market conditions, so that it does not exceed these thus exposing the Council to risk under S123.</p>	LBC	High	
7	LBC - BBB developments	LBC has not created sufficient capacity in its own teams (such as planning) to allow for the increased demand for services that its drive to create affordable homes is generating. There is evidence that some of the delays experienced on BBB development sites are being driven by longer than normal process time in the Council's operational teams. Since the Council must avoid preferential treatment to BBB, it may wish to consider general additional capacity in these teams to support quicker processing across the board. This will support quicker resolution for all developer delays including BBB.	LBC	High	
8	LBC - BBB - State aid	<p>The Council should regularly review the financing and operational arrangements of BBB for ongoing compliance with State Aid requirements, particularly in the context of:</p> <ul style="list-style-type: none"> <li>• Maintaining a state aid compliant capital structure including the equity loan debt model</li> <li>• Pricing loans on a state aid compliant basis which reflect the risk associated with investing in BBB specifically.</li> </ul>	LBC	High	

# Key observations and recommendations

Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
9	LBC - Governance	There are significant concerns around the adherence to governance procedures within LBC and its subsidiaries. LBC should consider commissioning a wider and thorough governance review of the organisation.	LBC	High	
10	LBC - Governance	There is insufficient capacity within the LBC corporate governance team to appropriately oversee the application of governance across the organisation. LBC should review its governance team structure and ensure it has the required level of capacity and capability along with senior input to ensure best practice governance procedures are adhered to.	LBC	High	
11	LBC - Governance	It has proven difficult to obtain a complete set of documentation in relation to loans and other agreements between LBC and its subsidiaries. LBC should ensure that it collates and maintains a complete central repository of all commercial arrangements between itself and its subsidiaries,	LBC	Med	
12	LBC - Governance	Given the level of risk associated with BBB, the Council should consider reviewing the BBB risk entry on the central risk register and reflect the risk outside of general governance matters.	LBC	Med	
13	LBC - Disposals	Where analysis and calculations are undertaken with regard the allocation of negative land value across sites, greater levels of clarity and explanation as to the process undertaken should be developed and retained for future audit trail purposes.	LBC	Med	
14	LBC - Disposals	Consider the greater use of third party external valuers for all future site disposals, transfers or acquisitions.	LBC	Med	
15	LBC - Disposals	Maintain an audit trail or log of key assumptions employed in developing valuations and analyses related to land transfers, disposals and acquisitions, particularly where this is performed in house (external valuers typically provide detailed reports on valuation, including assumptions employed).	LBC	Med	




# Key observations and recommendations

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Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
16	GZ - Business case	<p>The assumptions on which the original business case was based (forecast business rates increases and the development of a Westfield retail complex) are no longer valid and the business case should be revised.</p> <p>This should be done building on the COVID-19 impact review already completed and must consider the change in the economic forecast for the duration of the proposed investment period and the changes in the requirements of Croydon's population and behaviours following COVID-19 and any associated downturn.</p>	LBC	High	A
17	GZ - Governance	<p>Annual and quarterly review meetings with GLA and the Mayor of London's office: Frequency of governance meetings with stakeholders may not be sufficient in light of ongoing economic uncertainty.</p> <p>LBC may wish to consider increasing frequency until such time as a revised GZ business plan is agreed including the underpinning assumptions over funding - i.e. business rate increases and the Councils ongoing ability to utilise these.</p>	LBC	High	A
18	GZ - Governance	<p>Any subsequent increase in planned investment should be supported by a business case and taken through robust governance and sign off processes for full scrutiny.</p>	LBC	Low	A








# Key observations and recommendations




Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
19	RIF	The RIF fund was intended to be ring-fenced and have clear governance and decision making. Neither of these stated intentions have been put into place. Cabinet should urgently revisit the purpose of the RIF fund, and set clear lending controls with well enforced drawdown requirements to prevent any further loss of control.	LBC	High	
20	RIF	Management of the RIF's loan book has been left to the LBC finance team, but up until mid-October 2020 there was no individual within LBC who had current active oversight of the RIF loan portfolio. Changes in personnel have left a lack of corporate memory in relation to the RIF loans. It has been particularly challenging to locate copies of loan documentation for the purposes of this review.  Loan documents should all be properly archived and filed so that they can be easily located. An automated reminder and alert system should be established so that Loans are properly managed.	LBC	High	
21	RIF	There is no robust treasury plan for management of these loans, or set of standard operating procedures in relation to the management of RIF loans and loan management is not in keeping with industry best practice in relation to management of loans of this size.  A robust set of operating procedures should now be put into place with immediate effect.	LBC	High	

# Key observations and recommendations

Page 100

Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
22	CAH - Life cycle cost provision	We understand that there should be a provision in the LBC accounts for the life cycle costs of the lease properties managed by the CAH group of LLPs. There is no evidence that this provision exists suggesting there is a risk that the true future costs of the leases through to the planned transfers to the Pension Scheme are not recognised. CAH should recognise a liability in their accounts to address this, and funds should be ring fenced to reflect this future cost.	CAH	High	
23	CAH - State aid	A more consistent approach to agreeing land value between the Council and its wholly owned subsidiary: It does not appear to be logical for the two related entities to have materially different views on land valuation.	LBC	Med	
24	CAH	There is a lack of clarity on whether or not life cycle costs are being appropriately recognised. Immediate steps should be taken by LBC and CAH to assure the Board and Cabinet that suitable provisions for life cycle costs are being made. The amount not reserved may need to be backdated.	LBC	High	
25	CAH	We recommend LBC puts in place robust governance around CAH given the value of the assets held, with dedicated team resource including a company secretary function to oversee general CAH LLP group companies house filing and require improved financial reporting from the LLPs.	LBC	Med	
26	CAH	LBC should formulate a clear strategy on the use of homes in terms of tenant type to understand the impact of suggested rent levels and the ability to pay these.	LBC	Med	

# Key observations and recommendations

Ref.	Area	Observation and action	Responsible Organisation	Priority (High / Med / Low)	Ease of implementation (Red / Amber / Green)
27	AIF	<p>Monitoring of the AIF portfolio and governance is very limited. AIF performance is not discussed at any formal board, with reporting confined to within the Asset and Estates team and Place directorate. AIF is covered by general financial monitoring on a monthly (previously quarterly) basis.</p> <p>The governance of AIF should be formalised with a clear regular review with reports to Cabinet on status.</p>	LBC	Med	
28	AIF	<p>Making strategic decisions on asset realisation at a time of uncertainty may impact value and therefore disposals in the immediate term are currently unlikely to realise best value.</p> <p>We believe the best course of action at present is to seek to maximise returns on the existing investments and undertake annual strategic reviews of the AIF to assess if/when disposals will result in best value.</p>	LBC	Med	
29	AIF	<p>If LBC needs to release cash to mitigate financial pressures in year, the AIF does represent significant potential for unlocking cash.</p> <p>Assess if there is a need for cash. If there is, then undertake a more detailed review of each asset for suitability to meet this need. This could include a detailed valuation exercise.</p>	LBC	High	

# Appendices

## Section eight

# 8

# Scope and process

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Scope	Process
<b>Purpose</b>	The report was produced for LBC only and is a confidential document.
<b>Access to management</b>	In general, we have had reasonable access to LBC staff and directors, the Board and staff of BBB, personnel linked to the CAH group, RIF and AIF.
<b>Management representation</b>	We have shown sections of this draft report (excluding section 3 - strategic options), plus supporting appendices to: BBB's CEO (sections related to BBB), the former LBC Section 151 officer (historical pages only); a Trustee of CAH LLP and the Head of Asset Management and Estates (the AIF and RIF sections). They have confirmed that, to the best of their knowledge and belief, the report does not contain any material error of fact, there has been no material omission and it fairly sets out the recent results, state of affairs and (where relevant prospects of the subjects of this review. To the extent that we consider appropriate, we have incorporated their comments in this report.
<b>Access to information</b>	Our work has comprised a review and analysis of the financial and other information provided to us by LBC, BBB, the Trustee of Croydon Affordable Housing LLP and other individuals, plus discussions with individuals related to each of the entities that form the subject of our report. We have assumed that this information and management's explanations and representations are complete, accurate and reliable. The quality and availability of financial information available from BBB has impacted the level of detail we have been able to provide in our strategic options analysis. Further work would be required to deliver more detailed modelling of the proposed options.
<b>Clarity of information</b>	The information provided to us, together with our access to management, has allowed us to gain insight and understanding into some of the more significant risks, trends and issues faced by each of the entities.
<b>Review process</b>	Our work was performed over a 4 week period commencing 5 October 2020. We had access to LBC officers. We also had access to the CEO, BBB and the BBB senior management team and other staff.
<b>Exclusions from scope</b>	LBC should consider our recommendations in the light of its own assessment of the security position. We point out that the scope of our work did not include a detailed review of the Croydon Housing market BBBs competitive position in this markets. Furthermore, our work did not include a review of any of the entities tax affairs or its pension arrangements.
<b>Financial projections and short-term cash flow forecast: Prospective Financial Information ("PFI")</b>	Any underlying PFI referred to in this report was not prepared or developed by us and we have not restated any PFI or made assumptions or projections relating to PFI. Management has full responsibility for the judgements involved in, and results of, its PFI preparation processes. While we may have performed sensitivity analyses on PFI and underlying assumptions, any tables aggregating our comments or observations of vulnerabilities and sensitivities do not represent restatements of or revisions to PFI; they are only a summary of our analysis to assist you with your evaluation of PFI. It is your responsibility to consider our analysis and make your own decisions. As events and circumstances frequently do not occur as expected, there may be material differences between PFI and actual results and cash flows. See also our comment below re BREXIT. We take no responsibility for the achievement of predicted results.
<b>BREXIT</b>	Given the UK referendum result and the subsequent triggering of Article 50 there is uncertainty, which could persist for some time, as to what this may mean for businesses, whether in the UK or outside it but with trading or other connections with the UK. As a result, our work may not have identified, or reliably quantified the impact of, all such uncertainties and implications.
<b>COVID-19</b>	It is not possible for LBC, its subsidiaries or us to assess with any certainty the implications of COVID-19, either in terms of how long the current crisis may continue or in terms of its impact, potential or actual, on LBC or subsidiary business. For example, BBB may face significant supply issues if its supply chain includes entities in regions where the authorities have implemented, or may implement, measures to contain and/or prevent the spread of COVID-19. Similarly, demand for products and services may be significantly impacted. BBB has modified its projections to try and show a possible outcome. It has not considered the potential impact on balance sheet items (such as impairment to assets (such as fixed assets, investments, inventory, receivables), or liabilities and provisions (including potential claims)). BBB has not implemented contingency measures. We note that the potential variation between projected and actual results is likely to be materially greater than it might otherwise have been. We take no responsibility for the achievement of projected or predicted results or balances."

# PwC scope and limitations

## Interviews conducted

### Key individuals we have interviewed:

#### BBB

- CEO
- Chair
- Financial Controller
- Head of Operations
- Head of Delivery
- Head of Property & Engagement,
- Head of Design
- 4x Development managers

#### LBC

- Interim CEO
- Director of Growth Zone
- Executive Director of place
- Executive Director of resources and monitoring officer
- Head of Asset Management and Estates
- Head of Growth Zone
- Head of Internal Audit
- Interim Director of Law & Governance
- Risk and Corporate Programme Officer
- S151 Officer and Director of Finance

#### Others

- External Auditors of the Council and former auditors of BBB
- Former S151 Officer at LBC
- Trustee of Croydon Affordable Housing LLP

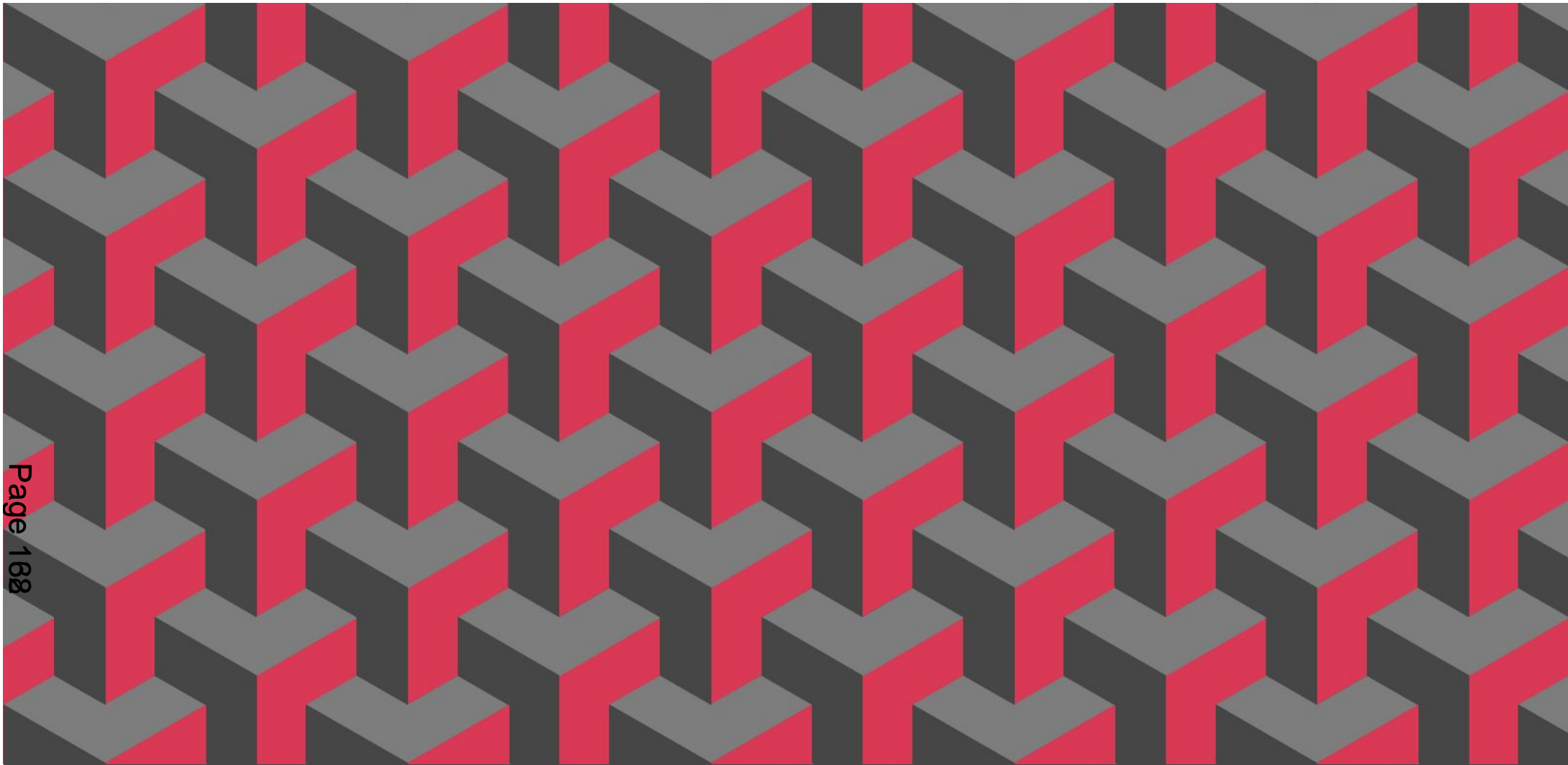
# Glossary

Our report includes a number of terms and short descriptions, which we define alongside:

Term	Definition
AR	Affordable rent
BBB	Brick by Brick Croydon Ltd
BTR	Built to rent
CAH	Croydon Affordable Homes LLP
CAT	Croydon Affordable Tenures LLP
CEO	Chief Executive Officer
CGA	Common Ground Architecture
Company	Brick by Brick Limited
Council	London Borough of Croydon
CT	Corporation tax
EBIT/ EBITDA	Earnings before interest and tax/ Earnings before interest, tax, depreciation and amortisation
EUV	Existing use value
FOT	Forecast outturn
FY19/20, FY20/21, FY21/22	Financial years ending March 2019, March 2020 and March 2021
GLA	Greater London Authority
Group	LBC's subsidiaries, Brick by Brick Ltd and Croydon Affordable Homes Ltd.
GZ	Growth Zone
HMRC	Her Majesty's Revenue & Customs
HTB	Help to buy
LBC	London Borough of Croydon Council
LLP	Limited liability partnership

Term	Definition
Ltd	Private limited company
M6	Month 6 financial period, ending 30 September 2020
MBO	Management buy out
MEIP	Market Economy Investor Principle
MTFS	Medium term financial strategy
MVL	Members voluntary liquidation
NED	Non-executive director
P&L	Statement of profit and loss
p.a.	Per annum
PAYE	Pay as you earn
PC	Practical completion
PFI	Prospective financial information
PwC	PricewaterhouseCoopers LLP
Q1, 2, 3, 4	Quarters ended/ending June, September, December, March
RIF	Revolving Investment Fund
S/O	Shared ownership
S106	Section 106 - the legal agreement between a developer seeking planning permission and the council
S125	Legal agreement between tenant and landlord when tenant is eligible for the Right to Buy to Right to Acquire
Sensitivity	The estimated illustrative financial effect of a change to a key assumption, to reflect either a vulnerability or an upside
SME	Small and medium enterprises
SWOT	Strengths, weaknesses, Opportunities, Threats
TFL	Transport for London
Tranche 1	Site developments in construction

Term	Definition
Tranche 2	Site developments with approved / submitted planning applications
TUPER	Transfer of Undertakings (Protection of Employment) Regulations
VAT	Value added tax
VFM	Value for money
Vulnerability	An unquantifiable sensitivity that may present upside or downside risk
YTD	Year to date



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COMPANY NUMBER 09578014

PRIVATE COMPANY LIMITED BY SHARES

WRITTEN RESOLUTION

of

BRICK BY BRICK CROYDON LIMITED (Company)

Date: 2020 (Circulation Date)

Under Chapter 2 of Part 13 of the Companies Act 2006, the member of the Company has required the Company to propose that resolution 1 is passed as a special resolution and resolutions 2 to 5 are passed as ordinary resolutions (the **Resolutions**).

#### SPECIAL RESOLUTION

1 THAT, the articles of association of the Company be amended by:

a. Inserting a new definition of ‘*Finance Director*’ as below:

*“Finance Director means the Director appointed and designated as the finance Director,”*

b. Amending the existing definition of ‘*Director*’ to:

*“Director means a director for the time being of the Company (including any Executive Director, Finance Director and Non-Executive Director), and includes any person occupying such position, by whatever name called,”*

c. Deleting article 12.2 and replacing it with the following new article 12.2:

*“Subject to Article 12.3, the quorum for the transaction of business at a Directors’ meeting shall be any 2 Directors”:*

d. Inserting a new Article 15.3 as below:

*“Following any unanimous or majority decision taken by the Directors (whether such decision is taken by electronic means or otherwise) the record of such decision shall be circulated to the Shareholder within 2 working days of the date of the decision and in any event all meetings of the Directors shall be properly minuted and those minutes provided to the Shareholder within not more than 5 working days of such meeting taking place.”*

e. Deleting article 18.1 and replacing it with the following new article 18.1:

*“Unless otherwise determined by ordinary resolution, the number of Directors shall not be less than 2 (and shall not be more than 4 and may*

*comprise of an Executive Director (if appointed), Finance Director (if appointed) and Non-Executive Director(s)). No shareholding qualification for Directors shall be required”*

#### **ORDINARY RESOLUTIONS**

- 2 THAT, pursuant to Article 19.2 of Company’s articles of association, Colm Lacey be removed from office as Director of the Company with immediate effect.
- 3 THAT, pursuant to Article 19.2 of Company’s articles of association, Martyn Evans be removed from office as Director of the Company with immediate effect.
- 4 THAT Duncan Whitfield be appointed to the office as Non-Executive Director of the Company with immediate effect.
- 5 THAT Ian O’Donnell be appointed to the office as Non-Executive Director of the Company with immediate effect.
- 6 THAT, pursuant to Article 51.3 of the Company’s articles of association, for so long as the Council is the sole shareholder of the Company, it shall be entitled to inspect any of the Company’s accounting or other records or documents at any time.

<b>REPORT TO:</b>	HEALTH & SOCIAL CARE SUB-COMMITTEE 26 January 2021
<b>SUBJECT:</b>	2021/22 Adult Social Care Budget Proposals
<b>LEAD OFFICER:</b>	Guy Van Dichele Executive Director Health Wellbeing and Adults
<b>CABINET MEMBER:</b>	Councillor Janet Campbell Cabinet Member for Families, Health & Social Care
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	Guy Van Dichele Executive Director Health Wellbeing and Adults

#### **POLICY CONTEXT/AMBITIOUS FOR CROYDON:**

Adult social care continues to be under pressure nationally and locally. The outturn for 2016/17, 2017/18, 2018/19 and 2019/20 demonstrated both an increase in costs and increased use of transformation monies to meet current demand and increased complexities. Increasingly we are seeing residents who fund their own care running out of money, often referred to as 'wealth depleters'.

A change in the way we deliver social care in order to reduce spend and live within our available resources is underway. This aligns to the following Croydon Renewal Plan priorities:

- We will live within our means, balance the books and provide value for money for our residents.
- We will focus on providing the best quality core service we can afford. First and foremost, providing social care services that keep our most vulnerable residents safe and healthy. And to keep our streets clean and safe.

<b>ORIGIN OF ITEM:</b>	Scrutiny of budget proposals is one of the key work strands within the Scrutiny Work Programme.
<b>BRIEF FOR THE COMMITTEE:</b>	The Sub-Committee is asked to review the information provided and consider whether it wishes to make any comments or recommendations to be fed into scrutiny of the budget by the Scrutiny & Overview Committee.

## **1. EXECUTIVE SUMMARY**

- 1.1. This report provides the committee with an update on the adult social care 2021/22 budget development, and associated change programmes required to deliver aligned savings.

- 1.2. The budget development was also reported to Cabinet on 25<sup>th</sup> November 2020, 'The Croydon Renewal Financial Recovery Plan and Submission to MHCLG for the Capitalisation Direction', Appendix B, section 3.

## **2021/22 ADULT SOCIAL CARE BUDGET PROPOSALS**

### **2. BACKGROUND**

- 2.1. Adult social care continues to be under pressure nationally and locally. The outturn for 2016/17, 2017/18, 2018/19 and 2019/20 demonstrated both an increase in costs and increased use of transformation monies to meet current demand and increased complexities. Increasingly we are seeing residents who fund their own care running out of money, often referred to as 'wealth depleters'.
- 2.2. A change in the way we deliver social care in order to reduce spend and live within our available resources is underway.
- 2.3. The council is working with social work practice and finance leads from the Local Government Association (LGA) and have accepted their view that Croydon's spending on younger and older adults is significantly higher than that of comparable boroughs.
- 2.4. A 'cost of care' tool has therefore been developed to build a zero based adult social care budget and set a baseline for current activity and cost from which then to reduce to bring in line with the average level of spending in London or England as appropriate.
- 2.5. Savings and change programmes are being developed with key LGA guidance taken into consideration, 'why savings are not delivered' (see appendix).

### **3. ISSUES**

- 3.1. The headline issues for Croydon are set out below.
  - Croydon is a high spender on adult social care.
  - High spending on younger adults is a recent development and has been getting worse.
  - Croydon is a high spender on older people but this has improved slightly.
  - There is scope to make significant savings in the medium term, however, the budget must be set at the right level.
  - The Council must get a grip on the young adults budget now.
- 3.2. Adult social care managers are committed to sorting out these issues.
- 3.3. In December 2020, a renewed 'One Croydon Alliance Commitment statement' included the following (see appendix for full statement):

- The financial position of Croydon Council, with the issuing of a Section 114 notice, presents another challenge for the Alliance, but we believe that there is strength in our unity. All partners remain committed to working together as a local system to find solutions where possible and mitigate negative impact for the benefit of Croydon residents. We believe that greater integration will support us to achieve efficiencies across the system and a sustainable health and care system that works for Croydon people.
- We wish to restate our commitment to partnership working and the One Croydon Alliance principles as we move forward with the delivery of our Health and Care Plan and the establishment of the Croydon Health and Care Board. The Alliance reconfirms its commitment to whole system savings (or effectiveness) and continuing to work under our shared set of agreed principles.

#### 4. CURRENT BUDGET DEVELOPMENT

- 4.1. The table below sets out the budget growth and savings requirements for next year for Health Wellbeing and Adults and the plans to reduce expenditure from this starting point.

	2021/22 (£,000's)
<b>Health, Wellbeing and Adults</b>	
Reduction in Welfare Rights	(230)
Baseline Savings - Disabilities Operational Budget	(3,015)
Stretch Savings - Disabilities Operational Budget	(1,367)
Review of Contracts - OBC Commissioning, Working Age Adults	(600)
Baseline Savings - Mental Health Operational Budget	(459)
Stretch Savings - Mental Health Operational Budget	(225)
Reduction in Placements & Accommodation - budget (PLAN A)	(200)
Croydon Discretionary Support - reduction in service (PLAN A)	(292)
Contact centre and Access Croydon: Reduction in line management	(95)
Restructure	(72)
Savings on care provision - ASC Older People Baseline (5%, 7.5%, 10%) - Net of income adjustments	(1,908)
Savings on care provision - ASC (Older People - Stretch (2.5% extra Yr 1 & 2) - Net of Income Adjustments	(691)
Income from Care UK Beds released to self-funders	(254)
Welfare rights in-house service deletion - stretch	(300)
<b>Health, Wellbeing &amp; Adults - savings</b>	<b>(9,708)</b>
Growth to fund current Activity/Run Rate	23,048
Growth to fund Cost Inflation in Care UK Contract	254
Growth to fund projected Demographic and Cost Pressures	5,221
Convert Unfunded Income Officers to Permanent GF Funding	311
Growth to fund demographic and inflation in future years - ASC (Community Equipment Service)	57
<b>Health, Wellbeing &amp; Adults - investment</b>	<b>28,891</b>
<b>Health, Wellbeing &amp; Adults - Net</b>	<b>19,183</b>

Source: November 2020 Cabinet

- 4.2. The stretch targets are 10% over three years' package and placement spend reductions. Further areas being developed will support increasing the savings proposals further.
- 4.3. On the advice of the Local Government Association (LGA) finance lead, the council is setting a revised budget to reflect current activity. The revised 2020/21 budget limits current spending where it is safe to do so.
- 4.4. The 2021/22 budget is based on current activity (the 2020/21 outturn) with 3% added for demand growth and 4% added for inflation; a 5% saving is then applied to the revised budget achieved.
- 4.5. LGA advice is that 5% savings for 2021/22 will be challenging but are achievable if implementation starts as soon as possible with appropriate resources and focus. Given high spending on adult social care, higher savings should be achievable in later years – potentially 10% a year, possible because there is more time to plan, consult and implement savings.
- 4.6. The intention is that by the end of 2023/24, spending and activity for younger adults should be aligned to the average for London and spending and activity for older adults should aspire to be at or below the national average.

## **5. YEAR ONE MEDIUM TERM FINANCIAL STRATEGY PROPOSED SAVINGS**

- 5.1. The total impact of the proposals below is expected to provide a minimum of £9.7m savings in year one (2021/22). Further options appraisals and decisions will continue to be made to add to these proposals.
- 5.2. For year one of the MTF period of 21/22, adult social care package and placement spend will be reduced between 5-10%, to be achieved through:

### ***Savings proposals ready to be taken forward***

- a. The 'placements programme' will contribute significantly to the placement and package spend reduction by improving systems, processes and payments; better use of accommodation, and better use of placements.
- b. By using good information and advice for self-help, direct payments as a first offer to residents and 'digital by default' plans will all contribute. The adult social care front door is diverting 85% of enquiries from transferring into statutory care. Further work to embed the gateway model and strengths based practice to continue to increase diversion and improve information and advice to ensure self-help is maximised.

### ***Savings proposals can be taken forward after external engagement***

- c. Contractual arrangements with providers in the adult social care market are being reviewed. 65% of contracts are due to end in the next two years and opportunities will be taken to design out cost at the design stage, apply further efficiencies during procurement and ensure value for money during the

contract period once let with good contract management, operational and strategic provider relations.

- d. The integration of health and social care and locality focused working in multi-disciplinary teams will provide good outcomes for residents joining up care and resources, contributing to financial sustainability in the medium to long term. Accurate funding and affordable service models for hospital discharge pathways are included. The community equipment joint pool with health will be re-evaluated in relation to health and social care spend and re-negotiate the funding levels.
- e. Croydon remains an outlier for those assessed as eligible for continuing health care (CHC) health funding for people with health conditions compared to its South West London neighbours. New CHC processes and joint funding agreements are being negotiated and put in place to ensure appropriate levels of funding for people across health and care.
- f. The adult social care charging policy will be re-reviewed, although it has already contributed to an additional £3.2m is being achieved from the review implemented this year as outlined above.

***Savings proposals needing more work before they can be progressed***

- g. Spending on younger adults transitioning into adulthood.
- h. A transition to the voluntary sector of adult social care activity will bring a return on investment in the medium term.
- i. Where subsidy remains, such as for service user of the meals service, this will be reviewed and consulted on as appropriate.
- j. A three year care commissioning plan and sourcing of appropriate accommodation plan is being defined to contribute to the 5-10% reduction in package and placement spend.
- k. The in-house provision service providing extra care accommodation for older adults, active lives day services for people with autism, learning disabilities and physical disabilities, day provision for people with dementia, careline responders service and shared lives accommodation which provides an efficient way of accommodating and caring for people with disabilities to meet assessed eligible care needs. An options appraisal will be conducted to:
  - ensure we maximise the use of these services as an alternative to commissioned care packages as the first priority
  - decommission external contracts and bring people with needs into this provision, or decommission parts of the in-house service;
  - deliver a combination of these.
  - The Careline response service income targets will also be maximised as well as looking at the funding levels for this service.

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**APPENDICES TO THIS REPORT**

- Why savings are not delivered - october-2017
- One Croydon Alliance Commitment statement