

Council

Meeting held on Thursday, 19 November 2020 at 6.30 pm. This meeting was held remotely

MINUTES

Present: Councillor Maddie Henson (Chair);
Councillor Sherwan Chowdhury (Vice-Chair);
Councillors Hamida Ali, Muhammad Ali, Jamie Audsley, Jane Avis, Jeet Bains, Leila Ben-Hassel, Sue Bennett, Margaret Bird, Simon Brew, Alison Butler, Jan Buttinger, Janet Campbell, Robert Canning, Richard Chatterjee, Luke Clancy, Chris Clark, Pat Clouder, Stuart Collins, Mary Croos, Jason Cummings, Patsy Cummings, Mario Creatura, Nina Degrads, Jerry Fitzpatrick, Sean Fitzsimons, Alisa Flemming, Felicity Flynn, Clive Fraser, Maria Gatland, Lynne Hale, Simon Hall, Patricia Hay-Justice, Simon Hoar, Steve Hollands, Yvette Hopley, Karen Jewitt, Humayun Kabir, Bernadette Khan, Shafi Khan, Stuart King, Toni Letts, Oliver Lewis, Stephen Mann, Stuart Millson, Vidhi Mohan, Michael Neal, Tony Newman, Steve O'Connell, Oni Oviri, Ian Parker, Andrew Pelling, Jason Perry, Helen Pollard, Tim Pollard, Joy Prince, Badsha Quadir, Helen Redfern, Scott Roche, Pat Ryan, Paul Scott, Manju Shahul-Hameed, Andy Stranack, Gareth Streeter, Robert Ward, David Wood, Louisa Woodley and Callton Young

Officers: Katherine Kerswell (Interim Chief Executive)
Jacqueline Harris Baker (Executive Director Resources)
Elaine Jackson (Assistant Chief Executive)

PART A

Madam Mayor wished Annette Wiles, who had supported Council meetings during her time at Croydon Council, the very best for the future and thanked her for her support and assistance during the previous year and a half.

133/20 Disclosure of Interests

There were none.

134/20 Report in the Public Interest

Madam Mayor informed Council that the meeting was being held in accordance with Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014 following the publication of the Report in the Public Interest by Grant Thornton on 23 October 2020.

The report included 20 recommendations, of which nine were high priority. The agenda also included the Council's Action Plan which sought to respond to those recommendations.

Council were informed that, following the agreement of the two Group Whips, the meeting would run in the following order:

- Presentation from Grant Thornton
- Questions of a factual nature to Grant Thornton
- Statements from the Leader of the Council and Leader of the Opposition
- Question Time with the Leader, Cabinet, and Chairs of the General Purposes and Audit Committee and Scrutiny & Overview Committee
- Debate on the recommendations
- Vote on the recommendations

Presentation from Grant Thornton

Sarah Ironmonger, Director, and Paul Dossett, Partner and Head of Local Government at Grant Thornton, were welcomed to the meeting and provided Council with a presentation. A copy of the presentation can be found online (<https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=134&MId=2463&Ver=4>)

The Head of Local Government set out that a Report in the Public Interest (RIPI) was a statutory duty of auditors under the Local Audit and Accountability Act 2014. Other statutory duties included making statutory recommendations, issuing advisory notices and applying for judicial reviews of decisions. These duties were used sparingly and as such, it was noted that it had been a number of years since Grant Thornton had issued such a report in the public interest, however another had been issued that year. Council were assured that the issuing of such a report was taken seriously and there was a robust process in place to establish that it was the right action; including consulting partners and the firm.

It was noted that the RIPI issued in relation to Croydon Council was more general than other RIPI's published, which were normally in relation to specific issues or specific failures in governance. The Croydon RIPI had a cross cutting set of recommendations and assessments in respect of the financial sustainability and financial management of the council. It was stated that it was hugely important that the Council responded positively to this report and recommendations raised as it was fundamental to the future sustainability of the Council.

The Grant Thornton Director advised Members that the report was split into three areas; financial matters, other matters and governance.

It was noted that the financial position of the Council had deteriorated over a number years; particularly in respect of overspends in children's and adults social care and support for Unaccompanied Asylum Seeker Children (UASC). Whilst it was recognised that these overspends had been reported and that there was always context to those overspends, such as reductions in funding, increased levels of demand and responding to the inadequate Ofsted rating, other authorities had also experienced those challenges and had not reached

the same financial situation. The council, it was stressed, had a responsibility to operate within the funding it had.

It was reported that Grant Thornton had found it difficult to determine whether there had been adequate challenge by Members of these overspends to understand the underlying causes. As such, it had been difficult to establish that effective action had been taken to address overspends.

Members were informed that reserve levels had been very low for a number of years and in recent years had been reduced year on year to the point that the authority's reserves were the lowest in London. It was further noted that the Council's Financial Strategy had been amended in 2018/19 to have reserves between 3 - 5%, however it was noted that there was insufficient evidence that this decision had been challenged by Members in terms of its appropriateness. Council were informed that Grant Thornton had raised concerns in relation to the reserves levels in its 2017/18 value for money conclusion and this had been a significant factor in its adverse qualification in 2018/19.

Council were advised that Grant Thornton were not the only organisation highlighting concerns in relation to Croydon's reserve levels; CIPFA resilience index and the Institute for Fiscal Studies tools also raised concerns which were not responded to.

The Grant Thornton Director stated that there was guidance on the use of capital receipts; that expenditure had to generate ongoing savings or transform service delivery to facilitate reductions in expenditure. A strategy on how capital receipts would be used had been presented in December 2017 and the amounts used had been reported. It had been reported that the council had invested £73m of public money via the use of capital receipts over a period of three financial years but the external auditors were unable to see adequate challenge of the use of these monies to ensure the right investments were being made and that reduction in service expenditure was being realised. It was stated that Grant Thornton had requested that use of flexible capital receipts be reviewed to determine whether or not the transformation funding had been used appropriately.

It was noted that at Quarter 2 of 2019/20 financial year a £10million overspend had been reported, which was the same level as the earmarked general fund reserves. By Quarter 3 the outturn and overspend had reduced to just over £2million, but that this had only been possible by applying a significant number of corporate adjustments. It was recognised that as the external auditor it was their role to challenge the validity or corporate adjustments but it would have been expected that Members would also provide strong challenge to those adjustments however there was limited evidence of this.

The presentation addressed the budget setting for 2020/21 which was recognised as challenging, even pre-covid. The financial gap had been identified and a plan to meet that gap had been drawn up which included

substantial savings and income generation, however concerns were raised that any such plan should have a robust risk assessment and project management in place. Grant Thornton stated that it had been difficult to assess how the Council had performed throughout the year against those planned savings as it had been separately reported. It was further noted that the planned savings were double than those identified in previous years and that this should have been challenged by Members when setting the budget. Despite these challenges, it was noted the budget had been voted for by all in the Council Chamber.

Grant Thornton stated that despite the challenging savings plan and the adverse qualification by the external auditors in 2018/19 these factors did not appear to have been taken into consideration by the Council when setting its budget. Grant Thornton, however, were concerned and were considering statutory recommendations.

Members were informed that the external auditors had written to the previous Chief Executive in April 2020 and set out the actions which they considered to be vital to address the financial situation. In response, a Finance Review Panel was convened in late May 2020 when the financial gap was identified as being £65million. It was noted that good progress had been made to close that gap, however by 22 July Panel meeting it was clear that the budget gap could not be met and discussions took place in regard to making an informal approach to the Ministry of Housing, Communities & Local Government (MHCLG) for a capitalisation direction. It was, however, noted that by November the Section 151 Officer had reported the financial gap as £66m and so it was felt that there had been insufficient action to address the issue. It was further raised that the Head of Internal Audit and the Financial Consultant had also raised areas of required improvement and it was recommended that the actions being taken should be monitored by the General Purposes & Audit Committee (GPAC).

It was noted that the Section 114 Report issued by the Council's Director of Finance, Investment & Risk and Section 151 Officer set out the Council's financial position.

The Treasury Management Policy was highlighted by Grant Thornton as there had been substantial increases in borrowing in the previous three years. It was stated that it was important that as Members they understood what an appropriate level of borrowing was as interest rates had an impact on budget pressures. Prudential indicators showed that the Council's borrowing levels were at or above the level which was considered prudent. It was stressed, in response, that it was important that Councillors understood whether the borrowing levels were affordable as they had a responsibility to look after public money. Members were informed that the interest payments on borrowing further added pressure on the annual budget, and whilst borrowing was not inherently wrong it was important to fully understand the affordability of that borrowing and whether that borrowing would deliver ongoing benefits for residents.

The borrowing, Grant Thornton noted, was to predominantly fund the Asset Investment Strategy and the Revolving Investment Fund. It was recognised that other council's had also invested in property, however the varying degrees of risks of those investments needed to be assessed. Additionally it was stated that those risks could be mitigated by robust due diligence and seeking expert advice.

It was recognised that investments would have been impacted in 2020 due to the impact of the pandemic, as both retail and leisure markets had been particularly hit, however it was stressed that the underlying risk assessment and management of those properties needed to be robust to ensure mitigations were in place.

The presentation highlighted that the Revolving Investment Fund had been established to invest in schemes which would pay back higher returns than the amount invested. It was noted that when the scheme was agreed there was little evidence that Members challenged the continued use of the scheme, whether the intended benefits had been achieved or whether the third parties which were being lent money remained financially sound. Concerns were raised that the risk assessment for the Fund had not been completed which was another example of a lack of financial rigour within the organisation.

The Council's structure of groups and organisations which it had established was highlighted by Grant Thornton as being a complex structure which was challenging to understand. The Grant Thornton Director highlighted that the RIPI set out clear concerns in relation to Brick by Brick, which the Council was sole shareholder of. It would have been expected that there was clear governance in place to ensure the safeguarding of public money as loans in excess of £200million had been given to Brick by Brick. Whilst it was noted that external support had now been brought in to understand the company structure, it was felt that there had been insufficient scrutiny or challenge to ensure that the company was delivering what it was intended to deliver. It was suggested that, as this was not an area which Council's traditionally held expertise on, that in future the Council should invest in expert support to understand the risks of investments if it ever sought to invest in the future.

The Grant Thornton Director stated that the overarching theme in the RIPI report was governance. The report noted that there had been opportunities in recent years when the Council could have, and should have, taken action to mitigate the financial position of the authority to avoid the position the Council found itself in; that the financial pressures exceeded the reserves position. It was stated that there were warning signs within the report; including reported overspends and reliance on savings and income generation; and that the Council should have taken action to address those concerns.

It was stated that Members had a responsibility to Council Taxpayers to understand the implications before entering arrangements which would have a long term financial impact. The Governance Review undertaken by the Council was noted by Grant Thornton as identifying that structures were in

place but that improvements in the culture of decision making were required; especially when relating to financial sustainability. It was concluded that the missed opportunities represented deficiencies in financial planning, financial management, risk assessment, communications between officers and Members and challenge from Members prior to the approval of strategies and plans.

The presentation reflected upon the role of Members and the improvement journey. It was noted that as the financial challenges of local government increases the challenge for Members had also increased. It was recognised that being a Member of a Council was complex job as it required an in-depth understanding of the local authority and keeping abreast of information to support decisions on spending and income generation. It was stated that in Croydon, this role was not being conducted effectively.

The Grant Thornton Partner reflected that in previous years the role of Members in Croydon had been more difficult by the complexity of the arrangements the Council had entered. Nonetheless, it was stated, it was felt by Grant Thornton that there was room for improvement as was set out in the RIPI. It was stated that the role of Members was crucial throughout the whole decision making process; Members were the decision makers and officers were there to advise and exercise certain statutory functions.

The role of scrutiny and audit was highlighted in the presentation and it was noted that often the most effective scrutiny had been from the administration undertaking its role of providing challenge or from cross-party challenge. Scrutiny and audit, it was noted, should be collaborative in working to the best interests of the residents of Croydon. Furthermore, the role of Members, it was stressed, was not to micro-manage services; it was to scrutinise policy direction and provide challenge, while the role of officers was to execute the policy set by Members. The challenge of Members in formal meetings should be recorded, it was stated, and so there was a clear audit trail of questions asked by Members and the responses that they received.

The Grant Thornton Partner concluded that they had been pleased with the Council's response to the RIPI to-date; that the issues and challenges had been acknowledged by officers and Members and an improvement journey had started. It was stated that whilst there would be hurdles to overcome, which would be highlighted within critical audit commentary, the direction of travel was one, and needed to be taken.

Madam Mayor thanked the representatives of Grant Thornton for their presentation and the care with which they set out the issues for consideration.

Questions of a factual nature to Grant Thornton

Council were advised that thirty minutes had been allocated for questions to Grant Thornton on a factual nature concerning the RIPI.

The Leader of the Opposition, **Councillor Perry**, noted that the RIPI referenced that Grant Thornton had written to the former Chief Executive in April 2020 in relation to their concerns regarding the financial situation of the Council. That letter, it was stated, had been marked 'Private and Confidential' and so had not been shared with Members. Councillor Perry queried whether it was normal for a letter of that nature to be marked 'Private and Confidential'.

In response, the Grant Thornton Director stated that the letter had been marked as such as the country was under tight restrictions and the external auditors had wanted to ensure the letter was received by the previous Chief Executive.

Councillor Perry further asked whether it was normal for such a letter to be marked as 'Private and Confidential' and whether this was due to it being sent to an individual. He further queried whether it would be possible for the letter to be released to Members.

The Grant Thornton Director confirmed that she had no issue with the letter being released to Members; that it had not been the intention that it remain restricted rather that the marking of the letter was only to ensure it was received. In terms of the content, it was stated that this was largely covered in the first section of the RIPI.

Councillor Audsley requested clarification on Grant Thornton's experience of both officers and Members responding to previously raised concerns and what their expectation would be.

It was confirmed that Grant Thornton had first raised concerns in 2017/18 with value for money conclusions being reported to GPAC in July 2018. Following that report there were agreements that actions would be taken and the Director from Grant Thornton stated they would have expected that those actions would be implemented. It was further stated that it would be expected that there would be routine reporting to GPAC on the implementation of those actions. In 2018/19 the adverse value for money conclusion had been reported; in addition the report noted that the recommendations from 2017/18 had not been implemented. It was stated that in response to the 2018/19 report it would have been expected that there would be great urgency to rectify the situation. As it was felt that action had not been taken Grant Thornton continued to raise concerns.

It was stressed in response to the question that Grant Thornton would expect the Council to follow up on any recommendations from external auditors, financial consultants or the Head of Internal Audit to ensure implementation.

As a supplementary question, Councillor Audsley, queried how Grant Thornton would expect a backbench councillor to receive information and what his responsibility would be to support the council as part of the collective responsibility of the Council.

It was confirmed by the Grant Thornton Director that GPAC had received the reports from the external auditors. Audit committees ordinarily submit annual reports to Council which set out how recommendations had been implemented. The Partner from Grant Thornton further noted that one of the recommendations from the Redmond Review had been that the annual attendance of external auditors at Council meetings should be reinstated to facilitate further Member questioning of their findings and assurance that recommendations were being implemented.

The complex arrangements of subsidiary companies referenced within the RIPI, including the creation of a charity and LLP, was noted by **Councillor Jason Cummings**. It was queried whether these organisations were legally distinct from the Council and whether the charity functioned as a charity or whether it was corporate body set up for tax purposes.

In response, the Grant Thornton Director stated that Croydon Council had a variety of companies which it was associated with and that some of those were legal entities of themselves. It was confirmed that the Council was the sole shareholder of Brick by Brick and London Borough of Croydon Holdings LLP held the Council's share of the interest in all the smaller companies. The LLP, it was stated, had been struck off by Companies House and was the holding company which the Council owned 100% of.

Councillor Jason Cummings raised concerns that the company structure had been created in order to enable the Council to use Right to Buy receipts and queried whether the company structure satisfied the requirements in terms of the use of those receipts. It was recognised that if this was not the case then the Council could be liable to return the money to the Government which would further impact the financial position of the Council.

The Grant Thornton Director confirmed that they had reviewed some of those receipts and were working on reviewing those from the 2019/20 accounts. In previous years, it was stated, the external auditors had been able to satisfy themselves of the process used but needed to fully review the process in 2019/20.

After reviewing previous GPAC meeting minutes, **Councillor Mann** stated that there appeared to be a breakdown between the Council and auditors as the minutes recorded that discussions were held that stated there were strong plans for growth and robust mechanisms in place to deliver despite significant pressures. Councillor Mann queried how the relationship between the Council and external auditors could be strengthened to ensure that such a breakdown did not take place again and that concerns were acted upon in future.

In response, the Grant Thornton Director reflected that during the GPAC meeting where she reported the adverse value for money conclusion that questions from committee members had not been directed to her. It was suggested that should Members have concerns that they request more regular updates from officers or invite the external auditor to attend meetings

more regularly to understand the level of concern being expressed or to assess progress made.

It was further noted that it was not the role of the external auditor to jump in but rather to consider the council's approach and to reflect on the risks that the council had taken. The Grant Thornton Partner reflected that there had been a period of growth, in both London and the South East, and that the economic outlook had looked positive in terms of growth and opportunities as such the external auditor had considered this when reviewing the risks taken by the Council in the past.

The Grant Thornton Partner stated that when the external auditors had raised concerns and had reported an adverse value of money conclusion there had been little reaction from the Council when it would have been expected that Members would demand action and hold appropriate Members to account. Robust challenge and action was expected going forward, whether concerns were raised by external auditors, internal auditors, or financial or governance stakeholders. In context, the Partner stated that very few Councils received such a qualification.

Councillor Hale noted on page 19 of the RIPI that London Borough of Croydon Holdings LLP had been written to twice by Companies House prior to strike off proceedings starting and queried when those letters had been sent and when Grant Thornton had seen them.

In response, the Grant Thornton Director stated that she had seen the letters and it was established that the company had been struck off in December 2019 when a search of Companies House was conducted as part of the external auditors planning process ahead of an audit.

Further queries were made by Councillor Hale as to whether Grant Thornton would expect Members to be informed of the LLP being struck off as it was noted that she was first informed of this in the RIPI.

The Grant Thornton Director noted that in the RIPI it was stated to be a failure of the Council to establish adequate arrangements to fully understand the position of the Council's companies. As such, there were no mechanisms in place to inform Members of this position or to allow for challenge. This was an area that the external auditors felt should be reviewed going forward.

In response to **Councillor Hay-Justice's** question of examples of best practice from other councils, the Grant Thornton Director highlighted the external audit report from 2017/18 included recommendations and best practice would have been for GPAC to request updates on the implementation of the recommendations. It was noted that another London Borough had failed to implement some recommendations from a previous year and recognised that this would not be accepted by that council's Members as if recommendations are accepted then it was appropriate for them to be implemented.

Additionally, the Grant Thornton Partner stated that it was important that Members saw both external and internal auditors as partners who will provide assurances but also scrutiny and challenge as their roles require. Recommendations made by auditors are made due to an evidence base and so Members can be assured that there are real concerns which should be addressed.

Councillor Hay-Justice noted that in recent months there had been a number of changes within the leadership of the Council and queried whether the external auditors had witnessed any demonstrable change in behaviour and culture of the organisation following those changes.

In response, Grant Thornton stated that in recent months they had seen a greater urgency and pace in response to the points raised. It was further reported that the Director from Grant Thornton had attended all meetings of the Finance Review Panel and there had been more challenge around the required actions in recent months. Whilst changes had been made, it was noted that changes in leadership were not the sole solution to the challenges facing the Council and that cultural changes needed to be embedded in the organisation also which would take time. The importance of scrutiny and challenge from Members was highlighted as being important in the evolution of the Council but that it was important that Members recognised that change took time.

It was noted by **Councillor Gatland** that the RIPI was critical of the Council's handling of the Dedicated Schools Grants and queried whether there remained a disagreement with the Council on the how the overspend on high needs had been handled.

In response, the Grant Thornton Director confirmed that the external auditor had not agreed with the Council's approach in 2018/19 but that this accounting treatment had been reversed in the 2019/20 accounts. It was recognised that the Dedicated Schools Grant remained a challenge for the Council, however it was stated that there were a number of authorities which were also struggling to contain the costs of the higher needs students. The impact on Croydon was noted to be that the way it had been accounted had reduced the Council's reserves further.

Councillor Gatland queried whether the external auditors concerns in relation to the treatment of the Dedicated Schools Grant should have been reported to not just Members but the Schools Forum also. In response, the Director from Grant Thornton stated that as external auditors they had not agreed with the accounting treatment and this had been report to GPAC in July 2019. Any further reporting on these concerns, such as to the Schools Forum, would be a matter for the Council to manage.

In response to **Councillor Clouder's** question on whether, in Grant Thornton's assessment of the Council's approach to risk management on borrowing and investments, Croydon Council differed from local government best practice, the Director from Grant Thornton referenced the Prudential

indicators. It was noted that there were a number of local authorities which were not reaching the top end of those indicators, and whilst borrowing had been reported it would be expected that Members would challenge that level of borrowing as Croydon was at the top end of the indicators which suggested that it would become difficult to manage that level of borrowing.

Councillor Clouder queried what more both officer and Members should have been doing in their respective roles to have avoided such a situation. It was stated that the reports submitted for decision should have been clear on the risks such as reserve levels were falling and that overspends continued rather than focusing only on the delivery of the Council's vision. Members, it was stated, should have been challenging more and requesting further detail in reports to properly understand the position of the Council.

Councillor Jason Cummings noted that a report which went to Cabinet in July 2017 established the Revolving Investment Fund of a revolving fund of £25million, and queried whether the external auditors were content that the Fund had worked as it was expected to and that the debts had been paid off. In response, the Grant Thornton Director stated that she would need to review all the files to provide a full answer but was aware that the amount paid in 2018/19 had appeared on the long term debtors figure and that had been paid off in April 2019. As such, it was confirmed that elements of the Fund had worked as anticipated.

The overspend on UASC was noted by Councillor Woodley and it was queried what would have been the appropriate challenge from councillors regarding this overspend in 2017/18 and 2018/19. It was recognised by Grant Thornton representatives that it was difficult matter but that councillors should have been aware of the UASC budget, noted that it was overspent by a large amount and challenged what could have been done differently. It was stated that it was reasonable for the Council to have been lobbying Government for more funding, but that concurrently Members should have been challenging officers on how services could have been delivered safely within the funding envelope available. Alternatively the Council could have continued to spend that money but saved money elsewhere to balance the budget.

Councillor Woodley noted that in accordance with the Home Office's formula Croydon should have been supporting 77 UASC, however it had been supporting around 400 children. It was further stated that the Council had a statutory duty to look after those children and so beyond lobbying the Councillor queried what more the Council could have done. In response the Director from Grant Thornton stated that the Council received funding based on an amount per child per night and so the funding should have increased in line within the higher number of children.

Madam Mayor advised Council that the thirty minutes allocated to questions to Grant Thornton had been reached and thanked both Sarah Ironmonger, Director, and Paul Dossett, Partner and Head of Local Government at Grant Thornton for their support and for answering Members questions.

Statements from the Leader of the Council and Leader of the Opposition

Madam Mayor called the Leader of the Council and the Leader of the Opposition to give their responses to the RIPI and advised that each Leader would have up to five minutes for their statements.

The Leader of the Council, **Councillor Hamida Ali**, began by stating that it was recognised that there were serious matters of discussion before Council and Members had a responsibility to consider the auditor's report as part of the Council's duty to draw the public's attention to the report and agree an action plan to address the concerns raised. It was noted that RIPI's were rare and the one on Croydon Council was only the fifth one and raised fundamental issues in relation to the Council's financial resilience and the governance of financial decision making.

Members were informed that the Administration fully accepted the findings in the report and the recommendations of Grant Thornton, and in recognition of the changes required had added some more recommendations to the report. The Leader stated that she would have overall responsibility for the Council's response and stressed that she was committed to diving forward the required improvement.

The Leader of the Council reflected that when she first read the report her response, like all Members, was one of shame, self-reflection and determination to change. When the report was first published the Leader stated that she had publically apologised and committed herself to putting the situation to rights as her top priority. This apology and commitment to the people of Croydon and Council staff was reiterated.

The auditor's report, the Leader noted, highlighted issues across all aspects of the Council including politically for the executive and non-executive and the Administration and Opposition.

The Leader of the Council recognised that residents, staff and stakeholders were concerned about the Council's position and how that would impact them. It was confirmed that as part of the Council's recovery there would be a drive to rebuild that trust with all stakeholders.

It was stated by the Leader that the meeting that evening was not just focussing on the position the Council was in but how it could move forward the Action Plan which had been put to Council for agreement. The Action Plan sought to set out how the Council would address the auditor's recommendations and launch a process of recovery and renewal for the organisation. The Leader noted that the Action Plan had been developed by staff across the Council and thanked the Interim Chief Executive and her team for developing the Plan and also thanked all staff who continued to deliver Council services and supported the communities of Croydon. External sources of support were additionally recognised as having been crucial in informing the development the renewal of the organisation including; Grant Thornton, members of the Finance Review Panel, the Local Government

Organisation and the team working on the Government's Non-Statutory Rapid Review.

Council were informed by the Leader of the Council that the Action Plan was just one element of the improvement work which was required. The Croydon Renewal Plan, it was stated, would provide a clear journey of improvement and will reflect the output of many of the reviews which were being undertaken, such as the Finance Review, the Strategic Review of Companies and the Non-Statutory Rapid Review which would all inform the work of the Council going forward.

The progress of the Council would not, it was stated, be only reliant on the Council's own assessment; rather the Action Plan sought to establish an independent Improvement Board which would track progress and challenge and hold the Council to account on its commitments. This, the Leader stated, would open the organisation up to external scrutiny.

The necessary cultural shift within the Council was noted by the Leader to be in progress with the new leadership of the Administration and the approach which had been taken by the Interim Chief Executive, but it was recognised that such issues that Croydon faced would not be resolved overnight. The Council, however, was committed to become an organisation which lived within its means, provided best quality cost services which were rooted in the communities through the utilisation of a professional and inclusive workforce.

The Leader of the Council concluded that she did not underestimate the challenge facing the organisation but stated that she was encouraged that Grant Thornton had noted that they were pleased with the progress made in recent months and remained grateful for the support from all stakeholders who were willing to support the Council in its journey to improvement.

Madam Mayor invited the Leader of the Opposition to address Council.

The Leader of the Opposition, **Councillor Perry**, stated that it was with great sadness that such a meeting was required and that the borough had been brought to its knees, in his opinion, due to the choices of the failing Labour Council. It was recognised that whilst the meeting had been convened to discuss the auditor's RIPI, the position of the Council had developed further with a Section 114 Notice having been issued and Council staff were thanked for their work and for continuing to deliver during such a difficult period.

It was stated by the Leader of the Opposition that Croydon Council had been financially negligent and that due to a lack of financial management the RIPI on the organisation had been more cross-cutting than the norm had been. It was noted by Councillor Perry that the auditor's had expressed concern that an organisation should not stack up large volumes of borrowing and that the Council had not heeded this principle.

The Leader of the Opposition stated that Conservative councillors and residents had read the report from Grant Thornton and the cross cutting

criticisms of the management of the Council's finances. It was highlighted that the report and presentation from the auditor's noted that the issuing of a RIPI was the most serious measure an external auditor could take and only five had been issued nationally since 2015, none of which had been in London. This situation, the Leader of the Opposition stated showed, in his opinion, how shocking the incompetence of the Labour Administration had been with the Council experiencing deteriorating financial resilience, previous auditor recommendations had not been implemented and opportunities to rectify the situation had been missed.

It was highlighted by the Leader of the Opposition that the Council's debt level had doubled since 2014 to £1.5billion which equated to £15,000 borrowed every hour since the Administration took office. Due to the financial position of the organisation, it was noted, it had become necessary to request a Capitalisation Direction from the Conservative Government. The Leader of the Opposition further noted that the Council's reserves had been reduced to £7million, that £250million had been lent to Brick by Brick and that the auditor's had raised concerns that the use of £73million of transformation money had not realised the aim of reducing demand or delivered savings. It was also highlighted that Grant Thornton had raised concerns in the RIPI that the Council had been focussed on service improvement and lobbying for more funding without sufficient focus on managing overspends.

At a meeting of GPAC, the Leader of the Opposition, noted that an independent expert had been brought in to review the financial processes and that errors had been made year on year to allow overspends to continue. It was stressed that those Members which had been part of the Cabinet shared responsibility for those overspends which had been challenged by Members of the Opposition on several occasions over the years. The Opposition, it was stated, had also challenged investments which had not delivered the intended outcomes and had highlighted overspends.

The Leader of the Opposition suggested the Labour Administration had been more interested in buying failing hotels or shopping precincts and complaining that it was not properly funded rather than concentrating on managing budgets which had overspent and ensuring the Council's reserves did not continue to decrease. Due to this focus, the Leader of the Opposition stated it would be the poorest and most vulnerable residents in Croydon which would suffer most as services were cut back to manage the budget.

A collective corporate blindness to both the seriousness of the position and the urgency of required action was highlighted by the Leader of the Opposition, and it was further stated that the lack of urgency continued within the Council with the Action Plan having not been intended to return to Council for another year. Amendments to recommendations 1.8 and 1.9 had been proposed by the Opposition and accepted by the Administration to ensure that Members received quarterly updates to ensure Members remained abreast of progress.

The Leader of the Opposition acknowledged there was a new Leader of the Council, however highlighted that Councillor Hamida Ali has been in the Cabinet during the period that financial governance had deteriorated within the Council. As such, it was stated that the Opposition had concerns that it would not be possible to trust the Cabinet to deliver the Action Plan; especially in light of savings had been taken to the September meeting of Cabinet of which £17million worth had subsequently been identified as having been double counted. The Leader of the Opposition concluded that the Conservatives would not support recommendations 1.3 and 1.6 of the report as they did not believe that the Administration could deliver and it was stated Croydon deserved better.

Question Time with the Leader, Cabinet, and Chairs of the General Purposes & Audit Committee and Scrutiny & Overview Committee

Madam Mayor advised Council that 60 minutes had been allocated for questions to the Leader, Cabinet and the Chairs of the General Purposes & Audit Committee and Scrutiny & Overview Committee.

Councillor Perry noted that the Leader had been a member of the Cabinet for a considerable period of time and had supported the decisions of Cabinet; as such he queried how she could be considered a “new broom” when she had been part of the decision making which had gone before. In response, the Leader agreed that she had been part of the previous Cabinet and took her share of the responsibility for the position the Council was facing, however she reminded Council that the auditor’s had stated that it was corporate challenge for all of the organisation to tackle. The Leader, did however, accept that Cabinet had a disproportionate responsibility in the decision making of the authority.

The Leader confirmed that she remained resolutely focused on correcting the situation and stressed that she was surprised that the Opposition sought to reject the Action Plan which sought to put the Council on the right footing for the future; to address the organisation’s financial sustainability and decision making governance. It was stressed by the Leader that it was of paramount importance that the organisation looked forward and implemented the Action Plan.

Councillor Perry, in his supplementary question, noted that he felt the Council would move forward but that it was the role of the Opposition to hold the Administration to account and that it was their intention to fulfil that role. It was clarified that the Opposition did not believe the Administration were able to deliver the Action Plan and that was the reason for not supporting it. Councillor Perry noted the Leader’s desire to put things right and pointed to a few members of the Labour Group who, in his opinion, had brought the borough into disrepute and so queried whether the whip would be removed from those Members and called for their resignation as it was felt that it was inappropriate to remain councillors for further 18 months until the next Local Election (2022).

The Leader stated, in response, that one of the recommendations within the paper was to establish an independent Improvement Board which would include Opposition participation. The purpose of that Board, it was noted, was to hold the Council to account to the delivery of the commitments within the Action Plan and improvement journey. The Leader reiterated that, given the corporate challenge facing the organisation and the auditor's statement that all Members across the Chamber had a responsibility to contribute to the response, the Opposition would oppose the Action Plan.

The leadership of both the Cabinet and Council was noted to have changed and that people who were previously in roles were no longer in place. It was however noted that problems facing the Council were not just the responsibility of specific individuals but was a systemic issue. The Leader stressed that the important matter of the meeting was to consider the auditor's advice, their report and to consider the Action Plan to move forward and address the fundamental issues raised. Addressing these issues, it was noted, would take time but was the focus for the Administration going forward.

Councillor Fraser in his question to the Cabinet Member for Resources & Financial Governance noted it was important to look beyond party politics and look to address the system issues faced by the Council. It was queried what the Cabinet Member expected the capacity within the finance team to be and whether that capacity would be enhanced where necessary to support the council's response to the financial challenges.

The Cabinet Member for Resources & Financial Governance stated in response that ensuring the finance team had both the capacity and capability was vital to the Council's journey of financial improvement. It was recognised that the team had been stretched in recent months and investment in the team was necessary to improve performance. All vacancies had been filled and the team, it was reported, had been bolstered with half a dozen extra finance officers to support the additional demands on the services and 100 days of work from PwC had also been brought in to improve financial monitoring and training. The Cabinet Member noted Grant Thornton had stated earlier in the evening that they had noticed some improvement in the pace of change which he felt was reassuring that the Council was starting to head in the right direction.

Councillor Fraser in his supplementary question requested details on how the new arrangements within the Council would improve risk management assessments, with particular reference to financial investments. In response, the Cabinet Member stated that everyone would be trained and highlighted training by the Local Government Association (LGA) which he had attended and hoped would be rolled out to all Members. The Cabinet Member further stated that he would hope financial training would be mandatory as it was important for all Members to understand the risks when taking decisions.

Councillor Hale noted that the minutes of the February 2020 Cabinet meeting recorded Councillor Hall (then Cabinet Member for Finance & Resources) as stating Brick by Brick was providing dividend payments to the

Council and that dividend and interest payments were supporting the delivery of frontline services. Furthermore, the September 2020 Cabinet minutes recorded the same Member confirming that Brick by Brick were required to repay loans and that payments were up to date, however the RIPI stated that no dividends or interest payments had been made.

In response, the Leader noted that the September 2020 Cabinet meeting commissioned PwC to review the Council's company structure, which included Brick by Brick. The report following that review was due to be taken Cabinet the following week. The Leader stated that from the work to understand the Council's financial position, including the worsening position at Quarter 2 was partly due to not receiving repayments from Brick by Bricks or any dividends.

In her supplementary question, Councillor Hale noted that the truthfulness element of the Nolan principles was due to be reintroduced by the Administration but queried when that principle had been removed by the Council. The Leader stated that the report before Council reminded both Members and officers of the importance of the Nolan principles. It was further noted by the Leader that the audit report highlighted the corporate nature of the challenges facing the Council, including all Members, and as such it was important to remind all within the Council of their responsibilities; whether it be the Member Code of Conduct or officer's contractual obligations.

Madam Mayor invited Councillor Hall to make a point of personal explanation. Councillor Hall stated that he had said the 2019/20 budget included dividends from Brick by Brick at the February 2020 Cabinet meeting. That at the September 2020 Cabinet meeting his statement that a divide would be declared was based on a mixture of information from officers and Brick by Brick. Councillor Hall stressed that while the financial picture had evolved those statements were made in good faith based on information that he felt was factually correct. The councillor stated that he regretted not reading the minutes of those meetings closely to ensure they fully recorded his statements.

Due to a technical difficulties Madam Mayor moved to another question from the Opposition.

Councillor Jason Cummings noted that in the weeks prior to the meeting that more issues had been discovered which had impacted the Council's financial position and requested assurance from the Cabinet Member for Croydon Renewal on how Kathryn Bull and Jonathan Bunt were selected as Directors of Croydon Affordable Housing. It was stated that Croydon Affordable Housing had a 90% controlling interest in four LLPs which had been lent millions of pounds by the Council through complex arrangements.

In response the Cabinet Member for Croydon Renewal thanked Councillor Jason Cummings for the clarification, however given the appointments for Kathryn Bull and Jonathan were made in August 2017 he was unable to give details of their appointments as it pre-dated him being in position. The Cabinet

Member highlighted that PwC had been appointed to undertake a strategic review of all companies, and not just Brick by Brick, and that report was due to be considered by Cabinet the following week.

Councillor Jason Cummings expressed surprise that the Cabinet Member had neither met nor spoken to the Directors given the level of control they had over the companies which had been involved in the Council's financial situation. As such, the councillor suggested the Cabinet Member acquaint himself with the directors of Croydon Affordable Housing. The Cabinet Member thanked Councillor Jason Cummings for the suggestion and agreed that it is important that there was an understanding of Croydon Affordable Housing. He further reiterated that the strategic review was due to be considered by Cabinet the following week and would recommend that further work be commissioned. It was stated that 75% of PwC's work had concentrated on Brick by Brick and so the Cabinet Member was most familiar with that part of the company structures.

Councillor Degrads advised that she had been speaking to residents about their concerns about the Council's financial situation and whilst residents were concerned she stated they recognised that everyone made mistakes. The Leader was thanked for apologising for the mistakes that had been made and for acknowledging the mistrust and hurt of residents. It was suggested that judgement of the Council will be based on its response to remedy the issues raised; to that end the councillor queried how the Council would measure its success in rebuilding the trust between the Council and residents.

In the response, the Leader recognised that all Members would have heard from stakeholders, including residents, on their concerns in relation to the Council's financial situation. The Leader sought to reassure them that despite the situation, and the issuing of the Section 114 Notice the previous week, that the Council would continue to deliver the vital services residents relied upon whilst addressing its financial position. It was recognised that the rebuilding trust was integral and had been included as an additional recommendation in response to the RIPI. The Leader informed Members that a report would be taken to Cabinet the following week which outlined some budget proposals and would include a commitment to consult on those proposals as the Council were keen to discuss with residents how the organisation could resolve its financial situation. The Leader also pointed to the development of the independent Improvement Board as another opportunity to engage with residents.

Councillor Canning noted that recommendation 17 stated that the Council and Cabinet should reconsider the financial business case for continuing to invest in Brick by Brick before agreeing any further borrowing. Whilst the company had been set up with the best of intentions, the councillor suggested that it had been described as little more than a Ponzi scheme. Councillor Canning queried whether the Cabinet Member for Croydon Renewal recognised the description of Brick by Brick and confirmed how much the company owed the Council and whether further borrowing would be required in future.

The Cabinet Member for Croydon Renewal reiterated that PwC had undertaken a strategic review which had included Brick by Brick and other Council companies and that report was due to be considered at the Cabinet meeting on 25 November 2020. Whilst the description of Brick by Brick being a Ponzi scheme was not one which the Cabinet Member would use, it was stated that it was clear that the ambitious business plan, which had been endorsed by Council, had placed the organisation at risk. The Cabinet Member went on to state that governance had been inadequate and that protocols had not been enforced, but he sought to assure Members that robust systems had since been put in place.

In response to queries in relation to the money owed by Brick by Brick, the Cabinet Member stated that there was around £30million of interest and dividend payments which had not been received and that around £200million had been lent to Brick by Brick. The PwC report, it was stated included a number of options for the Council to consider but it was recognised that further work was required to understand the best course of action for the Council to take to protect taxpayers money. To support this ongoing work, the Cabinet Member informed Council that in the short term it may be necessary to continue to fund Brick by Brick in line with loan agreements and would be considered on a site by site basis.

In his supplementary question, Councillor Canning asked what arrangements were going to be made to enable Members to fully discuss the PwC strategic review. The Cabinet Member, in response, advised that the report was due to be discussed at Cabinet the following week. Additionally, the Cabinet Member highlighted recommendation 17 and 18 of the report which committed Cabinet to take a report to Scrutiny & Overview Committee also.

Councillor Parker queried why some councillors who, in his opinion, were responsible for bankrupting the Council were able to continue in their positions and claim allowances.

Madam Mayor requested Members avoid attributing improper motives to Members.

The Leader clarified that the Section 114 Notice stated the Council was on track to spend more than it had, however despite this the Council would continue to deliver services which were required, such as refuse collections and services which kept communities safe. It was recognised by the Leader that the Council needed to respond to the challenge quickly and in the medium term address the financial resilience concerns which had been raised by the auditors. The Leader stressed that Grant Thornton's report raised issues across the organisation, including politically for both Groups, and whilst she took her share of the responsibility she noted she was in a new role and was leading a Cabinet which was resolutely focussed on putting things right.

In his supplementary question, Councillor Parker stated that in his opinion those who were members of the Cabinet in previous six years should stand

down from Cabinet. It was stated to be morally the right things to do and would give Croydon the fresh start it needed.

In response, the Leader publically acknowledged the mistakes which had been made and that the Cabinet were looking to resolve the situation by acting quickly and resolutely. She noted that her response had not been to step down from her position as a Cabinet Member but rather to step forward as the Leader of the Council to lead the organisation through the necessary changes. It was recognised that there were fundamental concerns relating the Council's financial resilience and it was her goal to lead the changes to put the organisation to a more sustainable financial position and to protect important services which residents relied upon.

Madam Mayor invited Councillor Streeter to make a point of order. Councillor Streeter raised objections to Councillor Parker being corrected as it was stated he had not made a personal comment about another Member, been insulting or used derogatory language. Rather, Councillor Streeter stated, Councillor Parker had called into question the action and behaviour of some senior councillors. Concern was raised that the Council had been criticised for not challenging effectively and that robust challenge should not be stopped.

Madam Mayor thanked Councillor Streeter for his point of order but noted that under the Council's Constitution she was bound to ensure undue motives were not attributed to Members.

The concerns raised by Grant Thornton in relation to the Council's use of capital receipts for transformation projects was noted by **Councillor Ben-Hassel** and she queried how the Council would assure MHCLG and residents that future use of transformation funds would be appropriate with robust performance monitoring and risk management in place.

In response, the Cabinet Member for Croydon Renewal noted that Grant Thornton were challenging £5.6million which had been allocated as transformation funding in the unaudited 2019/20 accounts, and if it was required to be adjusted then that would place further pressure on the reserves position. In terms of future risks, the Cabinet Member noted Croydon did not have future capital receipts which could be used for transformation funding and the Government's scheme was due to end the following year. Despite this, the Cabinet Member stated that there were important lessons for the organisation to learn as evidenced by being a high priority recommendation in the RIPI. The Chief Executive's review of past use of transformation funding and the development of a new strategy for managing this money were highlighted as significant responses to what was acknowledged as being a serious issue.

In her supplementary question, Councillor Ben-Hassel queried whether any of the capitalisation direction funding, if secured, would be used to establish more effective corporate monitoring framework which would enable full oversight of outcomes and support ongoing effective risk management. The Cabinet Member for Croydon Renewal confirmed that, whether or not the

capitalisation direction was secured, it was an important piece of work. It was noted that four additional recommendations had been added by the Council, one of which included improving corporate performance management, monitoring and risk management.

Councillor Millson reflected on the meeting of the Scrutiny & Overview Committee which had reviewed the decision to purchase Croydon Park Hotel in September 2018. He noted that he had opposed the purchase for a number of reasons but stated the Chair of the Committee had waved away any concerns of Members. In light of the RIPI and the fact that the hotel management company had folded the councillor questioned whether the Chair felt that his approach had been wrong.

In response, the Chair of Scrutiny & Overview Committee stated that the RIPI had lessons for all at the Council. Members were informed the Chair had recently reviewed the minutes of that meeting and that the Chair had supported the request for the call-in of the decision to purchase Croydon Park Hotel. It was stated that as part of the preparation of that meeting the Chair and Vice-Chair had requested that the draft Asset Management Strategy be taken to that meeting also to support Members understanding of the rationale of purchasing the hotel. The Chair noted that the Committee reviewed the Strategy and a large volume of Part B information and voted on whether to refer the decision further, and whilst it was recognised that Councillor Millson had voted against the purchase the rest of the Committee voted in favour.

In his supplementary question, Councillor Millson noted the Committee had requested amendments to the Strategy following that meeting in September 2018 and it was for that reason Councillor Millson requested that purchase be referred to Council as the Strategy required amendments. It was suggested by Councillor Millson that the Chair of Committee stressed that the Committee was more powerful when speaking as one voice and so had encouraged Members to vote in one way. Councillor Millson noted that the role of scrutiny had been criticised by Grant Thornton and questioned whether in response the Chair would take responsibility for his actions and resign from his position.

The Chair of Scrutiny & Overview Committee, in response, suggested that Councillor Millson had sought to suggest that he had persuaded Conservative councillors to vote against their beliefs. It was stated that scrutiny was a cross-party activity and that speaking with one voice was best practice. On reflection, the Chair stated that he had learnt that they had been too trusting of officers who had stated it had been a good financial deal for Croydon and that the Committee had not effectively judged the risks of the investment. Furthermore, the Chair noted that going forward the Committee needed to look at how it could avoid party politics but support dissent being raised. Whilst he acknowledged that there were lessons to be learnt, he noted that it was important the Council focussed on how it could correct issues and he felt that he could support the strengthening of scrutiny by remaining the Chair.

Councillor Fitzpatrick asked the Chair of GPAC when she first realised that the Committee was no longer functioning as it should and what she had done

to resolve the issues. The Chair of GPAC stated that when she returned to chairing GPAC that the risk presentations had been discontinued as they had been a great source of information to the Committee by enabling Members to gain an understanding of the issues being faced, provided assurance and ensured internal controls were working effectively. It was stated that those sessions supported the work of the risk management and internal audit teams. The Chair of GPAC further noted that such sessions were integral, especially in light of the Head of Internal Audit giving the Council a limited assurance rating in the previous year.

In response to her concerns she had sought to strengthen the role of GPAC by increasing meeting frequency to ten a year, she had reintroduced risk presentations and had requested progress reports on the implementation of recommendations from the RIPI, Finance Review and other related reports and presentations.

Councillor Hopley referred to the report and the speed at which recommendations would need to be implemented to support the Council in balancing the books and raised concerns that the required pace would not be possible. Assurances were sought from the Cabinet Member for Families, Health & Social Care that she was moving at pace to implement the required changes as it was noted that action had not been taken in previous years to ensure a sustainable budget.

The Cabinet Member for Families, Health & Social Care assured Members that work had already begun and that the Council was working closely with the LGA and was speaking with its partners to agree ways of moving forward. The Cabinet Member stated the total cost of care was being looked at and work was taking place at pace.

In her supplementary question, Councillor Hopley disagreed that the Council was moving at pace as it was stated that the work to address the budget needed to be completed by December but the councillor had been unable to acquire a two page report on Covid from the Cabinet Member in the past year. As such, Councillor Hopley stated she had no confidence that the required action would take place and asked the Cabinet Member what she would say to those residents in care who were concerned about future provision.

In response, the Cabinet Member stressed she was committed to the people of Croydon and that she would continue to work at pace to ensure the transformation took place. Members were informed that she had spoken to a number of community groups to reassure them of her commitment and was happy to speak to any community group who wished for her to speak to them. In relation to the report referred to by Councillor Hopley, the Cabinet Member stated a meeting was being set up to discuss it further.

Councillor Clark noted that the external auditors had raised concerns that there had been insufficient challenge from Members on important decisions and queried what the Chair of Scrutiny & Overview Committees reflections had been on the effectiveness of scrutiny in recent years. In response the

Chair noted the RIPI was critical that scrutiny did not refer the matter of a potential Section 114 Notice to Council following its meeting in August 2020. It was stated that following a briefing on the Council's finances in May 2020, the Committee had sought to clear its work programme to concentrate the two main issues; Covid-19 and the Council's finances. However, it was recognised that at the call-in meeting in August the Committee had focussed too much on finances and not enough on the governance role of scrutiny in raising issues with Council and on reflection the Chair stated the Committee should have referred the matter even if the financial position had been out-of-date. The lesson learnt, the Chair reflected was that scrutiny had more than one role; to be a critical friend but to also calling attention to serious matters.

Councillor Andy Stranack noted that there was no mention of the voluntary or community sector being involved in the Finance Review Panel or the Croydon Renewal Panel and suggested that it was important to utilise the skills of Croydon to support the renewal of the borough. In response, the Cabinet Member for Communities, Safety & Resilience noted that the Improvement Board would include resident engagement in terms of the Renewal Plan. Furthermore, the Cabinet Member noted the importance of rebuilding trust with communities which he committed to work towards. The Cabinet Member welcomed working with Councillor Stranack on how communities and voluntary sector could be involved in the renewal of the borough.

In his supplementary question, Councillor Stranack queried which community groups the Cabinet Member has spoken to following the issuing of the Section 114 Notice. In response, the Cabinet Member stated that he had spoken with the Croydon Neighbourhood Care Association (CNCA), the BME Forum and Croydon Voluntary Action (CVA), and was due to meet with the Asian Resource Centre.

Madam Mayor advised Council that they had reached the end of the 60 minutes allocated for Question Time.

Debate on the recommendations

Councillor King proposed the recommendations contained within the report and began his statement by personally acknowledging the seriousness of the RIPI and the questions it asked of the Council. Councillor King stated that it was a matter of sincere regret that such a report would ever have been required.

It was stated by Councillor King that the Administration accepted in full and without equivocation every recommendation from Grant Thornton and had proposed a number of their own which it was felt further strengthened the Council's response and plan of action. It was noted that should the Action Plan be approved by Council that it was due to be considered by both GPAC and the Scrutiny & Overview Committee. It was acknowledged that the Action Plan had been developed within a short period time since the Council had

received the RIPI, in line with the statutory requirements, and as such it had been fully recognised that there was merit in it being considered.

The Action Plan contained actions to resolve a number of weaknesses, risks and shortcomings which had been identified and it was stated that they collectively represented the Council's determination to start and complete the improvement journey which would re-establish the Council's credibility with staff, partners and most importantly residents. It was stated by Councillor King that the improvement journey had not started that day but had started a number of weeks earlier when the organisation had accepted the reality of its situation. It was recognised that improvements had to be implemented rapidly, be embedded and needed to be long lasting to ensure the Council was sustainable in the future.

Members were informed by Councillor King that the Council would welcome and seek advice and guidance from all partners and thanked those who had supported the Finance Review Panel; colleagues from Southwark Council, Royal Borough of Greenwich and Croydon NHS. Councillor King also thanked the LGA and Camden Council who had assisted the Council to grapple with its social care costs and staff from across the organisation who had contributed to the process. It was recognised that staff were working under difficult circumstances and had done for an extended period of time and they were thanked for their continued work.

Councillor King stated that members of the new Administration would speak during the debate to their role in supporting and ensuring the delivery of actions within their portfolio areas. It was stressed that it was understood that there was a need for complete, undiluted and all-encompassing change in the culture of governance within the organisation. That change, it was stated, had begun with the appointment of the Interim Chief Executive and the election of a new Leader of the Council. With these changes, Councillor King noted that he was confident that change had arrived and whilst many would be sceptical all involved would work hard to demonstrate that their words were matched by deeds.

Councillor King concluded that the Administration were committed to changing themselves in order to change the Council for the better. The recommendations in the report were moved by Councillor King.

The Leader, **Councillor Hamida Ali**, seconded the recommendations within the report and reserved her right to speak.

Councillor Jason Cummings noted that when he had first heard of the RIPI his reaction was conflicted; that on the one hand he was pleased that it would be an opportunity to get to the bottom of the damage which had been done to the town, but on the other he could see that Croydon's reputation would be severely damaged and that the most vulnerable residents would be hit hardest by the repercussions. It was noted that the report was damning in its assessment of the Council and that very few RIPIs were issued and none, to Councillor Cummings knowledge had been as widely critical.

Having read the report, Councillor Cummings stated that he had been shocked as to the scale of mismanagement but he had not been shocked as to the issue matter. It was further stated that Members of the Opposition had been asking questions on almost all of the topics covered in the report for a number of years. The councillor noted that at the February 2020 Cabinet meeting he had queried the use of capital receipts, the levels of borrowing and its sustainability, the reserve levels and the deliverability of the budget and proposed savings; and that all those areas of concern were subjects within the RIPI. Councillor Cummings stated the previous Leader had suggested in response that he had been scaremongering by suggesting the council was not financially sustainable. It was, in his opinion, the belittling attitude which characterised the previous leadership.

Councillor Cummings felt that statements that those previous attitudes had passed noted that the Leader and Statutory Deputy Leader had been Cabinet Members during that period and had, it was stated, sat silently whilst concerns were raised. Questions were asked as to whether the Administration had learnt to listen.

It was suggested by Councillor Cummings that the recommendations within the report, should they be implemented, would be a good step towards rebuilding Croydon but questioned the capability of the leadership in delivering them. It was noted that the Leader, the Deputy Leader and most of the Cabinet were part of the team which, it was stated, had got the Council into its current position. Further, they had all voted to support the previous Leader and Cabinet Member for Finance & Resources during a vote of no confidence in September 2020. Councillor Cummings further noted that the Scrutiny & Overview Committee and GPAC had been significantly criticised within the RIPI but the chairs of those committees were still in position.

Concerns were raised that it was not yet clear of the final position of the Council; there were ongoing investigations and reports which Councillor Cummings feared would reveal financial issues and mismanagement. It was suggested that for Croydon to move on there not only needed to be a plan to move forwards but there also needed to be full understanding of what had happened previously. If the investigations did not take place then Councillor Cummings stated the people of Croydon would not have confidence that the issues would not reoccur as lessons needed to be learnt.

Councillor Cummings concluded that with the boroughs reputation in tatters and a Leader which only 21 of the 70 councillors had elected, the 2022 Local Elections could not come soon enough.

Councillor Hale was called to speak in the debate on the recommendation and stated that she was furious that the labour administration had brought such shame to the town; that, in her opinion, it had gone from being a flourishing and growing town with potential to one which was bankrupt.

The Conservative Group, it was stated, had been asking questions on the expenditure of the Council ever since Brick by Brick had been established in 2015 as they were keen to ensure the Council was getting good value for money. Councillor Hale noted that members of her Group had wanted to understand the governance and financial arrangements of Brick by Brick and had wanted to know how quickly affordable homes would be built in the borough. Concerns had been raised by Opposition Members when it was reported there had been a slippage in the timeframe for repayments of substantial loans and when sites identified for development were highly valued green spaces. It was further stated by Councillor Hale that issues had been highlighted in relation to the circular nature of the Council/Brick by Brick financial arrangements and that public money was circulating between the two organisations which exposed tax payers to increasing levels of risk.

Councillor Hale raised concerns that not only had the Administration brushed aside the concerns of the Opposition and residents, it had ignored the warnings of the external auditors. The RIPI, it was stated, had exposed the appalling position the Council had got itself into and despite assurances, Brick by Brick had still not repaid any of the money owed and the situation continued to deteriorate.

Councillor Hale concluded that Croydon was not a Monopoly board and that taxpayers money should not be gambled with. Croydon deserved better and it was unfair that hardworking staff would be impacted and important key services would be cut.

Councillor Young reflected that when he was first elected a councillor in 2016 he had been committed to making a valid contribution to local government and to deliver positive outcomes for residents. He had not anticipated that his first speech from the frontbench would be on a RIPI.

It was noted that such reports were rare and were not issued lightly and only when a public body had strayed from financial best practice. The Council, it was noted, had recognised its failings and that the cumulative impact had brought into question the Council's financial budget monitoring, risk assessments, risk management and financial resilience.

Councillor Young noted that councillors had the opportunity earlier in the meeting to hear first-hand from the auditors and that it had been clear that no one individual had caused the issues and that it was an organisation wide issue. It was stressed that the report had made it clear that all councillors were in need of financial training to better understand their role and financial responsibilities; that Council had agreed to use the guillotine to end a Council meeting in October 2018 when it was considering a £100million asset strategy. The report, it was further noted, highlighted that GPAC, with Members from both Groups, had not heeded the warnings in relation to financial sustainability and that scrutiny had also not referred significant financial concerns to Council for discussion.

As such, Councillor Young stressed that all Members could have done better in challenging underlying assumptions and financial proposals. To that end, it was proposed that all Members had a responsibility to improve their understanding of the Council's finances and competencies to undertake the role. It was important to ensure the Council had effective financial governance in place to measure up to the best public bodies and the leadership team would ensure the cultural shift would take place to enable this improvement. Councillor Young concluded by encouraging Members to support the improvement journey and to embrace the challenge collectively.

Selsdon Centre for the Retired which was based in **Councillor Millson's** ward was highlighted as a resource which provided activities to prevent the elderly from becoming isolated, lonely and depressed. It helped residents to remain independent in their own homes for as long as possible and the Centre had been funded for 40 years by the Council. It was stated that the funding would no longer be available and should the Centre not find alternative funding it would have to close depriving residents of precious support and company; and would further increase pressure on adult social services. This, it was noted by Councillor Millson, was an example of the real impact on residents in the borough due to the financial position of the Council.

Councillor Millson stated that the financial position of the Council had been raised by Conservative Members, Grant Thornton and external consultants but those warnings had been repeatedly ignored. Councillor Millson reflected that concerns raised at GPAC meetings had been brushed aside by the previous Cabinet Member. Concerns were raised that the previous Cabinet Member, who had not been a member of GPAC, presence at meetings had discouraged officers and auditors from speaking plainly. The call-in of the purchase of Croydon Park Hotel had been raised within the RIPI and Councillor Millson noted that discussion of the call-in had been limited to 30 minutes only by the Chair of the Committee and felt that his concerns had been brushed off in the meeting.

Recommendation 1.6 of the report, Councillor Millson noted, requested that GPAC and Scrutiny Committees review the Action Plan and submit reports to Council for consideration which is what the councillor would expect of independent committees. However, Councillor Millson stressed that, in his opinion, those committees were not independent and had been facilitators of previous decisions which had now put Selsdon Centre of the Retired at risk; as such he would not support recommendation 1.6 until alternative truly independent bodies had been established.

Councillor Jewitt informed Council that when she became Chair of GPAC earlier that year she had raised concerns with the then Leader that the committee was not functioning as it should be and set out her proposal for a way forward; however Covid-19 then struck and changes were delayed. She stated that her vision was for there to be ten meetings a year and, if it was required, additional meetings would be scheduled to deal with specific matters.

The number of meetings had now, it was reported, been increased to ten a year and specific identified risks would be taken to the Committee for discussion with both the relevant Cabinet Member and Director requested to attend to speak on the risk, the budget position and actions which were to be taken. Follow up reports would then be requested for the following two meetings and then they would be requested to attend the third meeting for further discussion. Councillor Jewitt stressed that this work should not be confused with the work of the scrutiny committees who would undertake deep dives into the delivery and running of departments, while GPAC would ensure robust governance and risk mitigation was in place. It was noted that it was important that both Members and officer took ownership of public money. It was fully recognised that urgent action was required to improve how the Council worked to ensure complete openness.

Councillor Jewitt reflected that when she returned as Chair of GPAC in 2019 she had been concerned that the risk presentations had been removed from the agenda and procurement contracts were no longer being overseen by the Committee. It was remarked that the Committee had always previously been very active in ensuring contractors and sub-contractors paid the London Living Wage and were value for money.

It was recognised that there was room for improvement, however Councillor Jewitt reflected that the minutes of previous meetings evidenced extensive questioning of auditors of several occasions; such as concerns raised in July 2018 in relation to the reserve levels and those concerns were further noted in the October 2019 auditor's reports. On both occasions, Councillor Jewitt stated the Committee were provided with responses which had satisfied Members but recognised, in hindsight, that it would have been prudent to have raised those concerns with Council.

Councillor Jewitt concluded that GPAC had Members from both Groups and discussions were fairly apolitical with all Members having an opportunity to ask questions, make points and contribute to discussions. It was hoped that it was recognised by the Opposition that there was a real drive to ensure the Committee ran in a prudent manner.

Following the 2017 Ofsted report on Children Services, **Councillor Gatland** stated that she did not think services to support vulnerable children could get worse however in 2020 the financial failures of the Council had been laid bare. It was accepted that children services across London were under pressure but it was noted that Croydon's debt was the worst in London. It was stated by Councillor Gatland that the recommendation to take action to manage demand and cost pressures would impact children services, and the most vulnerable children in the borough, and she stated that had warnings and concerns been listened to this would have been averted.

Millions had been invested in Children Services following the Ofsted rating and that had enabled the Council to be rated as Good at the beginning of 2020 with improvements still required in corporate parenting and support for care leavers. Councillor Gatland went on to note that over £30million of

transformation money had been spent but had not generated the necessary outcomes and so would contribute to the financial pressures faced.

Councillor Gatland noted that the accounting treatment of the Dedicated Schools Grant had been criticised by the auditors and whilst a way forward had been agreed with Grant Thornton it remained a serious challenge for the Council and the councillor expressed her surprise that these challenges had not been communicated with the Schools Forum and thus expressed concern that Members could not have faith that credible and effective action would be taken. Further concerns were raised that the portfolio holder cancelled a Corporate Parenting Panel meeting at late notice to attend a Labour Group meeting and stressed that actions spoke louder than words. Councillor Gatland concluded that the vulnerable children of Croydon deserved better from the Council.

It was acknowledged by **Councillor Fitzsimons** that mistakes had been made, both individually and by scrutiny as a whole. In addition to recognising the mistakes, Councillor Fitzsimons apologised for those mistakes, took responsibility for correcting those mistakes and supported all the recommendations of the auditors.

Councillor Fitzsimons stressed that the report made recommendations for all 70 councillors and supported the Action Plan which sought to correct the issues raised. It was noted that scrutiny needed greater rigour in its challenge of underlying assumptions before approving a budget; including have a greater understanding of a service's track record of delivery savings.

Council were reminded that scrutiny did not operate in a vacuum, rather it works within the context of the Constitution and national guidelines. It was noted by Councillor Fitzsimons that the guidelines state that scrutiny should provide constructive critical challenge, it should amplify the voices of those concerned, it should be led by independent people who took responsibility for their roles and drove improvement. Council, in turn, needed to provide a strong organisational culture and the power to access lessons. Councillor Fitzsimons noted that there were lessons to be learnt and that the Committee needed to reassess the balance between critical friend and alerting the Council to fundamental problems.

Councillor Fitzsimons further stated his support of improving the Council's budget setting, budget monitoring and risk assessment and he welcomed Ian O'Donnell's financial review which recommended a strengthened role of scrutiny in terms of budget setting. However, it was stressed that timely access to information was vital to all councillors.

It was noted that the national guidance recommended a Scrutiny & Executive Protocol and Councillor Fitzsimons stated he would be looking to embed the rights of scrutiny and backbench councillors into such a protocol. Furthermore, Council were informed that the Centre for Public Scrutiny had been asked to undertake an independent review of the scrutiny function in the Council and that report would be shared with all councillors.

Councillor Fitzsimons concluded by informing Council that scrutiny would be reviewing the RIPI Action Plan at its meeting in December 2020 and it would continue to play a vital role in the governance of the Council.

Councillor Streeter stated whilst it was not meeting anyone wanted to be necessary it had not come as a surprise. Alarm bells, it was stated, had been sounded for a number of years but no one had wanted those concerns to come true. Councillor Streeter stated that it was not just a political crisis or just about numbers on a spreadsheet; it was about real people who would suffer from the financial crises.

Concerns were raised by Councillor Streeter that residents would be asked to bail out the Council and would pay the price of its irresponsibility. The proposed increases in parking charges were pointed to by the councillor as being the first example of this, which he stated would impact the elderly and the low paid the most. Further concerns were raised that businesses would also be unduly impacted when they needed the support of the Council most following the ongoing impact of the pandemic.

Councillor Streeter stated that this was not the first time, in his opinion, Labour had lost control of public finances and that over the previous ten years the government had attempted to implement stringent spending controls to manage the finances. It was hoped by the councillor that it was now understood that if difficult financial decisions weren't made then cuts would fall like a sledgehammer and would have the hardest impact on the most vulnerable and as such he hoped those involved would reflect upon their errors and realise that financial sustainability was an act of compassion.

Councillor Flemming began by acknowledging the impact of the publication of the RIPI had on not only councillors but also residents and staff. It was further noted that this against the backdrop of not only the pandemic but also austerity which had also brought uncertainty.

The Administration, it was stated was committed to work together and their desire was to deliver the necessary changes at pace and address the issues identified in the report to ensure financial sustainability. The Action Plan, Councillor Flemming, noted set out the steps which were to be delivered to ensure improvement and it was noted that there were recommendations which specifically related to the social care department which Councillor Flemming accepted.

Council were informed that the Croydon Renewal Plan would be umbrella mechanism through which improvement would be delivered and it was noted that the Children's Improvement Board would have an important role to play also. Delivering at pace and providing assurance were highlighted by Councillor Flemming as being important elements of the improvement journey.

Councillor Flemming took the opportunity to respond to the concerns raised previously by Councillor Gatland and assured Members that she would ensure that the processes put in place would be robust and assurances would be sought to ensure savings were delivered. Councillor Flemming stated she would restart the sessions which enabled Members to gain a detailed insight into the social care service; including the specific issues faced.

It was stated by Councillor Flemming that Councillor Gatland had not previously raised concerns at the Schools Forum in relation to the accounting of the Dedicated Schools Grant, however the Council had accepted the auditors view and a way forward had been agreed.

Councillor Flemming concluded by stating that social workers had not lost their jobs and that a meeting of the Corporate Parenting Panel was due to take place in a fortnight.

The Leader of the Opposition, **Councillor Perry**, stated that in his opinion it was clear from the questions and the debate at the meeting that the Labour Council did not have the vision or the rigour to deliver the change needed for the borough; not just financial change but also cultural change. Whilst it was recognised there was a new leadership team it was not, in his opinion, as new Administration as Cabinet Members had only changed positions those councillors he felt at fault would not be expelled from the Group.

It was noted that in the auditor's report there had been a lack of understanding as to the urgency of the financial situation within the Council and it was stated by Councillor Perry that this lack of urgency and understanding continued.

Councillor Perry stated it had taken an amendment from the Conservative Group to ensure councillors would receive quarterly updates on progress against the Action Plan, and it was suggested that had the Labour Group understood the serious need for change then that amendment would have been in place already.

It was noted by Councillor Perry that each Cabinet Member had stated that they would now work at pace and would leave no stone unturned but questioned what they had been doing during the previous six years. He further criticised that questions had not been answered during the meeting that evening or responses had been that councillors needed more training, more workshops or the Council needed to wait for the PwC report. He had not felt that lessons had been learnt by the Administration and they were not properly aware of all of the facts, such as who were the directors of companies.

Councillor Perry questioned whether the Administration were focussing on putting things right as, in his opinion, they had shown they were woefully inadequate but had expected support. Whilst it was recognised that everyone made mistakes, Councillor Perry stressed the mistakes made were not simple

ones and had led to failing the residents of the borough and most of all vulnerable residents.

It was questioned whether the new Leader was taking the RIPI seriously when she had stated that residents should not be worried and that services would continue to be delivered. Residents were worried, Councillor Perry stated, as libraries and day centres were closed and they were no longer able to attend lunch clubs as ward budgets had been frozen. Councillor Perry stressed the seriousness of the situation could not be underplayed and apologies were not sufficient.

It was stated the Conservative Group would not celebrate the Leader's failures as they were there to support the residents of the borough by holding her and her Cabinet to account and challenging decisions. Councillor Perry concluded that he did not see a Council taking decisive action and he felt the Labour Council could not be trusted to deliver the required improvements, which was why his Group would not support recommendations 1.3 or 1.6 of the report.

The Leader, **Councillor Hamida Ali**, noted that the debate had rightly been a sobering one of reflecting on the auditor's finding and recommendations and discussing how the Council would response to those concerns. Councillor Ali thanked Grant Thornton for their work in exercising their statutory functions, their report, and their presentation that evening and for their ongoing advice. Members were also thanked for their active participation in such an important meeting.

Councillor Ali stated that she had hoped she would have been able to thank the Opposition more broadly for their engagement in the meeting and for their amendments but noted their intention to vote against the Action Plan which had been developed to enable the Council to move forward. It was stated to be both shocking and regrettable especially in light of the auditor's statement that it was a collective challenge for the Council to respond to the issues highlighted in the report.

It was noted that the recommendations had been amended to include an important principle of regular reporting of progress to Members. Councillor Ali, however, felt it was unfortunate that the Opposition could not extend the capacity to collaborate or find consensus with the Administration.

Councillor Ali stated the new Administration accepted, understood and recognised the situation the Council faced and recognised the need to resolve its financial resilience and improve the governance of decision making. The Action Plan, Councillor Ali stated, sought to achieve those goals. The Opposition, in Councillor Ali's opinion, had been unable to look forward at the implementation of improvements but had rather looked backwards only.

It was noted that Councillor Millson had objected to the involvement of the Non-Executive Committees in the process and had called for independent

voices but had not, Councillor Ali stated, recognised recommendation 1.12 which sought to introduce independent oversight and challenge.

Councillor Ali stressed that it was important to agree the recommendations before Council which both accepted and proposed detailed responses to each of the auditor's recommendations, proposed an independent Improvement Board and sought external support and challenge. It was stated by Councillor Ali that she was disappointed that both Groups were unable to act as one group that evening to support one of the most important moments in the organisation's history.

Councillor Ali concluded by asking Council to vote on the recommendations before it so that the work to implement the Action Plan could be started as it was vital to put things right for the borough.

Vote on the recommendations

Ahead of the vote on the recommendations contained within the report, Madam Mayor advised Council that there were 41 Labour Members and 29 Conservative Members in attendance.

Madam Mayor noted that recommendations 1.8 and 1.9 had been amended at the request of the Minority Group and with the agreement of the Majority Group ahead of the meeting. The amended recommendations read:

- 1.8 Council notes that a report will be brought back to Council in November 2021 to update Members on the progress on implementing the Action Plan. Also, Council notes that an ongoing quarterly progress monitoring report will be issued to all Councillors on the progress of implementing the Action Plan.
- 1.9 Council notes that prior to November 2021, there will be progress monitoring on this Action Plan and other associated plans. Cabinet will receive quarterly updates on progress. Updates will also be presented to the Scrutiny and Overview Committee and the General Purposes and Audit Committee, having regard to their respective terms of reference. Council will receive quarterly reports from the Improvement Board. Also, Council notes that the quarterly progress monitoring report will be an agenda item at every subsequent Full Council, Cabinet, Scrutiny & Overview Committee and GPAC for discussion

The recommendations, as set out in the report and the amended recommendations 1.8 and 1.9, were put to the vote individually. All recommendations were agreed unanimously; with the exception of recommendations 1.3 and 1.6 which were opposed by the Minority Group. Recommendation 1.3 and 1.6 were agreed by majority.

RESOLVED: To

- 1.1 Fully accept the findings of the Report in the Public Interest, the scale and urgency of the issues that it raises, and all of the external auditor's recommendations, from R1 to R20, and note that R1a, R1b, R2, R3, R9, R12, R14, R18, and R20 have been identified by the external auditor as high priority, as detailed in appendix A of the report;
- 1.2 Agree the four additional recommendations, LBC1 to LBC4, detailed in appendix B to the report;
- 1.3 Agree the Action Plan detailed at appendix B to the report, including the indicative timeline and accountabilities;
- 1.4 Note that the Action Plan includes a response to each of the external auditor's recommendations;
- 1.5 Agree that the Council continues to seek external support from across the sector to ensure that it learns from best practice nationally;
- 1.6 Agree that the Scrutiny and Overview Committee and the General Purposes and Audit Committee, at their next meetings, consider and review the Action Plan from their differing constitutional positions and report their feedback in separate reports to Cabinet at its 18th January 2021 meeting;
- 1.7 Request that Cabinet receive a report at its 18th January 2021 meeting on the Action Plan. The report will respond to the feedback from the Scrutiny and Overview Committee and the General Purposes and Audit Committee. The report will also provide further detail on the recommendations, timelines and accountabilities, the delivery mechanism to support the improvement work and the costs, where possible, associated with implementing the recommendations;
- 1.8 Note that a report will be brought back to Council in November 2021 to update Members on the progress on implementing the Action Plan. Also, note that an ongoing quarterly progress monitoring report will be issued to all Councillors on the progress of implementing the Action Plan.
- 1.9 Note that prior to November 2021, there will be progress monitoring on this Action Plan and other associated plans. Cabinet will receive quarterly updates on progress. Updates will also be presented to the Scrutiny and Overview Committee and the General Purposes and Audit Committee, having regard to their respective terms of reference. Council will receive quarterly reports from the Improvement Board. Also, Council notes that the quarterly progress monitoring report will be an agenda item at every subsequent Full Council, Cabinet, Scrutiny & Overview Committee and GPAC for discussion

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- 1.10 Agree to maintain a regular and open dialogue with the external auditor, the Local Government Association (LGA) and the Ministry of Housing, Communities and Local Government (MHCLG) to keep them apprised of the Council's progress in implementing its action plan in addition to inviting them to be members of the Council's Improvement Board;
 - 1.11 Agree that the Chief Executive undertakes a review of the capacity needed to deliver the improvements required of the Council and seeks to secure the specialist skills needed to deliver those improvements;
 - 1.12 Agree to establish an overarching, independently chaired Croydon Renewal Plan Improvement Board as detailed in paragraph 7 of the report;
 - 1.13 Note that the LGA has been commissioned to support the Council in undertaking an independent initial investigation of senior management actions in regard to the findings of the Report in the Public Interest to assess what, if any, formal action is required to be taken under any relevant process; and
 - 1.14 Note and welcome the Non-Statutory Rapid Review being undertaken by representatives of the MHCLG and that its recommendations will be incorporated into the overall improvement programme.

The meeting ended at 9.45 pm

Signed:

Date: