

Council

Meeting held on Tuesday, 1 December 2020 at 6.30 pm.
This meeting was held remotely; to view the meeting, please click [here](#).

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 Degrad, Jerry Fitzpatrick, Sean Fitzsimons, Alisa Flemming, Felicity Flynn, Clive Fraser, Maria Gatland, Lynne Hale, Patricia Hay-Justice, Simon Hoar, Steve Hollands, Yvette Hopley, Karen Jewitt, Humayun Kabir, Bernadette Khan, Shafi Khan, Stuart King, 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, Callton Young and Caragh Skipper

Apologies: Councillors Simon Hall and Toni Letts

PART A

146/20 **Disclosure of Interests**

There were none.

147/20 **Urgent Business (if any)**

There were no items of urgent business.

148/20 **Section 114 Report and Amendments to the General Fund Budget**

Lisa Taylor, Director of Finance, Investment Risk and Section 151 Officer, introduced the [Presentation](#) which detailed the response to the Section 114 (S114) Notice and Amendments to the General Fund Budget [Report](#).

Madame Mayor opened the 30 minute session for Members to ask the Director of Finance, Investment Risk and Section 151 Officer questions of a factual nature concerning information contained within the report.

Councillor Jason Cummings asked if there was any reference in the S114 notice to the fact that the budget development meetings were failing to deliver

the necessary savings proposals and options to reduce growth. He asked if this was one of the reasons the notice had to be issued, who was chairing those meetings and if any minutes to those meetings were available.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the budget development meetings were set-up for each individual department to present options to a range of members and officers. The Leader of the Council generally chaired those meetings and notes were taken which detailed the actions of the meetings. The meetings were honest and open forums which allowed for discussion on what budgets were needed for next year to deliver services safely.

In his supplementary question, Councillor Jason Cummings asked if the meeting notes would be made publically available so people were able to oversee the process described. He noted that the honesty in those meetings seemed to have generated requests for additional funding, instead of savings proposals. In response, the Director of Finance, Investment Risk and Section 151 Officer stated that growth was not a surprise and the budget process included rightsizing in some areas. She confirmed that the notes of the budget development meetings would be made available.

Councillor Clive Fraser asked what the total level of savings were expected to be in the current financial year 2020/21 and how that compared to previous years.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that when the budget was agreed at the beginning of the year, an ambitious savings target of over £40 million was set. They were now expecting to deliver around £24 million.

In his supplementary question, Councillor Clive Fraser asked if the council was on track to achieve those savings and how progress was being monitored. In response, the Director of Finance, Investment Risk and Section 151 Officer stated that they were on target to deliver the £24 million of savings and they were monitoring their financial performance and risk based areas on a monthly basis. Part of the work of the Finance Review Panel (FRP) was to monitor in-year savings and there were dedicated officers who tracked performance and reported to the Executive Leadership Team (ELT). Additionally, going forward, Cabinet would receive quarterly financial reports.

Councillor Robert Ward said that the Brick by Brick Annual Report 2019 stated that Croydon Council had provided a letter of support to confirm they would continue to finance Brick by Brick until June 2022. He asked if there was a reason that this letter was not available and who signed that letter. Councillor Robert Ward said that he had asked for the letter in the past, without success, and was told there was no knowledge of who signed the letter.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the letter of support for Brick by Brick had not yet been signed for

the last completed financial year 2019/20. This was due to the council undertaking the Strategic Review of Companies.

In response to Councillor Robert Ward's supplementary question asking if the letter was signed on a yearly basis, the Director of Finance, Investment Risk and Section 151 Officer confirmed the letter was signed on a yearly basis and she would ensure a copy of the previous years signed letter was made available to him.

Councillor Robert Canning asked what the forecast was for council's reserves over the period covered by the Medium Term Financial Strategy (MTFS) and what levels would be appropriate for a local authority of a similar size and attributes of Croydon Council. Councillor Robert Canning noted that council's reserves were unacceptably low to the point they were not able to use them through the current budget challenges.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that Croydon Council's reserves were low for its size. There was currently unaudited general fund reserves because the audit is underway of £7 million.

When the budget was set this year for 2021-22, there was an allocation of £5 million to go into the reserves, which would set the council at £12 million at the end of the financial year. That £5 million contribution would continue to the next year, and then add a further £5 million, therefore by the end of next year there would be £22 million in the reserves. £10 million would continue to be added each year through the MTFS. The Director of Finance, Investment Risk and Section 151 Officer said that Croydon Council should be aiming for £50 million of reserves but the appropriate amount would vary depending on how much risk it was facing.

Councillor Oni Oviri stated that in July 2020 there was a report to Cabinet which stated that the net interest earned in 2019-20 from Brick by Brick loans was £9.5 million and that the S114 notice referenced the Strategic Review of Companies highlighting the increased risk on those loans. Councillor Oni Oviri asked the Director of Finance, Investment Risk and Section 151 Officer if she was concerned about how those loans and profits were being presented at that time, and if she did, were they listened to.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the council was expecting to receive interest from Brick by Brick in July 2020, who were still completing their audit accounts for 2019-20 and reassured the council there would be payment of that level of interest. Following the work of the Strategic Review of Companies, it looked more unlikely those interest amounts would be paid. In July 2020, there was no reason to believe there would not be payment.

In her supplementary question, Councillor Oni Oviri asked if the Director of Finance, Investment Risk and Section 151 Officer would describe the loan structure of rolling interest into the loan, rather than being paid as it went

along, as a more risky structure to have adopted. In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the adopted approach was decided when the company was established and written within the loan agreement. Each site adopted their own loan agreement. She stated that Brick by Brick could not pay back money until they returned a profit, so there would be a lag between selling properties to generate profit and to repay the interest to the council.

Councillor Jerry Fitzpatrick asked the Director of Finance, Investment Risk and Section 151 Officer if she thought £50 million was a prudent level of reserves the council should aim to and if that figure had been discussed with auditors.

In response, the Director of Finance, Investment Risk and Section 151 Officer confirmed the figure had not expressly been discussed with auditors. She said it was her decision as to what level of reserves the council should hold and a proper assessment would be undertaken and brought back as part of the action plan to the Report in the Public Interest (RIPI).

Councillor Ian Parker asked what the significance of the letter from Chartered Institute of Public Finance and Accountancy (CIPFA) the Chief Executive Officer (CEO) of Croydon Council dated 6 November 2020 was in triggering the issuing of the S114 notice. He highlighted the notice was not primarily issued on the basis of the council's response to the pandemic.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the council was in conversation with CIPFA and the Ministry of Housing, Communities and Local Government's (MHCLG) throughout the summer about the council's financial position. At the start of the pandemic, there were amendments to the S114 notice guidance relating to the budgetary threshold to issue a notice in light of the pandemic. Following a conversation with the CEO of CIPFA, the letter to the council stated that if the overspends were not all related to Covid, a S114 notice should be issued, which was the latest amendment to the guidance. The initial amendment was not Covid specific, however the second update the guidance and the confirmation in the letter meant that it was the right time to issue the notice. There were also discussions in the FRP, the independent panel advising the council, which lead to this outcome.

In his supplementary question, Councillor Ian Parker asked if the Director of Finance, Investment Risk and Section 151 Officer thought the notice should have been issued sooner. In response, she disagreed and stated that until the point of issue, the council was still following the initially revised guidance from CIPFA and MHCLG. The published notice listed the reasons why that was the appropriate time to issue the S114 notice.

Councillor Joy Prince asked, in reference to the Children, Families and Education Growth Request column on Table 2 draft 2021/24 budget, Page 11 of the supplementary agenda, if £85,000 was a realistic growth increase for year 2022/23 following an almost £25 million growth increase the year before.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that in the first year of the MTFs, 2021/22, the council would identify all of the needs of the organisation. In particular, the Children's department would ensure they had the right size budget for the year so they could deliver within that budget and not be in a position of a yearly overspend. Going forward and beyond 2021/22, the department would continue to implement strategies and ensure they had the right children in care and the department would not need substantial growth because it would have been rightsized.

Councillor Richard Chatterjee noted that the S114 notice detailed £5.6 million of transformation funding from 2019-20 as a risk and asked how this was included in the accounts if that figure was in that way questionable.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the council could use its capital receipts to fund transformation and in 2019-20 there were a number of projects that were being delivered funded from transformation. These projects were included in the 2019-20 accounts. An audit was currently being undertaken by Grant Thornton to review all of the transformation funding. She stated there was an earlier indication of concerns around the £5.6 million in question, which were not yet confirmed.

In his supplementary question, Councillor Richard Chatterjee asked the Director of Finance, Investment Risk and Section 151 Officer if she felt comfortable in how the transformation budget was used. He noted there was a report into the use of the funding which had not yet been received. In response, the Director of Finance, Investment Risk and Section 151 Officer stated that in 2019-20, it was believed the council was using the capital receipts for transformation funding correctly. One of the recommendations agreed from the RIPI was to undertake a review into the use of transformation funding.

Councillor Paul Scott asked the Director of Finance, Investment Risk and Section 151 Officer what she thought the capacity was for Brick by Brick to repay only the development loans and dividends owed within this financial year 2020-21, and moving forward within the period of the MTFs. He noted that she was a director at Brick by Brick for three years and was currently one of the senior council contacts with the company.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that she could not fully answer the question because the Brick by Brick accounts were still being finalised. At the moment, the council was still working with Brick by Brick and hoped they could repay.

In his supplementary question, Councillor Paul Scott asked if members could be kept informed of the review as it progressed, be made aware of new schemes coming forward, the profit from those and if Brick by Brick would be able to contribute as they intended. The Director of Finance, Investment Risk and Section 151 Officer agreed to those requests.

Councillor Jason Cummings asked if the pace of spending restraint and delivery of savings was now sufficient, as the 21 days since issuing the S114 Notice had passed.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated they were seeing a change in spending behaviour across the organisation and the Spending Control Panel (SCP) had installed rigor to day-to-day spending processes. In the past four weeks the SCP approved £7 million of spending and in the past 21 days declined £5 million. There was good evidence that the organisation was taking the constraints seriously and reducing spending.

In his supplementary question, Councillor Jason Cummings asked if and when the next S114 notice would be issued given they were at the end of the 21 day period since the first notice was issued. In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the council was currently in a position where it was unable to deliver a balanced budget and the current Section 114 notice would expire at the end of the day. Therefore, a new notice would be issued tomorrow which would run for a further 21 day period. If the budget was unable to be balance following that, another Extraordinary meeting of the Council would need to be convened by the end of that 21 day period. Following that meeting, it was possible for a third notice to be issued if required; S114 notices would be issued until a balanced budget was achieved. In order to deliver a balanced budget, the council needed the MHCLG capitalisation direction and they were working with officers from the MHCLG to move that process as quickly as possible.

Councillor Jamie Audsley asked the Director of Finance, Investment Risk and Section 151 Officer to define the MTFs for the benefit of the public listening, the definition of a S114 notice in the context of bankruptcy and what budgetary growth meant in the context of Croydon during times of cuts.

In response, the Director of Finance, Investment Risk and Section 151 Officer firstly stated that the MTFs planned budgets as a rolling strategy coving three year periods, in this case year one set at 2021-22. Each year, a new strategy would be brought with an added year, as the current year passed. Secondly, she responded that there were a number of reasons for growth, for example demographic, an increasing number of properties in the borough, contract inflation, pay inflation and rising need and demand or of, for, or? certain characteristics.

In his supplementary question, Councillor Jamie Audsley asked what proportion of the £114 million of growth in the MTFs period would be rightsizing, to explain rightsizing of council budgets and what proportion was allocated to future growth in demand for services as a result of population and economic factors. In response, the Director of Finance, Investment Risk and Section 151 Officer said that rightsizing the budget was to make sure the correct budget was allocated each year going forward, which explained initial large growth for services such as Children's. The growth in the MTFs just for departments was £68 million, then a further £10 million for corporate budgets

was related to pay and contract inflation. Within departments, there was a mixture of demographic growth, contract growth and rightsizing of budgets. A large proportion in year 2021-22 was about rightsizing the budget and reducing any currently forecasted future overspend. In response to Councillor Jamie Audsley, the Director of Finance, Investment Risk and Section 151 Officer agreed that some of the forecasted growth could be attributed to Croydon's population, the wider economy changing and rightsizing budgets.

Councillor Robert Ward asked if the financial tracker and dashboard, which provided clear and monthly updates to the FRP, could be made available. He noted that he had previously asked for this.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that the FRP reviewed the council's in-year and annual savings each month. Jacqueline Harris Baker, Executive Director of Resources and Monitoring Officer, confirmed that they were able to share the documents as requested by Councillor Robert Ward.

Councillor Shafi Khan asked which year the highest level of general fund reserve was recorded in the past decade.

In response, the Director of Finance, Investment Risk and Section 151 Officer stated that she would provide this information to all Members after the meeting as that information was readily available.

Madame Mayor opened the 30 minute session for Members questions to the Leader and Cabinet Members.

Councillor Simon Brew asked Councillor Muhammad Ali how the plans to shut down one or more of the three recycling centres in Croydon would affect the cleanliness of the borough, namely the risks of fly tipping.

In response, Councillor Muhammad Ali stated that the council was responding to a difficult financial challenge where all options had to be considered. All of the proposals had been presented at Cabinet previously, which were out for consultation, and the final decisions would be made entirely in the view to optimise the outcomes of those decisions. In terms of recycling, Croydon recycled above the national average, at 49.22%, and was amongst the top five boroughs in London. Local authorities were only legally required to provide one recycling centre, understandably, boroughs may need more than one and the decision on which to close was being considered.

In his supplementary question, Councillor Simon Brew stated that Croydon's fly tipping rates were the worst in London and by shutting the recycling centres, the council was condemning residents to the further mess. Labour had bankrupted Croydon which would be even more evident following this decision. He asked Councillor Muhammad Ali to apologise for the Administration's failure to govern responsibly. In response, Councillor Muhammad Ali highlighted that it was a myth that the cohort of residents who would recycle at the local recycling centre would instead fly tip, backed by

statistical evidence, and it was actually only a small minority of residents who were not disposing of waste responsibly. Councillor Muhammad Ali stated that whilst he did take responsibility to provide residents with the right resources and infrastructure, he would not apologise on behalf of people who did not dispose of their waste responsibly.

In a point of clarification, Councillor Muhammad Ali stated that Councillor Brew was factually incorrect in his allegation that Croydon experienced the worst rates of fly tipping in London. According to Local Government Organisation (LGA) data from 2018/19, there were seven worse boroughs in London which were all smaller in size to Croydon. A smaller borough would experience a decreased complexity of the problem. He stated that any claims should be of a factual nature and councillors should not spread negative misinformation. Councillor Muhammad Ali thanked the residents of Croydon for helping the borough achieve higher levels of recycling.

Councillor Robert Canning stated that the LGA had launched an investigation into whether any disciplinary action should be taken against any individual over the council's financial failings. He asked the Leader what the timetable and terms of reference would be for this investigation.

In response, the Leader stated that it was noted in a previous Extraordinary meeting of the Council on the RIPI, that an initial investigation undertaken by the LGA would be commissioned. Work started on 23 November 2020 with a completion period of the end of December 2020 or January 2021. Staff and councillors were invited to participate and the terms of reference for the investigation was available, which highlighted two important outcomes as a result of the investigation. Firstly, to form an understanding of how and why the council arrived in the situation, and secondly, to demonstrate the seriousness of the council's intent to establish a new organisational culture which held learning and accountability at its heart. The outcomes were not based around the disciplinary action itself, but to arrive at the two important outcomes.

In his supplementary question, Councillor Robert Canning asked how the investigation would deal with officers who had left the council and what scope there was to take appropriate action against any individual should the investigation find evidence of mismanagement or misconduct.

In response, the Leader stated that the investigation was not a disciplinary process and the acting CEO would be in a position to consider if formal proceedings were necessary relating to existing members of staff, which would be informed by the investigation and would not automatically trigger proceedings.

Councillor Steve Hollands stated that as a result of the failing Labour Administration bankrupting the borough, it had been announced there would be a number of library closures. Libraries were a vital component of local communities; the elderly and those without access to computers relied on libraries to access digital services, younger people who do not have the space

or resources at home to study used libraries and those who were lonely or isolated used the library facilities to socialise. He asked if Councillor Oliver Lewis would apologise for his role in approving the financial policies which had destroyed the borough.

In response, Councillor Oliver Lewis stated that they would be consulting on the closure of five libraries in the borough, advised by an Equalities Impact Assessment, which were at risk. Cabinet Members had accepted their share of responsibility of the council's situation and apologised to the residents of Croydon. He added that it was important for the Opposition to accept their responsibility of their government's actions in specifically underfunding Croydon Council over many years and the 10 years of austerity.

In his supplementary, Councillor Steve Hollands responded that in the last six years of Labour control, the Opposition was clear to raise all of the areas they had grave concerns over, including Brick by Brick and annual budgets. Historically these concerns had all been dismissed by the former Leader and Cabinet Members. The decisions made were the Administration's choices and they should accept responsibility.

In response, Councillor Lewis stated that the Administration did take responsibility for their decisions and the Opposition should also take their share of responsibility because they voted in favour of the budget recommendations over the years.

Councillor Joy Prince stated that given departmental overspends in past years, what were the council's plans to develop a strategy to manage adult social care costs.

In response, Councillor Janet Campbell stated that she had spoken about the journey of Adult Social Care since 2014 and issues of inconsistent funding, temporary fixes and broken promises. The auditor had given adult social care time to implement the cost cutting strategies and to address the overspend using the calculation of the adult social care budget reached by the council with the assistance from the LGA. The strategy would involve replacement programmes of self-help advice services and a review of contractual arrangements.

Councillor Michael Neal stated that the Opposition and residents had warned the Administration that Brick by Brick was failing for a number of years. He stated these actions gambled the lives of residents and asked the Leader why the Administration ignored the warnings.

In response, the Leader stated that the original business case for Brick by Brick was to contribute in providing genuinely affordable housing in the borough, which there was great need for. Following the RIPI, the Strategic Review of Companies was commissioned to set the situation right and strengthen governance of the council as the sole shareholder and funder of Brick by Brick and to protect the public money invested.

In his supplementary, Councillor Michael Neal stated that an external report was not required to detect the obvious problems. The Administration had built over precious green spaces which were sold to Brick by Brick for as little as £1. He asked if the Leader would issue a public apology to residents for setting up the company.

In response, the Leader stated that the RIPI highlighted challenges across the organisation and the Councillors across the chamber. There was work ahead for stakeholders to respond to the challenges and focus on addressing the issues raised. The Strategic Review of Companies had been commissioned, reported at the last Cabinet meeting, which demonstrated the progress made in asserting the council's role as the sole shareholder and funder of Brick by Brick and ensuring the strengthening of governance. Additionally, the Administration had taken their share of responsibility for the issues raised in the auditor's report.

Councillor Chris Clark on behalf of **Councillor Stephen Mann**, asked Councillor Stuart King how much in-year savings had been achieved by discontinuing the community ward budget payments.

In response, Councillor Stuart King stated the saving amounted to approximately £486,000, which was a significant figure, and acknowledged this decision would affect all members and their disappointment being unable to support projects in their ward. However, this decision did represent the Administration's willingness to take unpopular decisions if they thought they were right and necessary.

In his supplementary question, Councillor Chris Clark acknowledged that the decision must have been difficult and asked if there was a possibility they would be reinstated in the future.

In response, Councillor Stuart King said that it would be unwise to plan to resume community ward budgets. He recognised the community budgets were well regarded by members and when the council reached a point it was able to deliver a balanced budget, only then it would be a more appropriate time to revisit.

Councillor Helen Pollard stated that the reason most councillors wanted to join the Council was to help residents across Croydon, particularly the most vulnerable. The community ward budgets were vital to that work and projects using that money funded to support the elderly, families in poverty, disadvantaged younger people and residents with illnesses. As a result of the Administration bankrupting the council, those projects were now scrapped and support to those residents would be lost. She asked what message the Administration had for those people negatively affected by the financial incompetence and squandering of the council's funds on ill-judged property speculation.

In response, Councillor Stuart King stated he had two messages, firstly that the council had accepted that it must live within its means and balance the

budget, whilst ensuring value for money of services to residents. This meant looking at statutory obligations around service delivery and community ward budgets did not fall within that category, but he understood the disappointment for Members. Secondly, he accepted his share of responsibilities for decisions that had been taken. Councillor Stuart King made reference to the speech Councillor Helen Pollard had made earlier in 2020 on budget setting and her support for additional spending on the Growth Zone. He asked Councillor Helen Pollard whether she felt any responsibility and if she stood by the sentiments of that speech, or with the benefit of hindsight that was ill advised.

In response, Councillor Helen Pollard stated that she did support investment for the Growth Zone, however, she was unaware at the time that the Administration had bankrupted the council. She stated that the Opposition acted responsibly by questioning the decisions surrounding Brick by Brick and investing into monopoly type schemes, which were ignored by the Administration at the time.

In her supplementary question, Councillor Helen Pollard asked why the new Leader, who was a Cabinet Member preceding that, was misleading residents by saying services would still be there when that was not the message from Councillor Stuart King.

In response, Councillor Stuart King stated that the council would continue providing services to residents. The staff of the council continued to provide vital services and millions of pounds continued to be spent on statutory services. He stated that it was fundamentally wrong to scare residents who would be concerned about the suggestions from the Opposition that the council would no longer be in a position to support vulnerable people.

Councillor Shafi Khan stated that it was clear from the numerous briefings from the Director of Finance, Investment Risk and Section 151 Officer that until the council's expenditure exceeded the resources, the budget would remain unbalanced and S114 notices would continue to be issued. He stated that it was also clear that the council required financial support from MHCLG to recover the budget. He asked the Leader when the council expected to receive a decision from MHCLG on the request for a capitalisation direction.

In response, the Leader stated that she previously reported to Council that a non-statutory rapid review team had been commissioned by the government to advise the Secretary of State on the council's request for a capitalisation direction, which would bring stability to the immediate financial position. That team's work was complete and they were expecting a response from the Secretary of State imminently. The MHCLG were aware of the situation and the reasons for issuing a second S114 notice, but the council understood that Ministers needed time to review the request and advice to inform a decision.

Councillor Margaret Bird stated that the Department for Environment, Food and Rural Affairs (DEFRA) granted the council funding for work on protecting areas of the borough in danger of flooding. As a result of the Administration

bankrupting the council, the urgent works had been cancelled which meant areas were left at serious risk. She asked if Councillor Muhammed Ali could guarantee the funds granted from DEFRA would be spent on protecting Croydon from flooding.

In response, Councillor Muhammad Ali stated that the council had received funds from various organisations for flood alleviation, including DEFRA, where there were a couple of schemes in the pipeline due to start on site. However, those funds were not ring-fenced and due to the Spending Control Panel they had to submit the business case of those projects to release those funds in order to begin the schemes. Until then the council would continue to respond to emergency flooding scenarios across the borough, which was a core activity the council had already committed funding.

In her supplementary, Councillor Margaret Bird stated that the Environmental Agency provided funds to the council to make a start on that work, because they needed to start in Surrey, which had put a huge strain on the local roads and community as it was unknown when a serious flooding event would strike. Councillor Margaret Bird asked Councillor Muhammad Ali if he would apologise to residents for the risk of events, such as flooding, resulting from the Administration's poor financial choices.

In response, Councillor Muhammad Ali stated that the funds were being processed in the correct way through the SCP and committed to ensure the money would become available to the two schemes currently planned in Riddlesdown and Purley Oaks.

Madame Mayor invited the Leader to move the recommendations of the report.

Councillor Hamida Ali stated that it was under rare circumstances at which the Council was meeting and of a serious nature, the consideration of the Director of Finance, Investment Risk and Section 151 Officer decision to issue a Section 114 notice. The Administration wholly supported this decision and had been working resolutely to address the situation. It was understood that residents and staff were extremely concerned, however, the necessity of the S114 notice should be iterated as to protect the council's ability to continue to provide vital services.

In the last two weeks, the council had met to consider the response to the external auditor's RIPI and set out the range of improvements through the Croydon Renewal Plan. That work was inextricably linked to the S114 notice, regarding the discussions on the fundamental challenge and financial resilience. The council was in discussion with MHCLG for a capitalisation direction to stabilise the financial position, where the submission was being prepared, and the non-statutory Rapid Review Team would shortly advise the Secretary of State on the request. Continuing from the commitment and energy the council was applying to the recovery, financial assistance from the government would bring stability to the budget and enable the council to concentrate on the hard work ahead.

As things stood, the council was unable to balance the budget, and whilst additional savings had been brought forward, they were clearly not enough to address the scale of the current projected overspend. The likely outcome of this meeting would be that a further S114 notice would be issued and the recommendations of the report asked members to act in support of the set of savings identified and to recognise that the emergency conditions were likely to continue before the position could be stabilised.

The new Administration had set out the priorities for renewal of the council to live within its means, whilst providing the best quality core services for Croydon's communities and to tackle the inequality and poverty, which too many residents continued to face. The commitment to those priorities were at the heart of the values of the Administration and the drive in its work to resolve the financial situation. The Opposition had chosen to criticise the Administration seeking to take action and face up to its financial insecurity, over offering an alternative solution, and challenging every measure put forward. Previously, the Opposition would criticise spending on vital services, and now moved to questioning to seek any savings to bring spending back into line. The Opposition could not hold the two positions, both against the status quo and any work to address the situation.

Challenge to the council from external auditors was that collective responsibility be recognised in the situation and all stakeholders be charged with work going forward. In line with that, the recommendations would move the council closer to addressing the financial position for the residents of the borough and staff of the council.

Madame Mayor invited Councillor Stuart King to second the recommendations of the report.

Councillor Stuart King seconded the motion and reserved his right to speak.

Madame Mayor invited Councillor Jason Cumming to speak on the recommendations of the report.

Councillor Jason Cummings stated that the issuing of a S114 notice was a thankfully rare event, but the issuing of multiple S114 notices was unprecedented. The position of Croydon Council could justifiably be described as the worst ever local authority by reaching this stage. There was not yet a plan to balance the budget, therefore the Director of Finance, Investment Risk and Section 151 Officer was trapped into issuing a S114 notice every 21 calendar days until the government agreed to assist. The result of that assistance would be increased borrowing and interest payments which would negatively affect service provision for decades ahead, though this was the only way forward.

In the February 2020 meeting of the Cabinet, the Opposition suggested that the council was carrying too much risk and borrowing compared to its level of reserves. In response, the Administration accused the Opposition of

scaremongering and spoke that borrowing levels were prudent and well managed, their investments were producing significant income which would support frontline services and that transformation was reducing future demand. All of these assurances came to be false. He questioned how this situation happened and how a public body could act in this way. The former Leader, the former Cabinet Member for Finance & Resources and the former CEO was now unavailable to question, with the council officer receiving a huge pay-off soon before both Members departed the Labour leadership.

The issuing of the S114 notice was welcomed and was an important step in the difficult process of Croydon navigating its current predicament. It had drawn the closest scrutiny of the council and was helping cast a light in to some usually less visible areas. It was imperative that details on the situation of how this happened and who was responsible were revealed. There had been many apologies issued, however, the key to an apology was accepting personal responsibility before moving forward, and it was unacceptable that the Administration who were accountable for the destruction of the finances accuse the Opposition of being equally culpable. Simultaneously, the Administration would place blame on the national government.

The recommendations in the report in relation to the S114 notice were ones which the Opposition could support and it was refreshing to see the situation written more candidly than previously. One of the learnings from this process was to never trust a Labour administrations financial plans. The scale of the challenge facing the council was vast and unprecedented, but the political leadership were more interested in protecting the people who caused the situation rather than focussing on generating a solution before the issuing of the notice. The position Croydon now faced was a disaster and residents and staff would withstand the worst of the consequences; residents who would have their taxes hiked and services cut and employees of the council who had and would endure an incompetent and bullying Administration. The reputational damage to the borough would be substantial and Croydon would be synonymous with financial incompetence and failure.

Madame Mayor invited Councillor Scott Roche to speak on the recommendations of the report.

Councillor Scott Roche stated that cutting, reducing and merging was the theme the Administration had adopted towards the council providing services. He asked what the message from the Administration would be to residents relating to the council cutting services as a result of financial mismanagement. Residents were now faced with the Croydon Museum being closed for two years, reduced services being offered across the council until at least 2024 and that five libraries, nearly 50% in the borough, were under threat of closure. Families and elderly residents across the borough relied on their libraries and losing those community hubs would deprive some of the most vulnerable residents.

The Administration had ignored warnings from the Opposition. Last year, the Opposition came to sight of a confidential report which detailed libraries to be

considered for closure which, at the time, Councillor Oliver Lewis strongly denied. Councillor Oliver Lewis labelled the Conservative petition as a nonsense campaign to save libraries in Croydon and stated that there were no plans to redevelop or close any libraries in Croydon, additionally promising that investments would be made.

At the Cabinet meeting on 25 November 2020, the Administration announced that an unknown number of leisure centres would also be set to close, at a time when personal health and fitness was more important than ever. The planned cuts were a typical example of the Administration hitting frontline services instead of cutting waste. These cuts were only necessary because the council had to find huge cost savings to balance the budget and the deficit of an estimated £64 million, which had been created since Labour took control of the council in 2014. It was the most vulnerable and deprived in the community who would now pay the price for the Administrations incompetence.

Councillor Callton Young stated that he fully agreed with the S114 report and encouraged other Members to do the same. The financial crisis did not appear overnight and the report forecasted the council was on track to overspend in the region of £66 million in 2020-21, which was disappointing and a matter for concern. £36 million of this arose from the failure of Brick by Brick to pay interest and dividends to the council this year. The report focussed on the structural pressures in Children's Services and Adult Social Care, where the council had long wrestled with spending pressures in those portfolios. Croydon had an above average level of child and adult populations compared to other boroughs, despite receiving a below average level of local authority government funding per head.

The report presented in stark terms that the month six budget gap in Croydon was £26 million for Health, Wellbeing & Adults, £25 million for Children, Families & Education and £5 million for Unaccompanied Asylum Seeking Children. Those large sums would need to be covered and the budgets rightsized going forward.

The report set out the positive action that the council proposed to take as a consequence of the budget shortfall. This included a Strategic Review of Companies, budget development meetings and spending controls. However, despite best efforts, it was the Director of Finance, Investment Risk and Section 151 Officer's professional judgement that the council could not make the level of saving required to balance the budget without external support in the form of a capitalisation direction.

Councillor Callton Young said he hoped Members could support the report and Croydon could start the road to financial recovery, as set out in the Croydon Renewal Plan. He hoped members of the Opposition would support this plan, in absence of their own plan.

Councillor Yvette Hopley stated that the major cuts would have a heavy impact on the adult social care department. The Opposition, residents and

auditors warned the Administration to reform and they ignored those calls. The recommendations in the report set out the most damaging cuts to the most vulnerable in social care services of almost £10 million. Residents who were disabled, elderly or frail were in most need of the council's support, which would now be slashed as a result of the Administration bankrupting the council.

She asked how could the proposed 20% cutting of care packages be delivered safely to residents. Some residents were frightened and wondering how they would survive and had contacted Members saying they were more scared of the cuts to their services than contracting Covid. They had already seen the Disability Services disband savings of £4 million and a complete cut of the specialist employment support. Residents with autism and learning disabilities would suffer. Mental health services would be severely cut despite its importance in the midst of a pandemic. The Welfare Rights service had been deleted and the Contact Centre Support service had been reduced. Care beds for those who needed them most had been removed and contracts to the Neighbourhood Care Centres had also been cut, severing a vital care line. Nothing was safe under the Administration, all because of their dire decisions leading to this situation. The same members who caused this situation were still making the decisions and clearly did not think the elderly and disabled should be protected. This was a dreadful message for residents at this time of year and they deserved better.

Councillor Alisa Flemming stated that the Administration accepted the recommendations set out in the report in relation to the issuing of the S114 notice. Many of the residents and staff were worried and it was important that they were kept at the forefront of consideration when making decisions. Going forward in this situation, politicians had to ensure that their plans and focus was solely on the task of stabilising the council's finances in order to continue to support residents with a refreshed vision. The priorities were for the council to live within its means and to deliver the best quality services whilst tackling inequality at every level.

It was clear that without the approval of the capitalisation direction, the budget would remain unbalanced and S114 notices would continue to be issued. The current budget continued to have structural challenges. Adult's and children's social care services had experienced a number of issues over the years as the demand for services had significantly exceeded the budget provided. It was important to note that those departments had failed on occasion to deliver savings, which was now open to challenge.

Councillor Alisa Flemming stated that the council's work in children's social care was of utmost importance. She said that at the beginning of the year they had received a 'Good' Ofsted rating in terms of social work practice with children's and families and experience and progress of children who needed help and protection. The experiences and progress of children in care and care leavers required improvement to be 'Good', with the overall effectiveness being 'Good'. That work was only possible with the investment in social care services.

Councillor Tim Pollard stated that a difficult part of reading the RIPI was that the findings had all been flagged to the Administration and were known outside of the council leadership; back bench members, the opposition, trade unions, staff and local bloggers concerns were all ignored. Croydon's Labour group now had a lot to consider in how it functioned so wrong and failed to heed any of the dissenting voices.

In 2014, the new Labour Administration professed they would be the most open and transparent leading party yet quickly over the immediate months, outsiders increasing saw a rise in delegations, so decisions could be made less visibly. This was most blatant in the decisions to set-up Brick by Brick and its associated charities as an independent company which allowed it to subsequently evade scrutiny. Brick by Brick had failed on every metric. In 2018, the Opposition's election pledge was to close Brick by Brick and regrettably they were not given that opportunity.

The excessive use of delegations was illustrated in the purchase of the Croydon Park Hotel, whereby a decision notice of 24 hours was given. It was clearly a high risk move for the council to enter into a world where it had no expertise or credibility, which was reason enough to slow down its due diligence using expert advice and public oversight. The finances were made worse by setting naive social care budgets, which were hugely overspent every year, even after promises of improvement.

During the Leader's recent BBC London radio interview, she was repeatedly pressed on what she felt responsibility for in the council's financial catastrophe, which she was unable to answer – despite having being involved in all Cabinet decisions since 2014. He asked how could the council now place trust in her to fix the current situation.

At the start of the financial fall, the Administration had blamed Covid, however Covid was just the surface of the problems, later unveiling the true propensity of the council's situation. Councillor Tim Pollard stated that he agreed with the recommendations in the report and hoped the Administration would rethink its governance approach in the lead up to the 2022 local election, where the residents would be given the chance to vote for a Conservative administration.

Councillor Jerry Fitzpatrick stated that it was absolutely necessary that the Administration received and accepted strong criticism. This should apply to both political and officer level and those who had most share of responsibility had either resigned or departed from their roles. It was now time for collective responsibility to step up and focus on supporting constructive measures going forward.

The report from the Director of Finance, Investment Risk and Section 151 Officer deserved to be supported, even if there were not recommendations which could be achieved in 21 days. They would take a considerable period of time to be achieved and posed the seriousness of purpose of the

Administration. The main criticism from the auditors was that the council spending more than it received, not just Brick by Brick or the Croydon Park Hotel, but in areas of adult social care, children with special educational needs, gateway services and unaccompanied asylum seeking children. The overspend, and under forecast, was spent on the most vulnerable in the community and not wasted. In the Labour council control period, it was wrong to think that the Conservatives had been an effective Opposition.

After serving on the Labour Opposition bench for several years prior to this Administration, the Labour group opposed every Conservative measure whilst proposing alternatives. The Labour group did not add strain to the processes or glumly nod through budgets as the current Opposition had. The Opposition should take responsibility for never making any specific proposals.

The council had to live within its financial envelope, which was notably small. When the Conservatives came into power in 2006, they felt so strongly about how Croydon was underfunded, they launched a borough-wide campaign for fair government funding. The situation grew worse under the Conservative government, which they should take some responsibility. The Director of Finance, Investment Risk and Section 151 Officer had said earlier in the meeting that the general fund budget should sit at £50 million and in 2014 the Labour administration inherited £3.4 million, had the general fund been at a satisfactory level then, the council would not be in its current position. The focus now should be taking a constructive step forward and all Members should support the recommendations in the report.

Councillor Jason Perry thanked the Director of Finance, Investment Risk and Section 151 Officer, the Interim CEO and all council staff for their efforts in these difficult times with the issuing of what he said seemed to be the first of many S114 notices. It must be clear that the S114 notice was not Covid related and the financial problems of the council predated the pandemic and had been going wrong for years. If the issues were Covid related, the Section 151 Officer would not have been able to issue the notice under amended government guidance. This Extraordinary meeting of the Council was to discuss how the Administration had bankrupted the borough. The failed choices made by the Administration were clear with the known £1.5 billion debt, the £200 million and £50 million loans to Brick by Brick and reserves of a derisory £7 million. The missed opportunity that Westfield offered, with the increase in generated business rates and new jobs and homes in the borough, yet Administration members revert to blaming the government for 10 years of austerity.

Every local authority in the country faced challenges, yet Croydon was the only one bankrupted and in an unprecedented position repeatedly issuing S114 notices. Councillor Jason Perry stated that Cabinet Members had told the Opposition group to take responsibility, adding that they did when in office between 2006 and 2014 managing the council through the global financial crash and economic realities which followed. They delivered balanced budgets, even generating a £2.6 million surplus in 2014.

The Administration spent money on their political choices rather than increasing the reserves which they apologised for, for a short while, however had now resorted to blaming others. The Opposition always challenged their choices, whether that be Brick by Brick or the purchase of the Croydon Park Hotel, and the Administration repeatedly failed that challenge. In September 2020, an emergency budget was agreed and the Administration had already failed to meet that budget. The position worsened with the financial black hole increasing to £67 million. £37 million was a direct result from Brick by Brick failing to pay its interest or their projected dividends, dividends which Councillor Simon Hall, the former Cabinet Member for Finance & Resources, pledged would be paid.

The Administration lacked urgency, options and the ability to change. He stated that Councillor Paul Scott spoke earlier in the meeting to effectively support the failed developer Brick by Brick, which indicated he had learned nothing. The same group of Cabinet Members and Members which brought the council to bankruptcy and approved the decisions without question or challenge, were now being relied upon for answers and way out of the situation. The Administration had proved beyond reasonable doubt that they were not capable of running the borough and Croydon deserved better.

Councillor Stuart King stated that the Administration accepted the Director of Finance, Investment Risk and Section 151 Officer's S114 report and agreed to the views contained within it and the consequential actions proposed. Members would be aware that £24 million of savings were being delivered in the current budget year and a further £30 million was proposed for 2021-22. Despite that, the report clearly set out the council was not able to balance the budget until external financial support was received from MHCLG.

The new Leader and Interim CEO were doing everything possible to demonstrate to MHCLG that the right plans and people were in place to ensure Croydon could become an efficient, effective and financially sustainable organisation. The leadership had to demonstrate that they were willing to take the tough decisions necessary to show they were prepared to live within the council's means. Earlier in the meeting, Councillor Scott Roche asked what message the cuts gave to residents, and the answer was that the Administration was taking the actions necessary to balance the books and to live within its means. The Opposition could not both state the council was bankrupt and then object to the proposals to reduce spending to close the budget gap. It needed to be demonstrated to government that the council had a deliverable savings plan, which meant bringing savings forward containing inevitably unpopular but necessary decisions - no member was in favour of closing community facilities.

Ahead of the vote on the recommendations contained within the report, Madam Mayor advised Council that there were 38 Labour Members and 29 Conservative Members in attendance.

The recommendations, as set out in the report were put to the vote individually. All recommendations were agreed unanimously; with the

exception of recommendation 1.3 which was opposed by the Minority Group. Recommendation 1.3 was agreed by majority.

RESOLVED: Council **AGREED** to:

- 1.1 Accept the views contained in the Section 114 report issued by the Director of Finance, Investment and Risk, Section 151 Officer (Chief Financial Officer - CFO) on 11 November 2020 under Section 114 (3) of the Local Government Finance Act 1988 included at appendix 1 to the report;
- 1.2 Note the latest maximum forecast overspend for 2020/21 of £67m;
- 1.3 Agree the in-year savings of £0.5m detailed in paragraph 5 and Appendix 2 of the report;
- 1.4 Note that the Council cannot balance its budget in 2020/21 without external support and therefore continue to seek a capitalisation direction with the Ministry of Housing, Communities and Local Government;
- 1.5 Note that if the Council cannot balance the budget at the end of this 21 day period detailed in Section 114 (3) of the Local Government Finance Act 1988, then it will be necessary for the Director of Finance, Investment and Risk to issue a second Section 114 notice which will need to be responded to following a further statutory 21-day period, as detailed in the Act; and
- 1.6 Agree that irrespective of whether the Council's Chief Finance Officer issues a second "Section 114" report, the spending control panel in operation under the current Section 114 report shall continue in the manner detailed in this report until such time as the Council may later determine.

149/20 **Exclusion of the Press and Public**

This item was not required.

The meeting ended at 8.30 pm

Signed:

Date: