

**MINUTES** of the **MEETING** of the **CABINET** held on Wednesday, 30 November 2022 at 6.30pm in the Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

**Present:** Mayor Jason Perry (Chair);

Councillors Jeet Bains, Jason Cummings, Maria Gatland, Lynne Hale, Yvette Hopley, Ola Kolade, Scott Roche and Andy Stranack

**Also Present:** Councillors Margaret Bird, Janet Campbell, Richard Chatterjee, Rowenna Davis, Danielle Denton, Nina Degrad, Samir Dwesar, Brigitte Graham, Patricia Hay-Justice, Christopher Herman, Stuart King, Enid Mollyneaux, Stella Nabukeera, Chrishni Reshekaron and Robert Ward.

## **PART A**

### 93/22 **Order of Business**

The Executive Mayor altered the order of business from that published in the agenda, as follows:

- After Item 3, Item 6 (Period 6 Financial Performance Report) will be considered.
- Then Item 7 (the Medium-Term Financial Strategy Update), and Item 4 (Corporate Asset Management Plan) will be considered together.

At this point, given the importance of the finance matters to be discussed, the Executive Mayor agreed to allocate twenty minutes for questions from councillors.

- Finally, Item 5 (Brick-by-Brick Companies Update) would be considered as he was aware that Cabinet may be required to move to private session (Part B) for this item.

### 94/22 **Apologies for Absence**

There were no apologies for absence received from Members. An apology for absence was received on behalf of Katherine Kerswell, Chief Executive.

### 95/22 **Disclosure of Interests**

There were no declarations of interest received from Members.

### 96/22 **Urgent Business (If any)**

There were no items of urgent business.

## Period 6 Financial Performance Report

Cabinet considered a report, which provided the Council's forecast outturn as at Month 6 (September 2022) for the General Fund (GF), Housing Revenue Account (HRA) and the Capital Programme (CP). The report formed part of the Council's financial management process for publicly reporting financial performance monthly.

The Executive Mayor, in Cabinet, **RESOLVED** that:

1. The General Fund forecasting to be balanced at Month 6, be noted (*Service directorates are indicating a £19.895m overspend. This is offset by £5.795m corporate underspend, £4m use of earmarked inflation reserves, £5m use of the general contingency budget and a £5.1m reduced contribution to General Fund Balances.*)
2. The reduction in the planned contribution to General Fund Reserves from £6.9m to £1.8m and the forecast General Fund Reserve of £29.3m, as at 31 March 2023, be noted.
3. That a further number of risks and compensating opportunities may materialise which would see the forecast change, be noted.
4. That the actions being taken through the Deficit Recovery plan (further details are in paragraph 2.16.), be noted.
5. That the non-delivery of the MTFs savings, as indicated within Table 5 and detailed in Appendix 3 to the report, be approved.
6. That the Housing Revenue Account (HRA) was projecting an end of year position of a £4.424m overspend, due to inflation, disrepair costs and void rents, be noted.
7. The Capital Programme spend to date for the General Fund of £14.019m (against a budget of £112.069m) with a projected forecast underspend of £14.793m for the end of the year, be noted.
8. The Housing Revenue Account Capital Programme spend to date of £0.580m (against a budget of £22.083m), with a projected forecast underspend of £2.385m for the end of the year, be noted.
9. The above figures, which were predicated on forecasts from Month 6 to the year end and therefore could be subject to change as forecasts were made based on the best available information at this time, be noted.
10. That the Council continuing to operate a Spend Control Panel to ensure that tight financial control and assurance oversight were maintained, be noted (*A new financial management culture is being implemented across the organisation through increased scrutiny,*

*such as the monthly assurance meetings, improved communication, and budget manager training from CIPFA.)*

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## **2023-2024 Budget Update, Medium-Term Financial Strategy and Savings Proposals**

The Executive Mayor announced that he would be considering both matters together.

Cabinet considered two reports, which (i) focussed on the Council's Budget, which was not financially sustainable and, as such, the Corporate Director of Resources and S151 Officer had taken the decision to issue a Section 114 Notice in relation to balancing the Council's budget from 2023/24 onwards; and (ii) recommended the adoption of a new Corporate Asset Management Plan and outline Property Strategy to provide clear guidance in the way that the Council's assets were managed within the Executive Mayor's priorities and Executive Mayor's Business Plan (*this would not only involve delivering the required services but also to maximise the delivery of revenue opportunities and capital receipts wherever possible.*)

- (i) With regard to the Medium-Term Financial Strategy 2023/24 to 2025/26 Update, the report went on to say that the "Opening the Books" programme, which had been initiated by the Executive Mayor, had revealed further historic legacy issues that had undermined the ability of the Council to not only balance its budget but also to become financially and operationally sustainable over the current agreed medium-term financial strategy. In particular, the level of non-asset backed debt the Council had to service meant its general revenue budget was unable to meet the needs of the people of Croydon.

It was reported that, in October 2020, the Council's external auditor, Grant Thornton, had issued the first of two reports in the public interest (RIPI) into Croydon Council, which stated that, for many years, the Council had failed to pay due regard to the seriousness of its financial position and the urgency with which action needed to have been taken.

In addition, in November 2020, the then Director of Finance, Risk and Assurance and S151 Officer had published the first of two Section 114 notices. These notices made clear to all Members of Croydon Council, as well as staff and residents, that the Council faced an extremely serious financial situation in that financial year (2020/21). It was also made clear that the Council's expenditure was predicted to be significantly greater than its income resulting in a financial deficit being forecast, with insufficient reserves to fund this. The financial year ended with an overspend of £67m, thus confirming the conclusions of the external auditor in the RIPI of the seriousness of the Council's financial position.

- (ii) With regard to the Corporate Asset Management Plan, the report went on to say that the Council was currently financially unsustainable and needed to reduce its asset base considerably. It also recognised the need to reconfigure its services to drive efficiency in essential delivery areas. It was reported that the Plan would ensure that the right decisions were reached in relation to the Council deciding to sell, buy, rent or hold assets.

This Plan will deliver a more integrated approach to the use of the Council's assets from both service delivery and financial perspectives, by:

- provision of properties that will directly contribute to the delivery of essential services to our communities and other stakeholders;
- ensuring better fire, health and safety management
- securing good and sustainable income streams from non-operational and investment properties.
- helping plan and manage property utilisation in support of the Council's initiatives and service delivery;
- supporting the delivery of the Mayor and Council's corporate vision, aims and priorities;
- formalising systems, procedures and controls;
- a more robust understanding of the current condition of our key operational assets to enable a more effective budget and repairs programme moving forward.

The Strategy outlines the approach to enable revenue and capital benefits to be secured and the approach and governance around the disposal of property and a proposed list of asset disposals. The principles established within these documents will be used to identify and bring forward future proposals.

The Executive Mayor then invited and responded to questions from members present.

Accordingly, the Executive Mayor in Cabinet, **RESOLVED** that:

- (i) With regard to the Medium-Term Financial Strategy 2023/24 to 2025/26 Update:
1. The interim outcomes of the Opening the Books exercise, including the financial adjustments which resulted from Croydon Affordable

Homes/Croydon Affordable Tenures and other historic legacy errors (as set out in paragraph 3.5), be noted.

2. A further allocation of £250k from the Council's contingency reserve for the Opening the Books project, be approved.
3. A virement of £798k from the Council's contingency reserve to the Assistant Chief Executive's budget for the Corporate Programme Management Office, be approved.
4. The negotiations with DLUHC in relation to the evidence needed to agree a further package of support in relation to both the legacy financial issues that had come to light, the level of indebtedness and for the future years 2023/24, 2024/25, 2025/26 and 2026/27, be noted.
5. A period of public consultation and engagement on the proposals for returning the Council to financial and operational sustainability be agreed, and to include:
  - a. The savings options set out in Appendix B;
  - b. Transformation Programme in Appendix C;
  - c. The list of assets for disposal set out in Appendix E;
  - d. The closure of Whitehorse Day Centre; and
  - e. The closure of Cherry Orchard Garden Centre.

*These proposals shall form part of the 2023/24 budget consultation process.*

*The outcome of the public consultation shall be reported back to Cabinet for a decision as part of the budget and council tax setting.*

And:

- (ii) With regard to the Corporate Asset Management Plan:
  1. The Corporate Asset Management Plan attached at Appendix 1 to the report, be approved.
  2. The proposed Corporate Property and Disposal Strategy attached at Appendix 2 to the report, be approved.
  3. The list of proposed asset disposals attached at Appendix 3 to the report, which would be subject to relevant decision-making in accordance with the Financial Regulations and any service provision decisions, including statutory consultation where required, be noted.

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## **Corporate Asset Management Plan**

Please refer to Minute No.98/22 above.

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## **Brick-by-Brick Update**

Cabinet considered a report, which advised that progress had been made by Directors and Management at the Company since reviews had been carried out in 2021. It was reported that the Company had reached Practical Completion on all its development sites except Lion Green Road and Kindred House and BBB continued to make good progress with disposing of the developments in the open market and to the Council.

It was further reported that the Council held Option Agreements on six undeveloped sites, of which, the Council was considering exercising its buy back option for the Regina Road site and the others, subject to further due diligence of the sites for Council use. It was noted that BBB had also repaid to the Council £30.04m of the principal loans with a net balance of £142.5m outstanding as at end of October 2022.

Accordingly, the Executive Mayor, in Cabinet, **RESOLVED** that:

1. The progress on delivery of key developments by BBB Croydon Ltd. be noted.
2. The progress on BBB finances, as provided within Part B of the report, be noted (*this has been included as Part B to ensure management financial information remains commercially confidential.*)
3. The Corporate Director of Resources and Section 151 Officer, in consultation with the Monitoring Officer and the Cabinet Member of Finance, be authorised to enter into a Letter of Comfort to be provided to BBB Croydon Ltd, under the Council's shareholder function (*information has been included within the Part B report.*)
4. Having considered the PwC review, including recommendations, within the Part B report, to proceed with the option set out in Part B, be agreed.
5. Under delegated authority to the Corporate Director of Resources and Section 151 Officer, in accordance with paragraph 9 of the Financial Regulations, the approval to vary the Option Agreements on Regina Road, Malton House and Belgrave and Grosvenor Road, to include an option for the Council to purchase those sites instead of setting off against the loan agreement and to extend the buyback option period for Regina Road and Malton House, be noted (*the Council was currently working with BBB to varying the Option Agreements. This was further detailed within Section 2 of this report.*)

6. The Corporate Director of Resources and Section 151 Officer, in consultation with the Monitoring Officer and the Cabinet Member for Finance, be authorised to exercise buy-back option(s) under the relevant option agreement(s) for the undeveloped sites earmarked by BBB for disposal, should these be required (*the value of any such buy backs shall either be paid to BBB or be set off against the Loan agreement, as varied within the option agreement(s)*).
7. The Corporate Director of Resources and Section 151 Officer, acting as lender, in consultation with the Monitoring Officer, be authorised to vary the loan agreement with BBB to permit set off values under recommendations 5 and 6 above if required.
8. The Corporate Director of Resources and Section 151 Officer, acting as shareholder, in consultation with the Monitoring Officer and Cabinet Member for Finance, be authorised to instruct BBB not to dispose of the undeveloped five sites on the open market if the Council decided to consider exercising its buy back option(s) in accordance with recommendation 6 above.
9. The Corporate Director of Resources and Section 151 Officer, in consultation with the Monitoring Officer, Executive Mayor and the Cabinet Member for Finance, be authorised to approve that BBB may dispose of developed properties in the open market at less than 95% of red book value (including where this was a key decision and above Corporate Director delegations within the Financial Regulations) on the request of BBB as in accordance with the Loan Facility Agreement.
10. The Corporate Director of Resources and Section 151 Officer, in consultation with Cabinet Member for Finance and Corporate Director of Housing and subject to any final due diligence, be authorised to decide whether to purchase 12 new properties at the Trellis Mews development as detailed in Section 6 of this report with a further recommendation within Part B.
11. The updated amendments to the Terms of Reference of the BBB Shareholder Mayor's Advisory Board (formerly Brick by Brick Shareholder Cabinet Advisory Board), as set out at Appendix C, to reflect changes to appointments and to confirm the governance model as set out in the November 2021 Cabinet report (attached as a background paper), including delegations as follows, be approved:
  - A) Delegate to the members of the BBB Shareholder Mayor's Advisory Board the authority to exercise limited shareholder functions on behalf of the Council when making recommendations to BBB relating to risk in accordance with Section 5 of this report (*recognising, however, that Brick By Brick shall make its own independent decisions*).

12. The process for the appointment and removal of directors from the Brick By Brick board of Directors, in accordance with Section 5 of this report, be approved and that the Corporate Director of Resources and S151 Officer, in consultation with the Executive Mayor, Cabinet Member for Finance and the Chief Executive, be authorised in respect of appointments and removals of Directors of the board of Brick by Brick Croydon Ltd, to exercise shareholder functions on behalf of the Council to approve such appointments and removals *(any such appointments or removals shall be notified as part of the next scheduled report to the Executive Mayor in Cabinet)*.

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### **Exclusion of the Press and Public**

This was not required.

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### **PART B - Brick-by-Brick Update**

The Executive Mayor, in Cabinet, **RESOLVED that** those recommendations 1 to 5, as detailed in the Part B report, be approved.

The meeting ended at Time Not Specified