

# Public Document Pack

## Scrutiny & Overview Committee

Meeting held on Tuesday, 8 December 2020 at 6.30 pm.

This meeting was held remotely and can be viewed on the Council website

### MINUTES

**Present:** Councillors Sean Fitzsimons (Chair), Robert Ward (Vice-Chair), Leila Ben-Hassel (Deputy-Chair), Jerry Fitzpatrick, Oni Oviri and Joy Prince

**Also Present:** Councillor Hamida Ali, Alisa Flemming, Bernadette Khan, Stuart King and Callton Young

### PART A

43/20 **Disclosure of Interests**

There were no disclosures of interest made at the meeting.

44/20 **Urgent Business (if any)**

There were no items of urgent business.

(NOTE: Before moving on to the main item on the agenda, the Chair confirmed to the Committee that it had been decided that consideration of the report on the Strategic Review of Companies would be deferred to a separate meeting arranged for 21 December 2020).

45/20 **Report in the Public Interest - Action Plan**

The Committee considered a report setting out the Report in the Public Interest (RIPI) that had been published by the Council's external auditor, Grant Thornton, along with an action plan providing the Council's response to these findings. The Committee was asked to review the action plan, with any conclusions or recommendations due to be reported to the Cabinet for further consideration on 18 January 2021.

Before the Committee moved on to its consideration of the RIPI action plan, the Chair, Vice-Chair and Deputy-Chair took the opportunity to reflect on the role of Scrutiny and address criticism directed at Scrutiny in the RIPI. It was accepted that with the benefit of hindsight, the call-in on the Council's finances, considered by the Committee on 25 August 2020, should have been referred to Council. However, in calling-in the Cabinet report it did prompt the Administration to acknowledge the severity of the financial challenge. It was highlighted that Scrutiny members looked to follow best practice guidance and had worked on a non-party political basis in formulating its recommendations. It was also confirmed that an independent review of scrutiny by the Centre for Governance & Scrutiny had been commissioned prior to the publication of the

RIPi, with the results of which expected in the near future. Any recommendations arising from this review would be incorporated into the Council's Improvement Plan.

Following this introduction, the focus of the meeting turned towards scrutinising the RIPi action plan. The Chair highlighted to the Committee, that prior to the meeting the members of the three Scrutiny Sub-Committees had met informally to review the action plan from their respective viewpoints and the results of these conversations would be fed into the meeting when appropriate.

The Leader of the Council, Councillor Hamida Ali, introduced the report by welcoming the feedback of the Committee on the action plan. It was highlighted that the RIPi action plan was only one of a range of different reviews being responded to by the Council and a key challenge was ensuring that all of these work streams were coordinated. The action plan was only the start of the process to address the challenges facing the Council and it was hoped that Councillors would start to experience positive change in the coming weeks and months.

Sarah Ironmonger representing the Council's external auditor, Grant Thornton, was also in attendance at the meeting and was given the opportunity to speak to the Committee about their RIPi. It was highlighted that both scrutiny and audit were committees which provided the opportunity for Members to consider what was best for the Council and residents, rather than political forums. It was also highlighted that the auditors had used the minutes of past meetings as part of their evidence base. Following concern raised by Councillors, the content of meetings captured in the minutes was being reviewed with officers, to ensure the richness of the discussion at meetings was captured for future reference. It was the view of the auditors that the action plan created in response to the RIPi was realistic in terms of what was achievable and clear on the potential risks to delivery.

Before reviewing the action plan, the Committee members were given the opportunity to ask questions to clarify any of the information provided. The first question sought confirmation that earmarked reserves were included within the Council's General Fund, which was confirmed. As a follow up, it was confirmed that at present regulations on Council finance allowed the allocation of capital receipts for transformation funding. Finally it was confirmed that there was a long term target to hold £50m in reserves. It was suggested that training should be provided for Members to ensure there was an understanding of how the Council managed its reserves.

In response to a question about how progress made against delivering the action plan would be transparent, it was confirmed that quarterly updates would be brought to Cabinet meetings. There would also be an item on Council agendas to give Members the opportunity to question the progress made.

Following the opportunity for clarifying questions, the Committee moved on to reviewing each recommendation set out in the action plan in turn. The

recommendations made by the Scrutiny & Overview Committee can be found at the end of these minutes. What follows is a summary of the discussion held on each of the action plan recommendations at the meeting.

The Chair of the Children & Young People Sub-Committee, Councillor Robert Ward, advised that having reviewed the actions set out under the first recommendation, the Sub-Committee was generally supportive. It was understood that there was a need to bring the Children Services budget under control, but there was concern about how this may impact upon the children in receipt of these services. It was agreed that there would be an ongoing role for the Sub-Committee to monitor the impact of the budget on service delivery to ensure there was no undue impact on the life prospects of the children concerned.

Councillor Fitzsimons, in his role as the Chair of the Health & Social Care Sub-Committee, reported back on the Sub-Committee's discussion of the recommendations. It was advised that there was a general lack of understanding amongst Members about why there had been a persistent overspend for many years in Adult Social Care and why the Council spent more than other local authorities on adult social care. Members needed to have a better understanding of the commissioning process and the work to deliver closer integration between health and social care. As with the Children & Young People Sub-Committee, it was agreed that there would be a role for Health & Social Care Sub-Committee in keeping a watching brief over the delivery of savings to ensure that they did not unduly impact upon care receivers.

It was agreed that Members needed to have a greater understanding of the budget for Adult Social Care, which was complex, to be able to make a judgement on whether it could be realistically delivered. This was particularly important due to the size of the Adult Social Care budget, which was a significant proportion of the Council's total budget.

The Adults Service was commended for its work with care homes throughout the covid-19 pandemic, which had minimised the spread of the infection amongst care home residents. Although Croydon had the highest number of care home beds of any borough in London, it had performed comparatively well.

It was acknowledged that the Council needed to increase its General Fund reserve and as such it was questioned whether there was a recommended level, in terms of a percentage of the net budget, as which it should be held. In response it was advised that the level of reserves held was down to each local authority to decide, but this decision should be based upon a robust risk assessment. The S151 Officer had set a target to increase the General Fund reserve to £50m and had this been in place prior to the pandemic, the Council would have been able to manage its financial pressures significantly better.

In follow up to this advice, it was questioned whether a local authority could be expected to take account of all potential risks when determining the level of reserves to be held, with the pandemic highlighted as an event of such

enormous scale it would have been difficult to adequately mitigate against in advance. It was agreed that it was possible to plan for every eventuality and many local authorities had found the pandemic financially challenging. However, holding a very low level of reserves created a much higher risk for a local authority should there be an unforeseen event, such as the covid-19 pandemic.

The S151 Officer was asked to explain how the target of increasing the General Fund reserve to £50m had been reached. It was confirmed that £50m equated to approximately 15% of the current net budget and had been based on a judgement taking into account the increased level of risk caused by the pandemic. It was highlighted that it would require cumulative savings over a number of years by the Council to achieve this figure, with it targeted that the £50m would be achieved by 2024.

It was highlighted that the Council previously planned in a number of budgets to increase the level of reserves held in the General Fund, which had not been realised. As such, it was agreed that it was imperative that effective financial control systems were put in place to monitor delivery. It was also agreed that it should be a priority for Scrutiny to ensure that any controls introduced were robust and allowed the budget to be delivered as intended. It was confirmed that financial controls were being introduced and included scope for increased reporting to ensure there was the necessary oversight of budget delivery.

It was suggested that there needed to be a mapping process to coordinate which committee or board would be reviewing the various aspects of the action plan and the Council's financial recovery, to ensure that there was both full oversight and an avoidance of unnecessary duplication.

It was agreed that there needed to be closer monitoring of transformation projects, which needed to be clearly defined in scope, particularly the intended outcomes, before any such projects were commissioned. The delivery of transformation projects needed to be monitored against key performance indicators, to ensure that the project was being delivered in line with expectations. There also needed to be a robust process in place to govern any changes in scope, to ensure that clarity on the outcomes was maintained at a corporate level.

It was agreed that Members needed to be better informed about how education funding worked and as such training on this subject had been requested for the members of the Children & Young People Sub-Committee. There was also plans being developed to providing training to all councillors on the Council's finances.

Recommendations 6 and 7, concerning unaccompanied asylum seeking children (UASC), were supported by the Committee. There was a general acknowledgement that the cost to the Council of supporting UASC was particularly challenging and needed other local authorities to share this responsibility.

In regard to the Council's budget responsibility, it was agreed that the culture of the Council needed to change, because the evidence appeared to suggest that there was a lack of financial control across the organisation. It was questioned how the culture of the Council could be changed to make financial control a much higher priority. In response it was highlighted that a Spend Control Panel had been introduced to review all new expenditure at the Council, which would start to ensure staff were more conscious of their spending. Going forward there was a need to clearly communicate with staff on the expectations of the organisation regarding the budget and in particular what was and was not acceptable.

In response to a concern raised about the provision of information to scrutiny, it was highlighted that weekly meetings with the three Scrutiny Chairs had been set up to address concerns raised, including the availability of information. The issues raised by the Chairs would be tracked to ensure that these had been resolved.

It was highlighted that there had previously been concerns about a perceived lack of collect responsibility amongst the former Cabinet, and as such it was questioned how culture would change under the new Leader of the Council, Councillor Hamida Ali. It was advised that although Cabinet Members would continue oversee their respective portfolios, there was an intention that the new Cabinet would take joint decisions on key strategic issues. This would help to build collective ownership. Given the Council budget could not be split evenly across the Cabinet Portfolios, it was important that those Cabinet Members with large portfolios, such as Children or Adult Services, received the support of their Cabinet colleagues.

As it was confirmed that the Programme Management Office (PMO) had been in place since January 2020, it was questioned whether it was effectively functioning as a PMO, as a recent briefing had suggested it was still in the process of being set up. It was confirmed that although the PMO was in place, further work was needed to embed the new approach to project work across the organisation.

It was highlighted that the Council needed to establish a process corporately for reviewing projects after completion to review lessons learnt. Furthermore, it should be ensured that this knowledge was available across the Council to inform future projects. It was agreed that the Council needed to have a process in place for closing projects, which was likely to be picked up in the Improvement Plan. The exact format for this has not yet been fully developed.

It was agreed that the relationship between Scrutiny and GPAC needed to be reviewed to ensure that both had clearly defined roles, particularly in regard to reviewing the recovery of the Council and other areas such as treasury management.

It was confirmed that work on the business case for Brick by Brick was progressing, with PwC commissioned to undertake further work on the possible options for the future of the company. Once this has been completed,

a report on the options would be brought forward for a decision in the New Year.

It was highlighted that the Streets, Environment & Homes Sub-Committee would have its annual opportunity to review the Brick by Brick Business Plan in February 2021. It was confirmed that an options appraisal on the properties purchased from Brick by Brick and a review of the Fairfield Halls refurbishment had also be requested for that meeting. It was cautioned that the timelines in the action plan were ambitious and if further work was needed, it may require the timing of any reports to the Sub-Committee to be reviewed.

The mechanism for investing money into Brick by Brick, which was based on a 75% loan to 25% equity arrangement, was questioned. As the company was already 100% owned by the Council further explanation was need to clarify why further equity was being purchased. In response, it was confirmed that although the arrangement had been for a 75% loan to 25% equity arrangement, this had not been adhered to. To date, all money provided to Brick by Brick had been given under a 100% loan arrangement, which was now being reviewed as part of the work being undertaken by PwC.

There was concern raised in the RIPI about the Council's risk management processes, and as such it was questioned whether there was sufficient expertise and understanding amongst both officers and Members to manage the significant risks facing the Council going forward. It was confirmed that the Council had a small risk team which was dedicated to the whole Council. The management of risk had been discussed by ELT, with risk champions being identified from departments across the Council to ensure a greater level of scrutiny on risk, which would be fed into the Corporate Risk Register. It was agreed that training should be provided for both staff and Members to ensure that there was an understanding of the corporate approach to risk.

On the subject of risk, it was recommended that further work be undertaken to establish the Council risk appetite, which would be used to underpin future decision making. This was considered to be particularly important with the financial challenges facing the Council and external risks such as the covid-19 pandemic and Brexit, the full implications of which was not yet known.

Recommendation LBC3, which related to ensuring Members received the necessary training to equip them to carry out their roles effectively, particularly in regard to the financial management of the Council, was warmly welcomed by the Committee. It was suggested that one area of training needed was commissioning, to help Members to understand the process, in order to be assured the Council was achieving value for money.

Questions were asked about the future operating mode and organisational management of the Council. The actions set out in LBC4 aimed at changing the Council's culture were welcomed by the Committee, but it was questioned whether sustainable change could be affected, given the deep rooted issues at the Council which had been highlighted by the RIPI. The Leader of the Council responded by highlighting that it was important to encourage a culture

where staff felt empowered to speak up and provide challenge when needed. There was no short term solution to changing the culture of the Council, instead it would need to be demonstrated by everyone living these values on a daily basis.

At the conclusion of this item the Chair thanked both the Councillors and officers in attendance for their participation in the meeting and their open engagement with the questions of the Committee.

### **Recommendations**

At the conclusion of the discussion on this item, the Scrutiny and Overview Committee agreed to make the following recommendations to the Cabinet on the action plan arising from the Report in the Public Interest.

Overall the Committee came to the view that the action plan presented was a robust piece of work, particularly considering the time frame for its creation. Given the short time frame for the creation of the action plan, the Committee recommended that it should be viewed as a live document to guide the organisation going forward, which could be amended as and when needed.

The Committee also recognised that the scale of the action plan was very ambitious in terms of the work it was proposing to deliver and recommended that robust assessment criteria be used to prioritise delivery, taking account of the available capacity.

**Recommendation 1a: The Executive Director Children Families and Education needs to address the underlying causes of social care overspends in children’s social care and take effective action to manage both the demand and the resulting cost pressures.**

1. Regarding action iii, it was recommended that prior to providing progress reports, Members needed a greater understanding of the current arrangements for Children’s Social Care, including clarity over what were the statutory and non-statutory areas of the service and the meaning and impact of ‘demand management’.
2. The Committee recognised that further consideration needed be given to how to demonstrate within the progress reports the wider impact of work to address cost pressures within Children’s Social Care beyond the purely financial implications. For instance any progress reports needed to provide reassurance that robust assessments were being undertaken to determine the potential impact on future demand from either reducing or stopping a service.

**Recommendation 1b: The Executive Director Health, Wellbeing and Adults needs to address the underlying causes of social care overspends in adults social care and take effective action to manage both the demand and the resulting cost pressures.**

3. Training needed to be provided for Members to understand the budget for

Adult's Social Care. This should include an explanation of the reasons for the persistent overspend. Training was also required to help Members understand the complex health and care landscape in the borough.

4. As with Recommendation 1a, consideration needed be given to how to demonstrate within the progress reports the potential impact of the work to address cost pressures within Adult's Social Care beyond the financial implications.

**Recommendation 2: The Council (including Cabinet and Scrutiny and Overview Committee) should challenge the adequacy of the reserves assessment which should include a risk assessment before approving the budget.**

5. Consideration was needed to identify the most appropriate mechanism for the Committee to monitor and assess progress made against delivering the budget throughout the year.
6. Furthermore, consideration needed to how reassurance could be provided to Members that effective budget controls were in place to mitigate against potential risks to the delivery of the budget.
7. The governance of the Council needed to be mapped in order to reduce the risk of duplication and conversely to ensure that nothing was missed.

**Recommendation 3: The Chief Executive should oversee a review of the outcomes achieved from the use of transformation funding to demonstrate that the funding has been applied in accordance with the aim of the scheme.**

8. A corporate strategy needs to be developed to assess future transformation projects prior to funding. This should include a requirement to identify the intended outcomes, risk exposure, ongoing affordability, how success will be measured, how progress will be tracked, any interdependencies with other projects and any wider benefits.

**Recommendation 4: The s151 officer should set out the strategy for applying capital receipts for transformation annually as part of the budget setting process.**

As set out in recommendation 8 above.

**Recommendation 5: The General Purposes and Audit Committee should receive reports on the actions being taken to address the Dedicated Schools Grant deficit and challenge whether sufficient progress is being made.**

9. It was identified that training was needed for Members on education funding and budgets.

**Recommendation 6: The Executive Director Children, Families and**

**Education needs to review the services provided to UASC and to identify options to meet their needs within the grant funding provided by the Home Office.**

The actions set out in the report were supported by the Committee and no further recommendations were made. It was presumed that the delivery date for item 6 is December 2020, not 2021.

**Recommendation 7: The Executive Director Children, Families and Education needs to identify the capacity threshold for the numbers of UASC that it has the capacity to deliver safe UASC services to.**

The actions set out in the report were supported by the Committee and no further recommendations were made.

**Recommendation 8: The Cabinet reports on the financial position need to improve the transparency of reporting of any remedial action taken to address in year overspends.**

10. It was recognised that urgent action needed to be taken to address the culture of the Council to ensure that all officers and Members are aware of budgetary pressures and acted accordingly.

**Recommendation 9: The Council (including Cabinet and Scrutiny and Overview Committee) need to show greater rigor in challenging underlying assumptions before approving the budget including understanding the track record of savings delivery.**

11. It was felt that it was important for the Cabinet to take collective responsibility for addressing the Council's budget challenges, with further work recommended to consider how this can be demonstrated.

**Recommendation 10: The General Purposes and Audit Committee must challenge officers on the progress in implementing the Financial Consultant's recommendations to improve the budget setting, monitoring and reporting process and actions to address the Head of Internal Audit's concerns on internal controls.**

12. That work be undertaken to clarify the roles of both Scrutiny and Audit to reduce duplication and also to ensure nothing was being missed.

**Recommendation 11: The s151 officer needs to revisit the Growth Zone assumptions following the pandemic and make recommendations to Cabinet and Council for the continued investment in the scheme.**

13. It was recognised that the Council needs a mechanism in place to review projects to use the learning to inform any future work. This should be extended across all areas of the Council, with learning retained centrally as a corporate resources.

**Recommendation 12: The s151 officer should review the financial**

**rationale and associated risks and make recommendations to Cabinet and Council on whether the Revolving Investment Fund should continue.**

See SOC Recommendation 13 above.

**Recommendation 13: The s151 officer should review the purchase of Croydon Park Hotel to identify lessons learned to strengthen future due diligence arrangements.**

See SOC Recommendation 13 above.

**Recommendation 14: The Cabinet and Council needs to re-consider the Treasury Management Strategy for ongoing affordability of the borrowing strategy, the associated risks and identify whether alternative options can reduce the financial burden.**

14. As mentioned above in recommendation 12, it is recommended that work be undertaken to clearly define the roles of Scrutiny and Audit, with particular regard to risk management and treasury management.

**Recommendation 15: The Chief Executive should arrange detailed Treasury Management training to assist Members to better understand and challenge the long-term financial implications of matters reported within the Treasury Management Strategy.**

See SOC Recommendation 14.

**Recommendation 16: The s151 officer should revisit the Minimum Revenue Provision policy to demonstrate that a prudent approach is being taken.**

The actions set out in the report were supported by the Committee and no further recommendations were made.

**Recommendation 17: The Cabinet and Council should reconsider the financial business case for continuing to invest in Brick by Brick before agreeing any further borrowing.**

The actions set out in the report were supported by the Committee and no further recommendations were made.

**Recommendation 18: The Cabinet and Council should review and reconsider the ongoing financial rationale for the Council in the equity investment arrangement with Brick by Brick.**

15. The Committee recommended that the December 2020 deadline for the action is reviewed to ensure further consultation could be undertaken.

**Recommendation 19: The s151 officer and monitoring officer should monitor compliance with loan covenants with Brick by Brick and report**

**any breaches to Members.**

16. The Committee recommended that the December 2020 deadline for the action is reviewed to ensure further consultation could be undertaken.

**Recommendation 20: The Cabinet and Council should review its arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, and the long-term impact of the subsidiaries on the Council's financial position and how the Council's and taxpayers' interest is safeguarded.**

The actions set out in the report were supported by the Committee, with no further recommendations made.

**Recommendation LBC1: Given the challenges ahead there will need to be improvement of the Council's approach to risk management to enable a satisfactory turnaround of the financial position.**

17. It was recommended that consideration be given to how to provide Members with assurance that there is sufficient risk management expertise within the Council to manage risk going forward.

18. It was recognised that the Council needed to define its appetite for risk and that as part of any future governance, risks are regularly reviewed to ensure that the appropriate level of mitigation is in place.

19. That work is undertaken to reconcile the various risks managed by the Council to understand how they impact upon each other.

**Recommendation LBC2: Clarifying member and officer roles to support good governance arrangements.**

20. The Committee agreed that any review of the governance arrangements, needed to give greater clarity to responsibility and accountability.

**Recommendation LBC3: Ensuring that Members are appropriately trained across all aspects of the Council's financial duties and responsibilities.**

21. That training be provided for Members to improve understanding of the commissioning process.

22. That appropriate training is offered to the committee members who are not elected members.

**Recommendation LBC4: The Council develops an improvement programme that has the necessary elements for it to function effectively and within its financial resource.**

23. The Committee recommended that corporate level sponsorship should be allocated to all projects to ensure clarity of responsibility for delivery.

24. It was also recommended that work needed to be undertaken as a priority to understand the future model of the Council, which would inform the direction of travel in the improvement journey.

25. That appropriate officer support is given to Scrutiny in order that it can fulfil its role.

46/20 **Strategic Review of Companies and other Investor Arrangements - Brick by Brick Croydon Ltd ("BBB") Shareholder Decision - Directors and Articles of Association**

This item was deferred until the next meeting of the Committee held on 21 December 2020.

47/20 **Exclusion of the Press and Public**

This motion was not required.

The meeting ended at 10.28 pm

**Signed:**

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**Date:**

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