

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>SCRUTINY STREETS &amp; ENVIRONMENT SUB-COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>31 January 2023</b>	
<b>REPORT TITLE:</b>	<b>Budget Scrutiny Challenge – Streets &amp; Environment</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<i>Nick Hibberd</i> <b>Corporate Director Sustainable Communities, Regeneration &amp; Economic Recovery</b>	
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<b>LEAD MEMBER:</b>	<b>CLLR SCOTT ROCHE</b> <b>Cabinet Member Streets &amp; Environment</b> <b>CLLR JEET BAINS</b> <b>Cabinet Member Planning &amp; Regeneration</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>NO</b>	<b>Public</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

## 1. SUMMARY OF REPORT

1.1 As part of its assurance process on the 2023-24 Council Budget, the Scrutiny & Overview Committee has asked the Streets & Environment Sub-Committee to identify and scrutinise specific budget proposals. This report provides the Streets & Environment Sub-Committee with information to reach a view on the following 2023/24 budget areas :-

1. Parking Services (including information on the Parking Policy review)
2. Planning Service (including information on the Planning Transformation programme)
3. Building Control (including a short update on the Building Control transformation programme)

## **2. RECOMMENDATIONS**

- 2.1** That the Streets & Environment Scrutiny Sub-Committee consider the information contained in the report as part of the budget scrutiny challenge process.

## **3. REASONS FOR RECOMMENDATIONS**

- 3.1** As part of its assurance process on the 2023-24 Council Budget, the Scrutiny & Overview Committee has asked the Streets & Environment Sub-Committee to identify and scrutinise specific budget proposals.
- 3.2** This report provides the Streets & Environment Scrutiny Sub-Committee with information to support the Budget Scrutiny Challenge process. The report covers the areas identified for focus, which are Parking Policy, Planning Service, and Building control.

## **4. BACKGROUND AND DETAILS**

### Overview of Sustainable Communities, Regeneration & Economic Recovery Budget

- 4.1** The Sustainable Communities, Regeneration & Economic Recovery (SCRER) directorate generates significant levels of income, particularly within the Planning and Strategic Transport and Sustainable Communities divisions. The socio-economic conditions post covid are creating an uncertain environment on which these income levels are predicated with fewer major planning applications, declining town centres and high streets and a reduction in commuting. This has led to budget pressures across income generating teams during 2022/23.
- 4.2** At Month 6, SCRER was forecasting a net overspend of £14.894m. The main area of overspend relates to £13.6m shortfall in parking and moving traffic offences income, although there are also pressures relating to under recovery of income across planning, building control and private sector licensing.
- 4.3** Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes, ANPR, pay and display and on-street parking. Further pressures are experienced within Planning and Sustainable Regeneration Services particularly in relation to Building Control income and income from Planning.
- 4.4** A number of services in the directorate are sensitive to inflation, particularly related to rising fuel/energy prices that could cause pressures for suppliers and/or service delivery.
- 4.5** The Executive Mayor has made clear that his number one priority is to balance the books and make Croydon a financially sustainable Council which listens to residents and provides good quality services. The 'Opening the Books' review has identified substantial accounting corrections that have one off and ongoing implications for the Council's budget. This includes the need to adjust and correctly align the parking budget.
- 4.6** As part of the 30 November 2022 Cabinet report *Medium Term Financial Strategy 2023/24 to 2025/26 Update*, a draft Transformation Programme was included at

appendix C. It is crucial that the Council begins to take a transformational approach rather than continuing to salami slice budgets. The Transformation Plan, with a programme of cross-directorate transformation projects, sets out this new approach to a more modern way of working, that is cost effective and responds to different needs from different residents. The programme is being developed but already consists of over 30 projects, many of which require careful reform of the large budget services providing vital adult and children’s social care support.

4.7 Three of the projects within the SCRER directorate that are included in the Transformation Programme are:

- Parking Policy Review & Transformation Programme
- Planning Transformation Programme
- Building Control Transformation Programme

N.B There are other projects within the programme which are being led by the SCRER directorate which are not covered by this report because the projects fall outside of the scope of this scrutiny sub-committee. This report provides details on the Parking Policy, Planning, and Building Control transformation programmes and explains the part they play in the delivery of the medium-term financial strategy 2023/24 to 2025/26.

### **Parking Services**

4.8 The Parking Services budget is made up of six separate income streams which generate income from both parking and moving traffic offences. The overall income assumed in the 2022/23 budget was £36.5m.

<b>Income stream</b>	<b>22/23 Budget</b>
Parking Permits	1.913m
Pay & Display / Pay by Phone	11.249m
Suspension payments (income from filming, utility companies, special events)	0.734m
Penalty Charge Notice (PCN income) – on street	7.070m
Income from existing ANPR cameras	7.173m
Income from new ANPR camera schemes	8.405m
<b>Total</b>	<b>36.544m</b>

4.9 The COVID pandemic has seen changes in travel and commuting behaviours and a continued loss of parking income due to a sustained downturn in footfall/traffic within the borough. Despite restrictions having ended throughout the 2022/23 financial year to date, the income generated from parking has not significantly improved, and this reflects the societal change where working patterns have now changed on a semi-permanent basis and the shift to accessing retail and other services online. In addition, there has been delays to implementing some of the Healthy Neighbourhood and School Streets programmes, which has also impacted the ability to recover

enforcement income. This means that there is a risk that anticipated parking income for 2022/23 will not be met.

**4.10** Whilst there has been a significant amount of work undertaken to improve the forecasting of income across the various income streams, it is expected this pressure will continue into 23/24 financial year unless adjustments are made to 'right size' the budget to reflect realistic ongoing income levels. The three main areas are:

- Income generated via Pay & Display - Pay & Display income continues to be significantly impacted by a shift in user behaviour over the year which is a direct impact of the national lock-down(s) and users either resorting to online shopping and/or with the ongoing pressures, with a downturn in the economy and increased cost of living for residents / users. The service is monitoring transactions and income reconciliation; the trend on transactions remains significantly below (circa 35%) pre-covid activity.
- The planned rollout of ANPR technology to support the Council's Carbon Neutral Action Plan and promoting both active transport and healthy lifestyles. Throughout 2022 there has been uncertainty with the TfL LIP allocation, with a piecemeal approach to capital allocations to boroughs due to the ongoing negotiations between TfL and DfT to agree a funding settlement. A funding settlement was not agreed until Autumn 2022. In addition, the Healthy Neighbourhoods (LTN) schemes in Croydon have been delayed for a number of reasons. Existing ANPR technology monitoring moving traffic contraventions income continues to be significantly impacted by a shift in user behaviour over the year which is a direct impact of the national lock-down(s) with the ongoing pressures with a downturn in the economy and increased cost of living for residents / users. The service is monitoring transactions and income reconciliation; the trend on transactions remains significantly below pre-covid activity.

**4.11** As part of the Opening the Books exercise, due to the contributing factors mentioned in 4.8-10, the ongoing over-estimate of the level of parking and moving traffic offence income has been identified. As a result, the medium term financial strategy 2023/24 to 2025/26 update identifies that the base budget needs to be adjusted by £13.9m. Officers have been working on forecasting the income for 2023/24. The adjustment required to the base budget has been calculated as follows:

Income stream	22/23 Budget	Original 23/24 budget (as outlined in March 22 budget)	Revised 23/24 Budget
Parking Permits	1.913m	1.93m	1.913m
Pay & Display / Pay by Phone	11.249m	11.449m	8.042m
Suspension payments (income from filming, utility companies, special events)	0.734m	0.734m	0.734m
Penalty Charge Notice (PCN income) – on street	7.070m	7.070m	5.549m
Income from existing ANPR cameras	7.173m	15.578m	7.909m

Income from new ANPR camera schemes	8.405m	3.601m	2.211m
Total	36.544m	40.345m	26.359m
Budget adjustment / growth required:			13.986m

### The Parking Transformation Programme

**4.12** This programme will consider how to develop a new parking service, including new parking policies that achieve our statutory objectives and support both our Carbon Neutral and economic recovery objectives. All parts of the service are in scope for efficiency, for example more automated payments, will be a key part of improvement.

The existing Croydon Parking Policy was adopted by Cabinet on 25 March 2019. It has 5 main objectives:

- Parking Management: Provide suitable and adequate parking facilities on and off the highway, and to contribute to securing the expeditious, convenient and safe movement of vehicular and other traffic (Traffic Management Act 2004).
- Controlled Parking Zones: Manage parking where demand exceeds supply and/or unsafe conditions exist, through the design of permitted and restricted kerb space that fairly balances parking capacity, parking times and bay types.
- School Streets: Contribute to securing a healthy and safe environment near to schools, and to help children and parents use cars less and to walk, cycle and use public transport more.
- Parking Charges: To operate the charges defined in local Traffic Management Orders for on- and off-street parking places.
- Innovation and technology: Promote the use of open data platforms and devices, to facilitate a digital Smart City transformation.

**4.13** The current parking policy needs to be amended to meet new targets for improving safety, air quality and managing kerbside space, especially in light of intensification. Present methods for managing the service need changing to improve efficiency and lower costs to ensure value for money.

**4.14** The review will identify opportunities from analysis of existing parking data and look at innovative ways we could deliver kerbside management. One particular need that it will seek to address this, is identification of areas that require new parking controls to manage parking demand especially in intensification areas where the availability of on-street is at a premium.

### The Planning Service

**4.15** Croydon is a busy Local Planning Authority (LPA), benchmarked against other London boroughs. On the basis of government returns which record only certain types of applications, Croydon is the 7th busiest of 33 London authorities with 1714 decisions over the last three quarters. However, if all applications are considered which includes conditions discharge, tree works and advertisements, the numbers rise to over c.5000 p/a.

**4.16** Over the past few years, the planning process has come under increasing scrutiny from residents and members who have shown concern about the quantum of development undertaken in the borough, and the focus upon increasing density and the evolution of character in areas not subject to statutory protection. This has resulted in increased challenges at all stages of the process with increased objections, litigation, complaints, appeals and enforcement activity for the LPA as well as the wider council, (legal, democratic services, consultee teams). The increased workload puts pressure on service budgets. Planning services across the country are facing recruitment challenges. This, with Croydon's level of development and regeneration ambitions, mean that the service needs improvement, development, and additional resource to make a more efficient and effective service, one that is attractive for staff to work within and optimises the use of technology to increase productivity.

**4.17** Due to the pandemic, the Section 114 notice, the 15% savings of June 2020 and a national shortage of qualified planners, the service was unable to retain and recruit the necessary staff in 20/21. This, coupled with an increase in the number of submitted non major applications led to the build-up of a large backlog of applications. Actions has been taken to reduce this, but there remains a large backlog with associated performance risk.

**4.18** Whilst 2020 delivered a record high number of major applications, since then numbers have rapidly declined, with a 28% decrease in 2021 and 55% decrease in 2022. Major applications provide the significant fees, which help offset the costs of non-major applications, the fees of which, do not cover the costs of processing. In years 2020 and 2021, as an average of the two years combined, there was an 8.6% increase in the total number of applications from 2019. However, for 2022, there has been a 7% decrease in application numbers since 2019 and in the second half of the year the number of smaller applications submitted significantly reduced. This accords with the national picture, as reported by the Planning Inspectorate. Application rates are an indicator of economic activity. In 21/22 the team had a fee income target of £3.77 million and achieved £3.5 million. However, the fee income target for 22/23 was increased through the budget setting process to £4.1 million. This was unlikely to be achievable if 22/23 had mirrored 21/22 but it is much more challenging with the current submission rate of applications. At Month 6 it is predicted to achieve a fee income of £2.8 million which is well below the £4.1 million fee target. This is largely the reason for the pressure is shown in the budget and the request for growth or adjustment.

	Budget 2022/23 – income target	Projected income 2022/23 (at Period 6)	Shortfall in income against budget
Major Application income	£971,000	£331,000	£640,000
Minor Applications	£1,295,000	£1,170,000	£125,000
Pre-app income	£1,780,000	£936,000	£844,000
CIL Income		£200,000	(£200,000)
Total	£4,046,000	£2,637,000	£1,409,000

**4.19** Additional income can be generated and the planning process made more efficient through the pre application and Planning Performance Agreement service, however additional resource would be necessary to service this added value service and this

has been challenging to provide within the resource constraints the service has suffered from over the last three years.

### The Planning Service Transformation Programme

- 4.20** The Planning transformation programme aims to provide the service with the ability to better respond to the changes in the Planning system that are coming forward through the Levelling Up and Regeneration Bill. Whilst the details are still being considered in Parliament, the Planning service needs to ensure that it is ready for these changes.
- 4.21** It is currently proposed that the Planning transformation programme will include the following workstreams:
- Development Management Transformation
  - Planning Enforcement Review
  - Local Plan Review
  - Planning Digitalisation
  - Customer Excellence and Resident Engagement
  - Workforce Development
- 4.22** Transformation funding of £300k has been approved in the 30 November MTFS report. The programme will aim to deliver savings of £250k per annum from 2024/25.

### Building Control

- 4.23** Local Authority Building Control (LABC) services are in a state of decline across the country and in London and the Southeast this is particularly acute. This is due to the competitive but unequal marketplace with private sector Approved Inspectors. (AI). AIs can cherry pick work, taking the most lucrative and eroding LABC market share, whilst LABCs must pick up unprofitable and less desirable work as the statutory provider of Building Control services. Local Authorities also provide an enforcement role and must provide a 24/7 Dangerous Structure cover. The whole industry has also had to contend with cost cutting practices, (race to the bottom) which were identified as a component of the Grenfell tragedy, which have arisen from competition within a regulatory context which allows the potential for undue flexibility around the application of Building Regulations, thus leading to the potential for unscrupulous practice.
- 4.24** Croydon Building Control (Croydon BC) operates a Trading Account for fee earning work and a separate budget for non-fee earning work. As set out in the CIPFA guidance, over a three-year cycle Building Control services should not make a profit and if profit is made, the services fees should be reduced to address this. However, Croydon BC as with many local authority Building Control services, has suffered from steadily declining fee income and has struggled to recruit and retain staff.

The service for several years has been operating with challenging fee income targets alongside difficulty recruiting appropriately trained and experienced staff. This has impacted upon the resilience of the service. The Building Safety Act brings in new duties and responsibilities for Local Authorities and the service is embarking upon a Transformation programme to respond to these new burdens and challenges and to ensure it can provide a resilient Building Control Service to the residents of the borough.

- 4.25** Following Grenfell, the Government undertook the Hackitt Review and Grenfell Public Enquiry to explore the issues contributing to the tragedy. This led to the Building Safety Act 2022 and the Fire Safety Act 2022 and the creation of a new independent Building Safety Regulator. Legislative changes launched in April 2022 transitioning to full implementation April 2024. In entirety, this creates seismic change and a new regime across the industry but putting stress on an already challenged operating model. These changes will be experienced most acutely in London which has significant resourcing issues, the tallest buildings and most high risk buildings.
- 4.26** The new legislative that the Council will need to implement and respond to will mean the Council has far greater responsibility for safety of both existing and new buildings and whilst the Government is proposing total fee recovery, the detail, process, quantum and type of work is not yet known. This will challenge further the existing service model. Prior to Grenfell, alternative service models for Croydon Building Control were already being explored to address resourcing and budget issues.
- 4.27** During 2022/23, the building control service has experienced a downturn in income due to the current business environment that has seen work reduce and lack of resource has meant that the service cannot provide the consistently responsive service, which customers demand. Recruitment of necessary staff is proving challenging to get appropriate qualified staff at affordable rates. The fee income target is challenging, and the 30 November MTFs report proposes a realignment of the budget to correctly reflect projected fee income for 23/24.
- 4.28** Historically, the budget deficit has been managed by holding posts vacant. This however negates the service being able to compete within a commercial environment, increasing the risk of not providing appropriate levels of professional scrutiny and with high dependence on a couple of individuals to maintain the service. A projection of fee income against fee targets demonstrates the widening gap.

#### The Building Control Transformation Programme

- 4.29** An independent review of the Building Control service was commissioned in November 2021, by iESE - a public sector consultancy experienced in Building Control work. This was an initial scoping and position piece, followed by a more detailed analysis of options which reported in Oct 2022. Three options were considered in detail; a more appropriately resourced in-house service, a statutory minimum, and the creation of arm length commercial service. The statutory minimum option is not considered a tenable option, in a borough as large as Croydon with high levels of development, tall buildings and Dangerous Structure, however, it does however provide a base line comparative. All options have high levels of risks and significant funding requirements.
- 4.30** In response to the findings of the iESE report, there is a need to pursue business transformation to mitigate corporate risk plus improve Service efficiency and effectiveness.
- 4.31** The initial steps in Transformation for Building Control are to stabilise the service and recruit sufficient surveyors to allow timely and consistent site inspections, appropriately risk assessed. Succession planning and training and development needs are critical with new competencies required, and in particular that the service is appropriately resourced with Level 6 surveyors, who will deal with the most complex and high risk buildings. The Government has created a new apprenticeship scheme which

recognises that backfilling will be required for staff undertaking new duties under the Building Safety Act. Croydon has secured 3 new members of staff who will be paid for by the Government. However, these new staff will not be trained surveyors and will require investment in before they can start to contribute to fee income.

- 4.32** Marketing and new business development is necessary to stop erosion of market share and rebuild more profitable work. Discussions are underway corporately to ensure that the internal market is also optimised. Fees and charges are also being reviewed. The Growth and Transformation bids will allow for the resetting of fee income targets and the recruitment of new staff. Further work is now being undertaken currently on a Turnaround Plan as part of its transformation.
- 4.33** Transformation funding of £350k plus £100k investment in IT has been approved in the 30 November MTFS report. The programme will aim to deliver savings of £300k per annum from 2024/25.
- 4.34** Discussions are also on going with neighbouring boroughs and at a pan London level as collaboration will be key to ensure that LABC meet the challenge of the new Building Safety Regulator and the potential work that will be allocated through it. Many of the surrounding boroughs are less resourced than Croydon, this may mean that work within their boroughs may come to Croydon.

## **5. CONSULTATION**

- 5.1** The Council's financial challenges mean that setting the 2023/24 Annual Budget, the resulting Council Tax and the Capital Programme will require tough decisions to be made. The broad areas of savings, the reduced areas for capital investment and the potential asset sales set out in the 30 November MTFS update report will be controversial, particularly for individuals and organisations impacted. It is very important that there is an opportunity for Croydon's residents, businesses, partners, voluntary and community sector and other interested parties to ask questions of the Council and to feedback their views and concerns.
- 5.2** The 30 November MTFS update report proposed that a public consultation and engagement programme is launched with residents, businesses, partners, the voluntary and community sector and other interested parties on the revenue budget and capital programme proposals set out in that report.
- 5.3** The Budget Consultation and Engagement was proposed to run from 1 December 2022 to 8 January 2023 on the Council's online platform. The results will inform the final proposals for Council Tax Setting to be presented to the Mayor in Cabinet and Full Council in February and March 2023.
- 5.4** The Council also intends to increase its public engagement in relation to individual projects it is delivering. The Transformation Programme project teams will be encouraged to engage with residents and partners as necessary in the development and delivery of their workstreams. This is a focus of the new Resident Voice Internal Control Board.

## **6. CONTRIBUTION TO COUNCIL PRIORITIES**

**6.1** The Executive Mayor's Business Plan overarching priority is to deliver a wholesale transformation of the Council's way of working, so that we balance the budget and change how services are run.

**6.2** The budgets and transformation proposals for Parking, Planning and Building control services identified within the medium term financial strategy 2023/24 to 2025/26 update support the delivery of the following outcomes within the Mayor's Business Plan 2022-2026.

- Outcome 1: The Council balances its books, listens to residents and delivers good sustainable services
- Outcome 2: Croydon is a place of opportunity for business, earning and learning
- Outcome 4: Croydon is a cleaner, safer and healthier place, a borough we're proud to call home

## **7. IMPLICATIONS**

### **7.1 FINANCIAL IMPLICATIONS**

**7.1.1** The financial implications of this report are described in the main body of the report

**7.1.2** Comments approved by Darrell Jones Acting Head of Finance on behalf of the Director of Finance. 23<sup>rd</sup> January 2023

### **7.2 LEGAL IMPLICATIONS**

**7.2.1** There are no direct legal implications arising from this report

### **7.3 EQUALITIES IMPLICATIONS**

**7.3.1** There are no direct equalities implications arising from this report. Equalities impact assessments will be undertaken as part of the delivery of the transformation programmes as appropriate.

## **8. BACKGROUND DOCUMENTS**

**8.1** 30<sup>th</sup> November Cabinet report

[Agenda for Cabinet on Wednesday, 30th November, 2022, 6.30 pm | Croydon Council](#)