

LONDON BOROUGH OF CROYDON

REPORT:	Cabinet
DATE	14 February 2024
REPORT TITLE:	Report of the Scrutiny and Overview Committee: Budget Scrutiny 2024-25
LEAD OFFICER:	Stephen Lawrence-Orumwense Director of Legal Services & Monitoring Officer Adrian May Interim Head of Democratic Services
LEAD MEMBER:	Councillor Rowenna Davis Chair of Scrutiny & Overview Committee
ORIGIN OF ITEM:	<p style="text-align: center;">As part of the consideration of the Council Tax and Budget Report, the Executive Mayor is required to consider feedback from the Scrutiny & Overview Committee.</p> <p style="text-align: center;">In accordance with the Council’s Constitution, the Scrutiny & Overview Committee scrutinises the entirety of the budget proposals and reports its findings to Cabinet as part of the budget setting process. The findings of the Committee, together with the response of the Executive Mayor will be presented at the Budget Council meeting.</p>
KEY DECISION?	No
PUBLIC/EXEMPT:	Public
WARDS AFFECTED:	All

1. THE BUDGET SCRUTINY REPORT

- 1.1. The Scrutiny & Overview Committee is required in the procedure rules set out in the Council’s Constitution to report to the Executive Mayor in Cabinet the findings from its scrutiny of the budget setting process. This report is being provided to Cabinet

alongside the Budget papers to respond to the conclusions and recommendations of the Committee. Both this report and the response of the Executive Mayor will be included in the budget papers to be considered by Council on 28 February 2024.

- 1.2. The level of scrutiny given to the process for setting 2024-25 budget has been in line with the expanded scope conducted in each of the past two years, as it was found that this approach allowed the members of the Scrutiny & Overview Committee to have a greater understanding of the potential risks to the delivery of the budget. A summary of the budget process is set out in section 3 of this report.
- 1.3. The Scrutiny & Overview Committee had a final opportunity to review the budget proposals at its meeting on 12 February 2024. It was at this meeting that the Committee, taking account of its work over the preceding months, reached its conclusions on the budget. These recommendations are set out for the consideration of the Mayor in section 2 of this report. The wider conclusions of the Committee arising from the meeting on 12 February 2024 are set out in section 4.

2. RECOMMENDATIONS

- 2.1. Following its discussion of the 2024-25 Budget update, the Committee agreed to submit the following recommendations for the consideration of the Mayor: -
 1. The Scrutiny & Overview Committee recommends that further work is undertaken to raise awareness of the availability of the Hardship Scheme, targeted toward groups identified in the Equalities Impact Assessments as potentially being most affected by the proposed Council Tax increase.
 2. Given it was noted that the removal of Economic Demand Pressures Fund presented a greater risk, the Scrutiny & Overview Committee recommends that an updated version of Appendix L – Financial Risks is presented as part of the budget papers for the consideration of Council. This should include potential mitigation being provided for each risk and all financial risks for 2024-25 being quantified. The Committee would also recommend that the Financial Risks document is scheduled for review by the Audit & Governance Committee at the earliest possible opportunity.
 3. In the interests of transparency, the Scrutiny & Overview Committee would recommend that additional information is included in the final budget report to Council to explain the further legacy Capitalisation Direction of £9.4m for 2019-20.

3. BUDGET SCRUTINY PROCESS 2024-25

- 3.1. Although the Scrutiny & Overview Committee first considered a report on the setting of the 2024-25 budget at its meeting on 24 October 2023, the Committee has prioritised monitoring the delivery of the in-year budget throughout the year with the inclusion of the latest financial performance monitoring report on the agenda for each meeting. This has allowed the Committee to identify the key areas of risk it wanted

to scrutinise in greater detail and reassure itself that the Council was effectively managing its in-year budget.

- 3.2. In preparation for the Budget Scrutiny process, the members of the Committee received two training sessions on best practice for budget scrutiny, delivered by the Centre for Governance and Scrutiny. The first of these focussed on scrutinising in-year budget performance and the second on best practice for budget scrutiny. Members also attended extra training on scrutinising risk and adult health and social care scrutiny.
- 3.3. At the Scrutiny & Overview Committee on 24 October 2023, consideration was given to the Medium Term Financial Strategy (MTFS) report, which included savings proposals for 2024-25. From its discussion of the information provided, it was acknowledged that there had been a lot of work invested in improving the financial governance and monitoring processes of the Council. However, the Committee agreed that despite this hard work, the path to long-term sustainability and independence of the Council would remain at risk, until a solution, that was agreeable to both the Council and the Government, could be found to address the historic debt burden.
- 3.4. The Scrutiny & Overview Committee met again on 16 January 2024, to consider the Capital Programme & Capital Strategy 2023-29 report. From its consideration of the Capital Programme, the Committee reached a similar conclusion to its consideration of the MTFS report on 24 October. There was evidence that both the governance process of the Council had improved, but the ongoing requirement for capitalisation of £38m each year, to deliver a balanced General Fund budget, was unsustainable and most of the income generated through the asset disposal plan was needed to prevent further borrowing, rather than reducing the Council's existing debt.
- 3.5. The Committee acknowledged that the financial situation for the Housing Revenue Account capital budget was much healthier than the General Fund capital budget and was supportive of the proposal to use reserves, rather than borrowing, to fund capital works in 2024-25.
- 3.6. The four scrutiny Sub-Committees (Children & Young People, Health & Social Care, Streets & Environment, and Homes) each met with the respective Cabinet Members and Corporate Directors for their relevant remits to identify key areas of risk to review at their meetings in January 2024. The areas scrutinised were:-

Meeting	Budget Challenge Items
<p>Health & Social Care Sub-Committee</p> <p>Link to Sub-Committee papers: Monday, 24th January, 2024</p>	<ul style="list-style-type: none"> • Adult Social Care and Health Directorate 2023-24 Budget, Savings and Transformation

Meeting	Budget Challenge Items
Children & Young People Sub-Committee Link to Sub-Committee papers: Tuesday, 25th January, 2024	<ul style="list-style-type: none"> • Review of Children Looked After placements. • Children’s Social Care staffing budget realignment
Homes Sub-Committee Link to Sub-Committee papers: Monday, 29th January, 2024	<ul style="list-style-type: none"> • Housing Revenue Account Budget • Housing General Fund Budget • Deep Dive on Emergency/Temporary Accommodation.
Streets & Environment Sub-Committee Link to Sub-Committee papers: Tuesday, 30th January, 2024	<ul style="list-style-type: none"> • Fees and charges - Changes to parking policy • SEND Transport – Student Number Cost Driver • Deferral of growth in highways maintenance

- 2.7. The conclusions from the Sub-Committee meetings were included in the budget papers for the consideration of the main Committee at the meeting on 12 February 2024. These conclusions indicated that there was an acceptable level of assurance that Services had a good understanding of their budgets and had identified potential risks to delivery.
- 2.8. The Children & Young People Sub-Committee flagged for the attention of the Scrutiny & Overview Committee the removal from the MTFS of the proposed saving of £1.1m from the realignment of the Children’s Social Care staffing budget, due to the unacceptable risk involved. As alternative savings had still to be identified, it was flagged to the Committee to explore in further detail at its meeting on 12 February 2024.
- 2.9. Although the Homes Sub-Committee concluded that the Housing Revenue Account (HRA) Capital Programme was well thought through based upon the information available at this stage, it was agreed that the real test would come in the summer once further stock condition data was analysed leading to an updated HRA Business Plan.
- 2.10. The Homes Sub-Committee welcomed the savings delivered through transformation of the Homelessness service in 2023-24 and was reassured that these were not solely reliant on staff vacancy savings. However, further evidence was required to demonstrate that this transformation work would result in a transformed service focussed on reducing homelessness through prevention and early intervention.
- 2.11. The Homes Sub-Committee had concerns about the potential risks to the General Fund budget associated with the increased demand for the homelessness services

and looked forward to reviewing the demand management transformation within the service later in the year.

- 2.12. The Streets & Environment Sub-Committee had concerns about whether 5% growth for SEND Transport would be sufficient to cover rising demands for the service as a result of an increasing number of Education and Health Care Plans (EHCPs) in the borough, as well as cost inflation that may occur during 24/25.
- 2.13. Although it was acknowledged that SEND Transport was being looked at as part of the Transformation Programme, and that some savings had been made as part of Phase 1 of the project. The Sub-Committee noted that Phase 2 was still in very early stages of development and agreed there was limited understanding of any potential savings.
- 2.14. Regarding the deferral of growth in the highway's maintenance budget, the Streets & Environment Sub-Committee concluded that this saving would contribute to an increased backlog in highways investment that could lead to increased costs for highways maintenance and repairs in the future but endorsed the risk-based approach to targeting maintenance. Although the Sub-Committee was supportive of the £1,000,000 growth proposed for the highway's maintenance budget in 2025/26, there was concern that this would still constitute a real terms cut to the budget from 22/23.
- 2.15. A full summary of the conclusions reached by the Scrutiny Sub-Committees, along with those from earlier budget scrutiny items considered by the Scrutiny & Overview Committee can be found attached at Appendix A.
- 2.16. The final meeting in the budget scrutiny cycle was held on 12 February 2024. At this meeting, the Committee considered the budget report presented before Cabinet to finalise its conclusions on what was proposed. The conclusions of the Committee are set out in the next section of this report.

3. CONCLUSIONS OF THE SCRUTINY & OVERVIEW COMMITTEE ON THE BUDGET 2023-24 PROPOSALS

- 3.1. At the meeting on 12 February 2024, the Committee had the opportunity to question, the Cabinet Member for Finance, Councillor Jason Cummings, the Chief Executive, the Corporate Director for Resources & S151 Officer, other Members of the Corporate Management Team and the Director of Finance on the Mayor's budget proposals. The questioning of the Committee focused on five key themes, which were the Dealing with the Debt, Demand Assumptions, Transformation, Savings and Public Engagement.
- 3.2. Following its discussion of the Budget report, the Scrutiny & Overview Committee commended the hard work of officers, the Executive Mayor and Cabinet Members in preparing the 2024-25 Budget, particularly in light of the financial challenges facing the Council and across the local government sector as a whole.

- 3.3. The provision of budget information to Scrutiny at an earlier stage, in comparison to previous years, was appreciated and helped to ensure that the Committee could effectively scrutinise the budget.
- 3.4. Despite the hard work of all involved, the Committee agreed that the Council still cannot balance its budget without Government approval for further capitalisation. Without a solution being identified to address the £38m annual shortfall in the General Fund budget, the long term sustainability and independence of the Council remains uncertain.
- 3.5. The Committee noted that, based on the information provided, the proposed savings were deliverable whilst meeting the statutory needs of its vulnerable residents, although the scale, pace and wide-ranging nature of these savings mean that they will need to be closely monitored.
- 3.6. The Committee agreed with the Section 151 Officer that removing the £5m Economic Demands Pressures Fund from the 2024-25 budget increased the level of risk, particularly in a volatile economic environment where demand for many services is increasing, but recognised that this judgement had been based on improved budget modelling processes.
- 3.7. There was recognition that the scale and pace of transformation was not where the Council wanted it to be. However, the recent recruitment of a Director of Transformation and the forthcoming Transformation Strategy were reflective of a growing ambition and appetite for transformation across the Council.
- 3.8. The Committee noted the reduction from £2m to £500,000 in funds available for the Hardship Fund, but welcomed that this amount had been reallocated to the Council Tax Support Scheme, rather than amalgamated into the wider General Fund budget.

4 APPENDICES

- 4.1. Appendix A: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees

5 BACKGROUND DOCUMENTS

- 5.1. None

Scrutiny & Overview Committee

12th February 2024

Budget Scrutiny 2024-25: Conclusions from Previous Budget Scrutiny items considered by the Scrutiny & Overview Committee & Sub-Committees

Scrutiny & Overview Committee – 24 October 2023

Medium Term Financial Strategy 2024-2028

1. The Committee acknowledged that the Council was going above and beyond what it could do to improve its financial position through improving its governance and budget monitoring processes, delivering transformation, and selling its assets.
2. However, the level of debt held by the Council remained unsustainable and would only increase while capitalisation remained the only option available to the Government to support the Council to balance the identified ongoing annual shortfall of £38m in future year's budgets. It was therefore essential for Government to identify a solution as soon as possible to assist both Croydon and other similar local authorities with unsustainable levels of debt.
3. The Committee welcomed reassurance that the voices of frontline staff were being heard in the budget setting process and agreed that this would need to be tested throughout the budget scrutiny process.
4. The Committee welcomed reassurance that Council tax enforcement was only used as a last resort and in the first instance the Council when notifying residents of arrears provided the offer of help and assistance to find a viable solution. The Committee agreed that it would like to revisit this at a later date to seek reassurance on the level of support offered to residents.

Scrutiny & Overview Committee – 16 January 2024

Capital Programme and Capital Strategy 2023-29

1. The Committee acknowledged that both transparency and the governance processes of the Council have been improved due to the hard work of officers and the Cabinet. However, despite this hard work, the financial situation remained dire and potentially dangerous with the £38m budget gap remaining unresolved without further capitalisation and the Council being in breach of the Prudential Code.
2. The Committee also acknowledged that the financial situation for the Housing Revenue Account capital budget was much healthier than the General Fund capital budget and was supportive of the proposal to use reserves, rather than borrowing, to fund capital works in 2024-25.

Health & Social Care Sub-Committee – 22 January 2024

Adult Social Care and Health Directorate 2023-24 Budget, Savings and Transformation

Conclusions

1. The Sub-Committee commended the work of the Adult Social Care team in managing its budget, acknowledging that there was a good level of understanding of and control over the budget for the service.
2. The Sub-Committee also commended the work of the Panel reviewing the packages of care, which was a key to delivering savings within the service.
3. The Sub-Committee also welcomed a review on the further use of technology within the service, as a means of identifying further savings.
4. Although, the Health and Social Care Sub-Committee did not have any specific concerns about the Adult Social Care and Health Directorate budget for 2024-25, there were a few areas, such as the transformation partnership workstream, that were still in the early stages of development and would require further in-depth scrutiny over the forthcoming year to provide further reassurance on delivery.

Children & Young People Sub-Committee – 23 January 2024

Budget Scrutiny Challenge

2024-28 SAV CYPE 001 – Children’s Social Care staffing budget realignment

Conclusions

1. The Sub-Committee were grateful for the information and responses provided by officers and the Cabinet Member at the meeting.
2. The Sub-Committee were reassured that officers and the Cabinet Member had recognised that holding a 7% vacancy would present an unacceptable risk in Children’s Social Care, and that this saving would not be included in the updated Medium Term Financial Strategy (MTFS).
3. The Sub-Committee were confident that removing this saving from the MTFS was the correct decision to protect children and ensure that caseloads for social workers did not become unmanageable.
4. The Sub-Committee understood that the £1.1 million saving would need to be achieved and that the updated MTFS would set out how this saving would be made while also considering the provisional Local Government Finance Settlement, feedback from the budget engagement process and updated Council Tax and business rate income forecasts.
5. The Sub-Committee were unable to comment on whether the £1.1 million saving in the budget would be achievable as the information on where this saving was to be achieved was not yet available. As such, the Sub-Committee would recommend the Scrutiny & Overview Committee reassure itself on the deliverability of any new savings proposals at its meeting on 12 February 2024, when considering the wider Budget.
6. The Sub-Committee were reassured by the peer challenge work being undertaken with other local authorities to look at different areas of Children’s Services, and by the Council’s engagement with the Sector Led Improvement Programme (SLIP) to improve practice outcomes.

2024-28 SAV CYPE 003 – Review of Children Looked After Placements

Conclusions

1. The Sub-Committee shared their gratitude to social workers and foster carers who were working to meet the needs of children in the borough.
2. The Sub-Committee wanted to monitor the efforts of the Council to increase the in-house foster provision in the borough and agreed that this should be added to the Work Programme for 2024/25.
3. Members were optimistic that the savings targeted from the review of children looked after placements would be deliverable, in light of the work already undertaken in this area during 2023/24.

4. The Sub-Committee were reassured that both the officers and the Cabinet Member understood the potential impact upon service users and the wider community of delivering this saving, and that no decisions would be taken for financial reasons, if they would be harmful to children and young people.
5. The Sub-Committee were supportive of the planned increase of in-house provision through the opening of a new Children's Home supported by Department for Education funding.
6. Members were optimistic about plans to continue to improve the Council's relationship with placement providers through the continued development of processes, and through possible 'preferred provider' agreements.
7. The Sub-Committee were confident that the scope for the procurement of a proposed CYPE Strategic Transformation Partner seemed well targeted but understood that the process was still in the early stages of development and that a market warming exercise had yet to take place.

Homes Sub-Committee – 29 January 2024

Update on the Housing Revenue Account and Housing General Fund Budget 2024-25

Conclusions

1. The Sub-Committee recognised that a lot of different work streams were being managed simultaneously within the Housing service and that it was a credit to the team that noticeable improvement towards stabilising the service and building solid governance processes had been established.
2. The Sub-Committee was concerned that much of the data gathered had still to be analysed and concluded that this represented a key risk to the delivery of the budget, particularly the results from the stock condition surveys which could have a major impact on both the level of repairs needed and the longer-term capital investment required.
3. However, the Sub-Committee was reasonably reassured that the Housing service had worked as well as it could with the data already available, which had resulted in the budget for repairs and maintenance being rightsized.
4. The Sub-Committee concluded that Housing Revenue Account (HRA) Capital Programme was well thought through based upon the information available at this stage, but the real test would come in the summer once further stock condition data was analysed leading to an updated HRA Business Plan, which the Sub-Committee looked forward to reviewing later in the year.
5. The Sub-Committee was also reassured that many of their concerns raised at the meeting were already known to the Housing service and work was underway to address these.
6. While it remained a work in progress, the Sub-Committee welcomed the savings delivered through transformation of the Homelessness service in 2023-24 and was reassured that these were not solely reliant on staff vacancy savings. However, further evidence was required to demonstrate that this transformation work would result in a transformed service focussed on reducing homelessness through prevention and early intervention.
7. The Sub-Committee noted concern about the potential risks to the General Fund budget associated with the increased demand for the homelessness services and looked forward to reviewing the demand management transformation within the service later in the year.
8. Overall, the Sub-Committee was unable to provide total reassurance on the 2024-25 budget, given the data that would normally be expected to inform the setting of a budget was still being collated and validated. However, it did agree that the Housing Service had a good understanding of the pressures on the service and seemed to have the right priorities in place to drive forward improvement.

Streets & Environment Sub-Committee – 30 January 2024

Budget Scrutiny Challenge

2024-28 SAV SCRER 002 - Fees and charges - Changes to parking policy

Conclusions

1. The Sub-Committee encouraged the Council to continue to engage with residents and local businesses on forthcoming changes to parking policy and charges.
2. The Sub-Committee were supportive of the promotion of the 'Love Clean Streets' app as a reporting tool for parking contraventions as an alternative for residents contacting the Council by phone or email.
3. The Sub-Committee were encouraged to hear that the 'Love Clean Streets' app would be utilised during the 'Clean Up Croydon' campaign and were reassured that it was being considered how to also encourage more residents to use the app to report parking contraventions and provide updates to residents on the enforcement of these reports.
4. The Sub-Committee understood that the introduction of nominal charges for parking in district centres was being explored to tackle meter feeding and increase parking turnover, but were of the view that the right balance needed to be found to ensure that the footfall of local businesses was improved, and could be evidenced by data.
5. The Sub-Committee were encouraged that a more intelligence led approach by Parking department could lead to savings through maximising the opportunities available in the 'Sitem' software. Members understood that any potential savings arising from this would not be included in the 24/25 budget.
6. The Sub-Committee were reassured that parking income targets for 24/25 would be set at a realistic level based upon 23/24 contravention data, and taking account of increased likelihood of compliance as residents became more familiar with schemes such as Healthy Neighbourhoods and Healthy School Streets.

2024-28 GRO SCRER 003 - SEND Transport – Growth Proposal

Conclusions

1. Members supported that officers were exploring possible commercial uses of the SEND Transport fleet during weekends, school holidays and during the school day. The Sub-Committee were optimistic that this may provide some additional income to the Council but acknowledged that this could be offset by the cost of any such commercial operation.
2. The Sub-Committee were concerned about whether a 5% growth for SEND Transport would be sufficient to cover rising demands for the service as a result of an increasing number of Education and Health Care Plans (EHCPs) in the borough, as well as cost inflation that may occur during 24/25.

3. The Sub-Committee acknowledged that SEND Transport was being looked at as part of the Transformation Programme, and that some savings had been made as part of Phase 1 of the project. However, as Phase 2 was still in very early stages of development there was limited understanding of any potential savings.
4. The Sub-Committee appreciated that Muster Points had been identified as a possible point of savings for the SEND Transport service but were of the view that the potential budget impact was limited and that the change would likely not be appropriate for some students.

2024-28 SAV SCRER 006 - Deferral of growth in highways maintenance

Conclusions

1. The Sub-Committee were of the view that this saving would contribute to an increased backlog in highways investment that could lead to increased costs for highways maintenance and repairs in the future.
2. The Sub-Committee were supportive of the £1,000,000 growth proposed for the highways maintenance budget in 25/26 but were concerned that this would still constitute a real-terms cut to the budget from 22/23.
3. The Sub-Committee were reassured that the Council would take a risk-based approach to conducting highways maintenance to ensure that highways remained as safe and well maintained as possible within the available budget.
4. The Sub-Committee welcomed confirmation of the additional government funding from the Prime Minister's Network North announcement but accepted that this additional investment would not fully mitigate the deferment of growth in the highways maintenance budget.