

# General Purposes & Audit Committee Agenda



To: Councillor Stephen Mann (Chair)  
Councillor Joy Prince (Vice-Chair)  
Councillors Clive Fraser, Jerry Fitzpatrick, Patsy Cummings, Mary Croos,  
Jan Buttinger, Oni Oviri, Ian Parker, Steve Hollands and Muffaddal Kapasi

Reserve Members: Maddie Henson, Toni Letts, Pat Clouder,  
Jamie Audsley, David Wood, Sherwan Chowdhury, Jason Cummings,  
Badsha Quadir, Stuart Millson and Simon Brew

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Wednesday, 10 October 2018** at **6.30 pm** in **Council Chamber, Town Hall, Katharine Street, Croydon, CR0 1NX**

JACQUELINE HARRIS BAKER  
Director of Law and Monitoring Officer  
London Borough of Croydon  
Bernard Weatherill House  
8 Mint Walk, Croydon CR0 1EA

Michelle Ossei-Gerning  
020 8726 6000 x84246  
michelle.gerning@croydon.gov.uk  
[www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)  
Tuesday, 2 October 2018

Members of the public are welcome to attend this meeting.  
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at [www.croydon.gov.uk/meetings](http://www.croydon.gov.uk/meetings)

## **AGENDA – PART A**

**1. Apologies for Absence**

To receive any apologies for absence from any members of the Committee.

**2. Minutes of the Previous Meeting (Pages 5 - 12)**

To approve the minutes of the meeting held on Wednesday 18 July 2018 as an accurate record.

**3. Disclosure of Interests**

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

**4. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. Presentation on Unaccompanied Asylum Seeking Children**

'Presentation To Follow'

**6. Corporate Risk Register (Pages 13 - 24)**

The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at October 2018.

**7. Treasury Annual Review (Pages 25 - 46)**

This report reviews the Council's treasury management activities for the year 2017/2018.

**8. Internal Audit Update Report (Pages 47 - 72)**

This report details the work completed by Internal Audit so far during 2018/19 and the progress made in implementing recommendations from audits completed in previous years.

**9. Anti-Fraud Update Report (Pages 73 - 80)**

This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2018 – 31 August 2018.

**10. Outcome of the General Purpose and Audit Committee Independent Non-Voting recruitment (Pages 81 - 82)**

This report identifies the recommended candidate to be appointed as an independent non-voting co-opted Member on the General Purposes and Audit Committee.

**11. Exclusion of Public and Press**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

**PART B**

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## General Purposes & Audit Committee

Meeting of General Purposes and Audit Committee held on Wednesday, 18 July 2018 at 6.30 pm in Council Chamber, Town Hall, Croydon, CR0 1NX

### MINUTES

**Present:** Councillor Stephen Mann (Chair);  
Councillor Joy Prince (Vice-Chair);  
Councillors Clive Fraser, Jerry Fitzpatrick, Patsy Cummings, Mary Croos,  
Jan Buttinger, Oni Oviri, Ian Parker and Steve Hollands

**Also Present:** Councillor Simon Hall  
Nigel Cook, Head of Pensions and Treasury  
Thomas Slaughter, Grant Thornton, External Auditors  
Sarah Ironmonger, Grant Thornton, External Auditors  
Malcolm Davies, Head of Insurance Risk and Corporate Programme Office  
Lisa Taylor Director of Finance Investment and Risk  
Richard Simpson, Executive Director of Resources  
Simon Maddocks, Director of Governance  
Dave Phillips, Mazars  
Clare Davies, Complaints Manager  
Leonard Asamoah, Head of Housing Solutions  
Jo-Ann Bulgin, Croydon Choice Partnership Officer  
Hannah Musk, Investigations Team Leader  
Luke Chiverton, Head of Operations Brick by Brick  
Ian Geary – Head of Finance

**Apologies:** Muffadal Kapasi,

### PART A

6/18 **Minutes of the Previous Meeting**

The minutes of the meetings held on 15 March, 26 March and 23 May 2018 were agreed to be signed by the chair as an accurate record of the meeting

7/18 **Disclosure of Interests**

There were none.

8/18 **Urgent Business (if any)**

There were no items of urgent business.

9/18

## **Local Government & Social Care Ombudsman**

The Head of Housing Solutions presented the report which detailed the actions taken by the Council following a complaint by a service user that was escalated to the Local Government and Social Care Ombudsman (LGSCO). The Council accepted the LGSCO findings as published in its report and accepted all recommendations made. The Team went on to complete the recommendations ahead of the time scales.

Officers took note of a Member comment on the poor quality of the medical advisors report in this case and advised that this would be fed back to the relevant teams.

A Member commended the team on their response time to the recommendations made by the LGSO and was reassured that lessons learnt would prevent further occurrences of this nature.

In response to a member query on whether details of lesson learnt would be made available or incorporated into performance management systems, officers stated that they would and statistics as requested would be circulated to Committee members.

The Committee **RESOLVED**: That

1. The content of the LGSO report be noted
2. Further details on lesson learned be circulated to Members of the Committee.

10/18

## **Audit Report for Brick By Brick Croydon LTD 2017 Accounts**

The Head of Operations introduced the report which provided the company's overall financial position as issued by the auditors Grant Thornton and included their opinion on the final accounts. The Auditors issued an unqualified opinion on the Financial Statements with no recommendations made in relation to the company's system of internal control or significant risks identified.

In response to a member query as to whether the reports would be provided by Brick by Brick and not just their accounts, the Cabinet Cllr Mary Croos arrived at 6:50pm

Member for Finance and Treasury stated that a report would be brought to Cabinet periodically as well as the business plan for approval by Cabinet once a year.

In response to a member Comment as to why the accounts were completed in December, officers responded that an initial decision was made for the statements to be prepared in the financial year and not calendar year in order

to make it easier to consolidate figures. This may be reconsidered in the future.

The Committee **Resolved:** That

1. The Independent Auditors report on the Brick by Brick final accounts issued by the company's external auditors, Grant Thornton be noted.

## 11/18 **Financial Performance Report for 2017-18**

The Director of Finance Investment and Risk presented the report which outlined the Councils financial performance and outcome for the period of 1 April 2017 to 31 March 2018.

The Committee was informed that although the outturn for 2017/18 was an overspend of £5.03m, this was an improvement from the anticipated overspend at q3. This was achieved through careful and strong financial management. The areas of overspend were reported to Cabinet throughout the year and were areas that were impacted by demand and statutory responsibilities.

In response to a member comment that Croydon historically had low levels of reserves compared to other Local Authorities, the Executive Director of Resources stated that as part of the financial strategy, they had been looking at the principles around reserves. Croydon was doing all it could to maintain a prudent position.

A Member queried if the surplus in collection funds was repeatable. Officers responded that the collection fund could not be budgeted for every year. The Committee was informed that there were three key things that drove council tax performance which were the number of properties that provided income, tax base was increasing at a rapid rate with growth playing a big part in financial strategy. The amount collected from Council Tax, Business Rates and Discount relief exemption.

In response to the Chair's question on how Croydon's reserves match up against other LA's, officers said that Croydon had one of the lowest reserves in London whilst inner London Boroughs had greater reserves. Croydon does not budget to use its reserves whilst some Boroughs had. Croydon had usable reserves in capital receipts and this could be utilised to fund transformation and not just to fund capital expenditure.

In response to a Member question as to whether the Council had learnt to be more careful with its reserves, and what figure would be acceptable in 2019/20 for reserves, the Cabinet Member for Finance and Treasury stated that this remained a challenge. The Council had to be careful to manage pressures in areas such as Adult Social Care but there was also no choice in how some of the reserves were used. An extra £1m had been put into contingency to manage risks in 2019/20.

The Chair commented that there was significant over spend in areas such as Special Education Needs (SEN), asked if underspend in some areas was leading to overspend in others and how exceptional were the items reported. Officers stated that overspend was as a result of significant pressures in specific areas. Expenditure that had been incurred throughout the year was reported periodically to Cabinet. The Costs were exceptional due to the level of costs the LA had to bear such as Universal Credit which had a £2.5m deficit following the pilot which was covered by the Council.

The Chair commented that it would be helpful in future if a breakdown was provided on earmarked reserves for specific projects. – Officers notes that these are provided in the annual accounts.

In response to whether more funds had been budgeted for the Think Family Programme, the Cabinet member for Finance and Treasury stated that this was ran as a pilot and formally set up 18 months ago. The team had now been expanded to provide innovative solution to issues in a holistic way and were supporting more families.

A member queried how the Council's assets were being utilised. Officers responded that revenue had been delivered through selling buildings such as Jeanette Wallace house and by generated income from letting space in BWH.

The Chair thanked officers for their responses to questions.

The Committee **Resolved** to:

1. Approve the levels of reserves and provisions set out in section 7.4 of the report, as recommended by the Section 151 Officer;
2. Note the Council's outturn position, and the progress of the Council's current Financial Strategy objectives;
3. Note the departmental outturn variances as contained within Table 2 and Appendix 1 of the report;
4. Note that a report seeking final approval of the accounts following their review by external audit is a separate item on this agenda;
5. Note following a review of the financial strategy a new financial strategy will be presented to Cabinet in September 2018.

## 12/18 **Audit Finding Reports**

Thomas Slaughter and Sarah Ironmonger from Grant Thornton presented the Audit findings reports for both the Council's general fund and Pension Fund accounts.

Following review, the Auditors set six recommendations for the Council accounts and one for the Pensions Funds. It was recognised that the Council had strong plans for growth and robust mechanisms in place to deliver despite the significant pressures that would be faced in years to come.



The report also highlighted the importance of cost control and the arrangements in place to drive revenue. It was felt the Council had clear plans to manage this in the medium term.

Grant Thornton anticipates to issue unqualified opinions for the Council's accounts and Pensions Funds accounts by the 31st July 2018.

In response to a Member comment on levels of reserves being a concerns, officers said that the key was whether there was enough cash flow to continue operating until July 2019 without using reserves and there was. Having reviewed the factors and arrangements in place, it was concluded that there was solid foundation of elements to manage any issues that arise through value for money strategies.

In response to a member concerns of the possibility of Capital receipts being used as revenue, offices stated that the Councils usage was a transparent process with Capital Receipts used for specific things to contribute to transformation of services. The government had created a clear policy on the usage of capital receipt.

The Chair thanked the Grant Thornton representative for the work completed and the resources put in place to produce the reports within reduced timeframe.

The Committee **RESOLVED**: That

1. The ISA 260 (International Standards on Auditing) Reports for the Council and the Pension Fund issued by the Council's external auditors, Grant Thornton (Appendix 1 and 2 respectively) be noted.
2. The letters of representation (in Appendix 3 and 4) on behalf of the Council and the Pensions Fund be approved.
3. The final accounts (Appendix 5) based on the adjustments recommended in the Audit Findings report for the Council (set out in Appendix 1), together with any minor changes identified under paragraph 1.4 be approved.
4. Authorisation is given to the Executive Director Resources (S151 Officer) and Chair of General Purposes and Audit Committee to sign off the Council's 2017/18 accounts and agree any changes identified between this meeting date and the 31st July 2018, as detailed in paragraph 3.4 of this report.

## 13/18 **Head of Internal Audit Annual Report 2017/18**

The Director of Governance presented the annual report which detailed the Internal Audit work for 2017/18. The Head of Internal Audit was able provide Substantial Assurance in relation to the Councils system of internal control. Substantial Assurance was also given to the Councils framework for governance, risk management and control accords.

The Committee was informed that 70% of individual finalised audits received either full of substantial assurance levels and there were still a number of

reports in draft with an update to be provided at the next meeting of the Committee.

The Committee was advised that there were still some priority one recommendations being followed up from previous years as priority one recommendations were followed up until resolved. This will alter the final figures for each year.

Two key issues were identified as we control weaknesses and these were non-compliance with the Councils Contracts and issues with budgeting and financial management within the people's departments. Further work was being work was being undertaken in these areas following recommendations made to address the issues. There had been some improvements made in the areas identified.

In response to Member question on what issues amounted to non-compliance and if there was any particular trends in the size of contracts, officers responded that there was variation between small and medium sized contracts. Non-compliance was identified through a number of small issues across a range of audits which built a particular picture.

The Chair thanked officers for the report

The Committee **Resolved** that:

1. The Head of Internal Audit Report 2017/18 (Appendix 1) and the overall Substantial level of assurance of the Council's systems of internal control be Noted.

#### 14/18 **Internal Audit Review of Effectiveness 2017/18**

The Director of Governance presented the report which detailed the effectiveness of the Councils Internal Audit function as directed to be reviewed on an annual basis by the Audit and Accounts Regulations 2015.

The audit looked at levels of implementation of recommendations as well as contractor performance targets. The audit service delivered 100% of the audit plan against key targets for 2017/18. The Council also participated in the CIPFA Audit benchmarking Club 2017 in order to continuously improve its internal Audit service.

A Committee Member commented on the good quality of reporting and the sustainability of effective internal auditing.

In response to a member query on how to address the low level of internal stakeholder feedback, officers stated that engagement continued to be challenging and they would continue to look at ways to increase participation.

The Chair thanked officers for their report.

The Committee **Resolved** that  
1. The content of the report be noted.

15/18 **Anti-Fraud Update Report: 1 April 2017 - 31 March 2018**

The Director of Governance presented to the Committee the annual performance report. Members were directed to the performance indicators of the report which highlighted that the team has exceeded its annual target for successful outcomes and the service was delivered in budget for 2017/18.

A Member queried whether the work completed by the team was benchmarked against other LA's, officers replied that this was not currently done as recording of investigations differed amongst LA's. There was currently an initiative in place on data matching across LA's which may provide opportunities for standardisation of recording in the future.

In response to a Member question on availability of a network of managers to discuss best practice, officers stated that there was a network of fraud managers as well a forum where they discussed issues such as current trends as well as best practice.

The Chair thanked officers for the work that had been completed.

The Committee **Resolved:** That  
1. The Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 31 March 2018 be noted.

16/18 **Annual Governance Statement 2017/18**

The Head of Insurance, Risk and Corporate Programme Office introduced the Annual Governance statement which detailed the effectiveness of the Councils Governance.

The Report sets out the values, purpose of the governance framework and how significant issues can be drawn from different sources through the review of the Councils internal systems.

Details of progression on 2016/17 risks and actions taken as well as identified key risks for 2017/18 had been tabled in the report. Steps would be taken to identify new ways to address the matters identified.

The Committee **Resolved** to  
1. Approve the Annual Governance statement for the year 2017/18 at appendix 1 to this report in relation to scope of responsibility, purpose of the framework, governance framework detail and review of its effectiveness.  
2. Agree the statement on 'outcomes' in relation to 'Issues raised in 2016/17 Statement and progress to date'

3. Agree the significant governance issues identified in relation to 2017/18 and the actions being taken to mitigate those risks.

17/18 **GPAC Independent Non-voting Member Recruitment**

The Director of Governance presented the item and informed the Committee that the Constitution allowed for two non-voting members to be appointed to the Committee.

There was currently one vacancy for a member to provide outside knowledge and experience to inform the audit work of the committee.

A report would be brought back to the Committee to enable a recommendation to be made to Full Council for confirmation of appointment once a suitable candidate had been identified

The Committee **Resolved** to:

1. Approve the process and procedure for appointment of independent non-voting co-opted members of the Committee as set out in Appendix 1;
2. Delegate authority to the Director of Governance, in consultation with the Chair of General Purposes and Audit Committee to:
  - 2.1 commence recruitment by way of advertisement of the vacancy for an independent non-voting co-opted member of the Committee (in respect of audit functions only),
  - 2.2 undertake shortlisting and interviews and
  - 2.3 report the outcome of interviews to the next meeting of the Committee for onward recommendation to full Council for appointment;

18/18 **Exclusion of Public and Press**

This was not required.

The meeting ended at 8.12 pm

**Signed:**

**Date:**

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b>  10 October 2018
<b>SUBJECT:</b>	<b>Corporate Risk Register</b>
<b>LEAD OFFICER:</b>	<b>Executive Director of Resources &amp; S151 Officer</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>This report presents the corporate risk register as at October 2018 as part of the General Purposes and Audit Committee’s role of overseeing the risk management framework and receiving assurance that significant corporate (Red) risks are identified and mitigated by the organisation. This process will ensure that the risk management function will continue to contribute to the achievement of the Council’s vision, key priorities and objectives.</p> <p>In line with the Council’s commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).</p>	
<b>FINANCIAL SUMMARY: No additional direct financial implications.</b>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

## 1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the corporate risk register as at October 2018

## 2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at October 2018.

## 3. DETAIL Risk Register Report

- 3.1 The register presented details all the current corporate risks rated at a total risk score of 20 and above (Red Risks).

3.2 Since the register was last considered by Members, the following risk has been escalated

- **EHSC0007: Children’s Social Care Service. Dependency on interim resources and challenges of recruiting coupled with significant capacity and resourcing pressures and impact of service reorganisations results in lack of stable, high performing workforce.**  
The risk was reviewed at Departmental Leadership Team (DLT) meeting on 21/06/2018 and a decision was taken to increase the score to 20. The decision to increase the risk rating was deemed necessary as the DLT remained concerned in respect of the continued dependency on interim resources following extensive recruitment initiative, within the service.

3.3 There have been no risk(s) de-escalated since the report was last considered by Members

3.4 In line with the Council’s commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in accordance with the Access to Information Procedure Rules in the Council’s Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).

3.5 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, ‘Information relating to the financial or business affairs of any particular person (including the authority holding that information)’, deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

#### **4. FINANCIAL CONSIDERATIONS**

4.1 There are no additional financial considerations arising from this report.

(Approved by Lisa Taylor – Director of Finance, Investment & Risk and Deputy S151 Officer)

#### **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

5.1 The Council Solicitor advises that there are no additional legal considerations arising from this report.

(Approved by: Jacqueline Harris-Baker, Director of Law & Monitoring Officer)

#### **6. HUMAN RESOURCES IMPACT**

6.1 There are no additional Human Resources implications arising from this report.

(Approved by: Sue Moorman, Director of HR)

## **7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS**

7.1 None

## **8. RISK ASSESSMENT**

8.1 No further risk issues other than those detailed in the report.

8.2 The corporate Risk Management Team (RMT) incorporates a '**horizon scan**' strategy in respect of the risk management activities undertaken as part of the Council's Risk Management Framework.

8.3 The horizon scan strategy is implemented through the distillation of cross – organisational & external professional networks maintained by the RMT. This strategy incorporates a multi-faceted approach including:

- Intelligence sharing (especially in respect of significant events / incidents) with other local authorities such as the Local Government Association;
- Collaborative working particularly the London Boroughs network, London Councils and the Greater London Authority;
- Research conducted via professional and generic media mechanisms for example The Association of Local Authority Risk Mangers, CIPFA;
- Regular attendance at DMT's / DLT's on a quarterly basis;
- Participation in the relevant 'working group' activities / projects for example major systems implementation such as Oracle Cloud, or policy/legislative change implementation such as IR35 compliance; and
- The ability to 'add value' and strategic direction and guidance is an integral aspect of the risk management consultancy available to senior officers.

## **9. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS**

9.1 Information contained in the Council's Risk register or held in relation to the Council's risk management procedures may be accessible under the Freedom of Information Act subject to the application of any relevant exemptions, such as commercial sensitivity and whether disclosure was in the 'public interest'.

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### **CONTACT OFFICER:**

Malcolm Davies,  
Head of Risk & Corporate Programme Office  
Ext 50005

### **BACKGROUND DOCUMENTS:**

Appendix 1 Corporate Risk Register





## Corporate Risk Register

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHCS0012  Segurola, Philip	<p>The pace of change to achieve the improvement plan outcomes and the journey to a rating of 'Good' is too slow or not achieved, following the OFSTED inspection of 'Services for children in need of help and protection and children looked after and care leavers' which judged the Council's Children's Services as 'inadequate'.</p> <p>Furthermore there is an additional risk that OFSTED's quarterly monitoring visits report that children and families continue to receive an inadequate service or that management grip is weak and so children and young people are not effectively safeguarded.</p> <p>(Risk reviewed, amended and accepted at DLT 13/09/2018).</p>	<ul style="list-style-type: none"> <li>- Reputational damage, which has a severe impact on the Council's ability to recruit and retain high quality, skilled staff</li> <li>- Children and young people at risk of significant and serious harm, because children in need of help and protection and children looked after by the Local Authority do not have sufficiently robust care plans and services to meet their needs and keep them safe.</li> <li>- Financial cost of implementing wide ranging changes</li> <li>- Increased referrals to children's social care from across partners, leading to unacceptably high workloads, poor service and associated financial pressures.</li> <li>- Media scrutiny.</li> <li>- Political scrutiny and activity.</li> </ul>	Ioannides, Eleni  Children Families & Education	<p>A strong programme management approach to preparations for monitoring visits is built upon an accurate and robust assessment of the quality of practice, areas that still need improvement and credible plans to tackle identified weaknesses.</p> <p>Additional £10.9M investment into base budget in 2018-19.</p> <p>Implementation of new early help programme</p> <p>Implementation of new early help programme - update presented to Cabinet 24/09/2018.</p> <p>Implementation of the improvement plan which includes priorities on the recruitment and retention of staff in the immediate and medium term. Improved performance management and quality assurance arrangements.</p> <p>Increased transformation funding made available in 18/19</p>	5	5	25	<p>CSCB currently ensuring the development of a partnership early help strategy and more robust partnership early help offer in place.</p> <p>Improvement Plan to be refreshed in November 2018 focusses on a small number of key priority areas, including recruitment and retention of staff, improving management grip, improving the quality of plans and planning, and creating the climate for good social work to flourish.</p> <p>Review workflows between teams and services to focus on the journey of the child, reduce hand-offs and improve timeliness of the response to needs.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>Independent chair of the Children's Improvement Board challenges performance and progress.</p> <p>Intensive Peer Support plans agreed with Camden Council, a children's services department rated 'good' and DFE accredited Partner in Practice.</p> <p>Targeted increased capacity through dedicated interim teams to relieve the pressure of increased demand, reduce caseloads to manageable levels and ensure no child's needs are unmet.</p>							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
RCSCFS0001  Simpson, Richard	<p>Demand/budget gap is not bridged without the need for additional cuts to services as the Council faces continued significant reductions in its grant funding, during the period 2018 to 2020 with future funding beyond 2019/20 remaining unknown pending the current ongoing fair funding review. These reductions are imposed whilst the Council experiences a continuous rising demand for service provision and growth in population. The results of the Children's Services OFSTED inspection (June / July 2017) places greater risk on Council budgets due to the need for greater investment in this service with over £10m having been invested in Children's Services in 2018/19.</p> <p>Quarter 1 (2018/19) year end forecast overspend is £2.599m. This includes £1.1m of costs relating to UASC, which the Home Office are still not engaging with Croydon to resolve. Costs could increase further if demand rises above expected volumes. Overspends will need to be funded from reserves reducing them.</p> <p>Risk entry reviewed, amended and accepted at DLT 13/09/2018).</p>	<p>- Insufficient resources may lead to inability to meet needs and political aspirations. Potential inability to meet statutory responsibilities in times of increasing demand through changing demographics, for example mental health services, older people's services, children's services and housing.</p> <p>- Damage to reputation and service risk.</p> <p>- Reduction in resources.</p> <p>- Erosion of reserves.</p> <p>- Risk of failure to balance Budget and failure to maintain capital investment strategy in infrastructure.</p> <p>(Strategic objective alignment: Enabling)</p>	Simpson, Richard Resources Department	<p>a. Corporate Plan aligned to MTFS to ensure priorities align with resources</p> <p>b. MTFS 2018/22 presented to cabinet (September 2018), setting out future budget requirements.</p> <p>c. Quarterly financial monitoring with additional controls in respect of Adult and Children Social care, where the high risk areas are monitored monthly.</p> <p>d. Regular monitoring of all reserves including Transformation Projects for both service delivery and financial savings.</p> <p>e. Developing 2019/20 budget in conjunction with MTFS assumptions, including a review of all savings and growth options presented to Cabinet (February 2018).</p> <p>f. Responded to the technical consultation regarding the Fair Funding Review.</p> <p>g. Continued implementation of the Children's Improvement Plan.</p>	5	5	25	<p>a. Continue to implement all Savings &amp; Transformation projects to ensure delivery.</p> <p>b. Continued work on savings options with CLT / ELT and Cabinet for both the current year and future years.</p> <p>c. Focus on preventative measures and early intervention particularly with identified top high cost families</p> <p>d. Children's Social Care - continued implementation of The Improvement Plan.</p> <p>e. Adult Social Care - review of service delivery and review of all contracts.</p> <p>f. Regular review and refresh of MTFS including review of all fees and charges.</p> <p>g. Continued active engagement in fair funding review.</p> <p>h. Continued Home Office lobbying for fair UASC funding.</p> <p>i. Extending the Gateway &amp; Family Link Service.</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				h. SEN Transport - Continued review of service operating model to drive efficiencies. This includes the continued use of independent travel.  i. Development of a 5 year financial model to continue to manage SEN Transport costs.  j. Continued delivery of Gateway & Family Link Service.				j. SEN Transport - development & implementation of full cost saving programme including policy changes where the Council has discretion.			
ASC0001  McPartland, Annette	Social Care market supply disruption leading to market failure and inability to fulfil statutory requirements.  Situation nationally has deteriorated so likelihood is very high. Market failure has become more common, increased by 82% nationally.  Risk is jointly owned with Commissioning & Procurement (Jenny Beasley)  (Risk reviewed at DMT 16/08/2018).	- Reduction in choice. - Failure to meet service user needs. - Delayed discharge from hospital. - Increase budget pressure. - Reduced quality of provision. - Increase in safeguarding concerns. - Increase number of providers within the provider concerns process. - Increases in delays or overpayments to providers. - Increase pressure on all internal services.	Van Dichele, Guy Health, Wellbeing & Adult Services	a. 2017/18 internal audit findings completed & implemented.  b. Brokerage and Placements Quality Assurance.  c. Inflation strategy in place to manage fees paid.  d. Integrated Framework Agreement extension.  e. Pan London provider concern's process managed by safeguarding team.  f. Market management by Contract monitoring team.  g. ADASS Pan London minimum standards programme adopted.  h. One Croydon Alliance Commissioning strategy ongoing implementation.	5	4	20	a. A joint micro commissioning and market management process for all Alliance partners.  b. Refreshed Market position statement.  c. Restructured contract & market management function with increased number of monitors.  d. Bring Services 'in-house' where appropriate.  e. Create more 'Supported Living' capacity.	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				i. Right Cost of Care exercise by KPMG. j. Croydon Dynamic Purchasing and e-market system commissioned September 2018.							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHSC0001  Segurola, Philip	<p>Despite a steady reduction in the number of unaccompanied asylum seeking children over the last 18 months, the number remains significantly higher than the national average. Additionally, LB Croydon plays a key role in supporting the National Transfer Scheme, though is not in control of that Scheme. Additionally a separate scheme , the Pan London Protocol supports the distribution of UASC across London. Currently 19 of the 32 London Boroughs have more UASC than the accepted National Transfer Scheme Threshold. Many of the remainder are close to the threshold meaning that there is a risk that the protocol could collapse.</p> <p>The National Transfer Scheme is a voluntary scheme and Local Authorities nationally are not obliged to take UASC from the scheme into their care.</p> <p>Should either the National Transfer Scheme or the Pan London Protocol fail, the number of UASC in Croydon's care will rise significantly with a direct impact on Croydon's services generally and Children's services in particular and further budget pressures resulting.</p> <p>The relevant parts of the Immigration Act have not been enacted by Central Government.</p> <p>" There are additional risks arising from Government proposals for Dublin 3 family reunification's where children in EU states have siblings/parents in the UK"</p> <p>(Risk reviewed, amended and accepted at DLT 13/09/2018).</p>	<p>- Significant service and staff resources pressures, with pressures on placement supply in-house and in the independent sector, and pressures on school places and LAC health services.</p> <p>- Impact on Council revenue budgets as a result of insufficient funding, especially as the Home Office have failed to increase the funding rates for 2019/20.</p>	Ioannides, Eleni  Children Families & Education	<p>Continued work with the Association of London Directors of Children's Services to collectively support the National Transfer Scheme and the work of the Pan London Protocol.</p> <p>Continued work with the Home Office to ensure that only appropriate young people are placed.</p> <p>Emphasis on wider negotiation of fair funding arrangements for Croydon</p> <p>Financial implication / impact for 2018/19 financial year on-going scoping of financial risk / impact for each quarter, with 18/19 rates now confirmed.</p> <p>Implementation of the National Transfer Scheme</p> <p>Increased use of the rota to place young people in other boroughs</p> <p>The Council has held meetings with the Immigration Minister and others in Home Office. Ongoing correspondence, conversations and clarifications with Home Office taking place, but response is very slow.</p>	5	4	20	<p>Further engagement with Home office and Association of Directors of Children Social Services although response to letter sent by LBC to the Home Office (July 2018) is awaited.</p> <p>Service redesign in accordance with Immigration Act requirements. Ongoing work to ensure compliance and ensure opportunities are utilised through a formal system for dispersing unaccompanied child migrants as introduced by central government.</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHSC0007  Segurola, Philip	Dependency in Children's services on interim resources and challenges of recruiting coupled with significant capacity and resourcing pressures and impact of service reorganisations results in lack of stable, high performing workforce. Risk of not achieving 'Good'.  This is linked to risk ref: EHSC0012  (Risk reviewed, amended and accepted at DLT 13/09/2018).	- Managers and staff working excessive hours. - Loss of key members of staff and inability to recruit and retain good quality candidates for vacant posts and reduce reliance on agency personnel. - Poor decision making, performance and inability to deliver service transformation.	Ioannides, Eleni  Children Families & Education	Recruiting to vacancies: a detailed monthly analysis is identified by a workforce report. Recruitment campaigns are targeted to teams which identify unfilled vacancies and agency workers. Roles are advertised via Community Care which has a readership of social care professionals. In addition Croydon is attending a London recruitment event (September 2018).	4	5	20	Implement recruitment and retention policy: implementation of the recruitment & retention policy is underway which includes learning and development career pathways, retention payment for Social Workers in hard to fill teams with payment in 2 instalments. There is a strategic approach to recruitment & retention which including benchmarking against other Local authorities, analysing exit interview data as well as monitoring sickness absence and 1:1 supervisions.  Work with HR to promote more strategic approach to recruitment Croydon experience significant difficulties recruiting and competing in London	4	4	16
EHSC0010  Segurola, Philip	Risk of exploitation of young people in the Borough particularly in relation to peer on peer and gang activities and children missing from home and care.  (Risk reviewed, amended and accepted at DLT 13/09/2018).	- Children feeling and being unsafe/becoming victims or perpetrators of crime - Significant risk of harm to young people in the Borough through exploitation (sexual and criminal), being missing and/or trafficked or caught up in crime - Risk of harm to Croydon children placed away from Croydon without prevention, disruption and protection activity.	Ioannides, Eleni  Children Families & Education	a. Choose Life campaign. b. Partnership working with the police and other agencies c. Strategy meetings for children who are missing or being exploited, weekly high risk missing meetings, strategic monthly missing panel and MACE (multi-agency exploitation panel).	5	4	20	a. Greater awareness and robust actions by all partners. b. Restructured Child Exploitation and Missing approach in place and reporting to the Safeguarding Children Board.	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>d. Focused work with our schools around gangs and County Lines.</p> <p>e. Investment in a data analyst to understand the underlying issues and themes emerging so targeted preventative working can be developed.</p> <p>f. Investment made in expanding the team to complete – return home interviews – now up to 61% completion.</p> <p>g. Much improved single performance and data report available now.</p> <p>h. Recently established an adolescent service within Children’s Social Care incorporating the Working Gangs Team, Youth Offending Team and the Child Exploitation Team.</p>				<p>c. Robust and reliable data as well as children’s feedback to be analysed on a regular basis (to include: increase in Return Home Interviews, less repeat missing children, realistic National Referral Mechanism (NRM) referral rate, realistic number of children tracked at risk of criminal and sexual exploitation and risks reducing).</p> <p>d. Work with other local authorities to reduce placements of vulnerable children in Croydon.</p> <p>e. Working with the Head of Service responsible for Community Safety to review overall strategy</p> <p>f. Implementation of the ‘Glasgow Public Health’ approach to managing violence.</p>			



# Agenda Item 7

<b>REPORT TO:</b>	<b>General Purposes and Audit Committee 10 October 2018</b>
<b>SUBJECT:</b>	<b>Treasury Annual Review 2017/2018 and revised General Fund Minimum Revenue Provision (MRP) Policy</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson  Executive Director of Resources (Section 151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance &amp; Resources</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management. This report details the Council's Treasury Management activities during 2017/2018 and the Council's compliance with the Prudential Code for Capital Finance. The report also proposes a revision to the Council's General Fund Minimum Revenue Provision (MRP) Policy.	
<b>FINANCIAL SUMMARY:</b> This report details the Treasury Management activities in 2017/2018 and demonstrates the Council's compliance with the Prudential Code.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b>	

## For general release

<p><b>1. RECOMMENDATIONS</b></p> <p>1.1. The Committee are asked to:</p> <p>1.1.1 Note the contents of this report;</p> <p>1.1.2 Endorse the Treasury Annual Review 2017/2018 and the continued implementation of the Council's Treasury Strategy 2018/2019 by the Executive Director of Resources (Section 151 Officer); and</p> <p>1.1.3 RECOMMEND to Cabinet that they recommend to full Council the adoption of the revised Minimum Revenue Provision (MRP) policy statement appended to this report (Appendix E) (required by SI 2008/414)</p>
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## 2. EXECUTIVE SUMMARY

- 2.1. The Council's treasury management activities for the previous year are reviewed on an annual basis to take account of changes and updates in treasury practices and to ensure that best practice is incorporated within all areas of treasury management. This report:-
- Reviews the Council's treasury management activities for the year 2017/2018;

- Detail those areas of activity that formed the basis of the Treasury Strategy Statement and Annual Investment Strategy 2017/2018 received by Full Council on **27 February 2017 (Minute A16/17 refers)**;
- Demonstrates the Council's compliance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance and adherence with the Prudential Indicators set; and
- Sets out a revised Minimum Revenue Provision Policy Statement required by SI 2008/414.

### **3. BACKGROUND**

3.1. The Council has adopted a Treasury Policy Statement, which sets out the basis on which treasury activities are to be conducted. This document is incorporated as part of the Council's Financial Regulations.

3.1.1. The Treasury Policy Statement sets out the minimum reporting requirements to Members as being the following reports:

- An annual treasury strategy report prior to the commencement of each financial year (a statutory requirement) on treasury strategy for the year ahead.
- A mid-year treasury update report.
- An annual review of the previous year's treasury activities.

3.1.2. The Council's treasury management objectives are to manage the cash flows, borrowing and investment requirements of the Authority with minimum risk and to achieve this by minimising the Council's exposure to adverse movements in interest rates whilst maximising investment yield to enhance the Council's finances.

3.1.3. The Council's treasury management activities are regulated by statute, the CIPFA Code of Practice for Treasury Management and official guidance.

3.1.4. This report presents a review of 2017/2018's activities based on the following:-

- The Economy and Interest Rates;
- Lending;
- Performance Targets;
- Borrowing;
- Compliance with Prudential Indicators; and
- Repayment of Debt and Debt Rescheduling.

In addition this report sets out a revised Minimum Revenue Provision (MRP) Policy Statement that reflects the wider range of capital projects undertaken by the Council.

3.1.5. A glossary of the terms and abbreviations used in this report is attached at **Appendix D**.

### **3.2. The Economy and Interest Rates**

3.2.1. The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended

to stimulate growth in the economy. This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and EZ).

- 3.2.2. During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping slightly to 0.4% in quarter 4.
- 3.2.3. Consequently, market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The MPC meeting of 14 September 2017 provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of needing to raise Bank Rate very soon. The 2 November 2017 MPC quarterly Inflation Report meeting duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be the only move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.
- 3.2.4. However, GDP growth in the second half of 2017 came in stronger than expected, while in the new year there was evidence that wage increases had started to rise. The 8 February 2018 MPC meeting minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in a marked increase in expectations that there would be another Bank Rate increase in May 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in market expectations resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.
- 3.2.5. PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

- 3.2.6. As for equity markets, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets.
- 3.2.7. The major UK landmark event of the year was the inconclusive result of the general election on 8 June 2017. However, this had relatively little impact on financial markets. However, sterling did suffer a sharp devaluation against most other currencies. Brexit negotiations have been a focus of much attention and concern during the year and will continue to be throughout 2017/18.
- 3.2.8. The manufacturing sector has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

### 3.3. Lending

- 3.3.1. The Council's investment policy is governed by the Department of Communities and Local Government (DCLG) guidance. It had been drawn up to provide maximum security for the Council's funds. As set out in the strategy, the criteria for the investment of the Council's surplus funds are based on formal credit ratings issued by the FITCH International Rating Agency and supplemented by additional market data such as rating outlooks, credit default swaps and bank share prices. The prime aim is to obtain capital security and then to secure the best rate of return. In addition to the FITCH rated institutions, all UK local authorities, and some public bodies comprise the Council's Approved Lending List. The rating criteria for approved counterparties is as follows:

#### Lending List Criteria

List	Credit Ratings Criteria
<b>A</b>	<b>FITCH rating in each of the following categories:-</b> F1+ on Short Term AA or above Long Term aa- or above Viability Rating 1 for Support Rating AA or above Sovereign Rating
<b>B</b>	<b>FITCH Rating in each of the following categories:-</b> F1+ on Short Term AA- or above on Long Term a+ or above Viability Rating 1 for Support Rating AA or above Sovereign Rating

**Approved Organisations that meet the credit ratings set out above.**

All Non-UK Banks that meet the FITCH ratings set out above

All UK Building Societies that meet the FITCH ratings set out above

UK Banks that meet the FITCH ratings set out above

**Approved Organisations not meeting the above credit ratings**

Part Nationalised UK Banks

All UK Local Authorities

AAA rated Money Market Funds as rated by FITCH & one other rating agency.

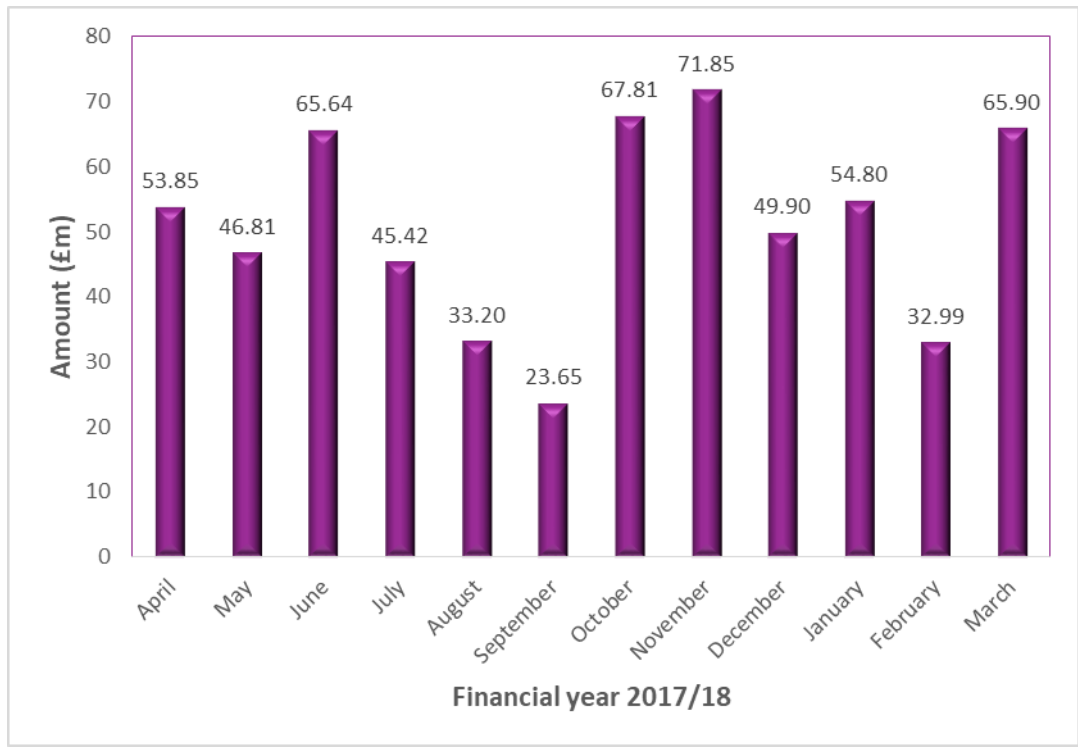
Debt Management Office

The Council's Lending List Criteria and the authorised list of counterparties as at **31 August 2018**, which incorporates the new ratings, is detailed in **Appendix A**.

- 3.3.2. The principle of obtaining capital security and then of securing the best rate of return underpins all treasury investment decisions. The market that exists to support local authorities understands this and has evolved to develop products to match these requirements. Without in any way compromising the commitment to these principles the treasury team continues to explore the merits and associated risks of alternatives to plain time- and call-deposits that match their security characteristics.
- 3.3.3. The expectation for interest rates within the treasury management strategy for 2017/2018 anticipated that Bank Rate would not start rising from 0.25% until quarter 2 2019 and then only increase once more before 31 March 2020. There would also be gradual rises in medium and longer term fixed borrowing rates during 2017/18 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 3.3.4 In this scenario, the treasury strategy was to run down the investment cash supporting Council' reserves and postpone borrowing where possible to avoid the cost of holding higher levels of investments and to reduce counterparty risk. Despite the rise in interest rates during the year this strategy remained valid and any borrowing undertaken was for the long term with the PWLB where rates were volatile, but with little overall direction, whereas shorter term PWLB rates were on a rising trend during the second half of the year.
- 3.3.5 Funds to meet normal expenditure requirements were held on the money markets for daily liquidity and any additional funds were invested for differing periods between three and twelve months, to match anticipated movements in the Council's cash flows commensurate with achieving best value and based on forecasts of interest rate trends. The primary aim is to ensure capital security and the liquidity needs of the Council are met followed by securing the best rate of return.
- 3.3.6 Investment of the Council's cash balances is governed by the Guidance on Local Government Investments which has been issued by the Department for Communities and Local Government.
- 3.3.7 The guidance requires certain investment policy parameters to be set within the annual Treasury Management Investment Strategy approved by Council. Investment activity during the year conformed to this approved strategy and sufficient liquidity was maintained for the Council's cash flow requirements.

3.3.8 For the year 2017/2018, investment activity conformed to the approved strategy and the Council experienced no liquidity issues in the year . The temporary investments balance at the start of year was £104.745m and this was reduced to £34m at the end of the year. The £34m held at 31 March 2018 was invested as follows: UK local authorities £5.0m and AAA rated Money Market Funds £29.0m. Deposits totalling £611.792m were invested and the Council maintained an average monthly balance of £76.895m.

Investments made in 2017/2018



3.3.9 In placing these deposits, the treasury team will speak to a number of money brokers and institutions to secure the best deals. The bulk of these deals were made directly with the deposit taking bank, other local authorities or placed with one of the AAA rated Money Market Funds.

3.3.10 During the year the Council paid a further £13.5m for its commitment to the second Real Lettings Property Fund Limited Partnership. The Council now has an investment of £30m in Reals Lettings 1 Fund Limited Partnership and £15m in Real Lettings 2 Fund Limited Partnership. Both funds have a 7-year life offering investors the opportunity to invest in a diversified portfolio of London residential property and aim to deliver a minimum return of 5% per annum. For Croydon, these investments also provide added benefit in that the properties purchased offer affordable accommodation for former homeless people or those at risk of homelessness, who cannot access social housing. Returns generated by the investments serve to boost the Council’s overall income now and in the future.

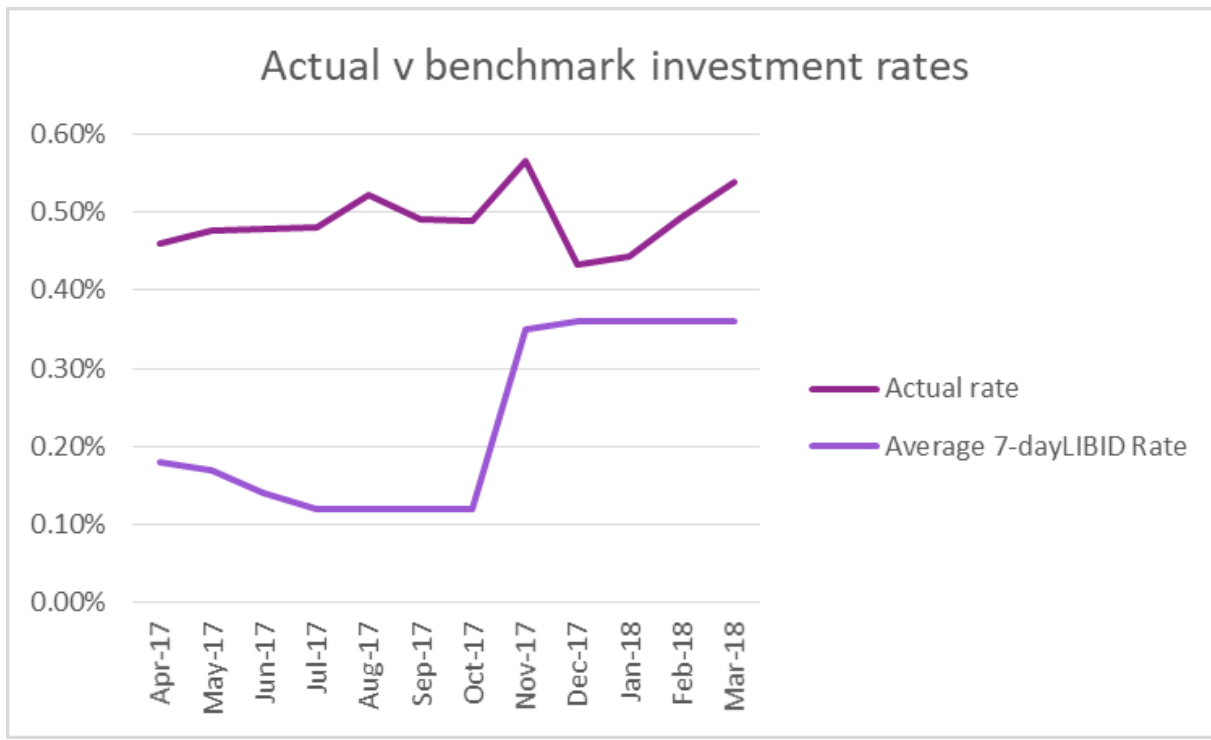
**3.4 Performance Targets**

3.4.1 The gross investment income earned by the Council for the financial year 2017/2018 was £0.37m. This sum included interest accrued on investments made in 2016/2017 that matured in 2017/2018, representing an overall return of 0.48% against a benchmark (7 Day LIBID) return of 0.29% for the financial year.

3.4.2 The average 7-day London Interbank Bid (LIBID) can be used as a benchmark against which investment returns can be measured. This is generally accepted as a reasonable proxy for cash. Investments were restricted to the duration limits recommended by the Council's Treasury Advisers, Capita Asset Services and only made with institutions on the Council's authorised lending list.

3.4.3 The graph below details the rate of investment returns achieved on investments made each month in 2017/2018 compared to the benchmark average 7-day LIBID rate for the month.

Actual investment rates achieved compared to the average 7-Day LIBID rates 2017/2018



3.4.4 This financial environment remains challenging. With interest rates in the UK, Europe and the US remaining at historically low levels returns on investments are paltry. On the other hand the cost of debt is low and the cost of the debt portfolio is one of the lowest across London. There still remains a margin between the interest payable and receivable, known as the cost of carry. In order to mitigate this cost as far as is possible cash balances have been run down and borrowing therefore only taking up as required.

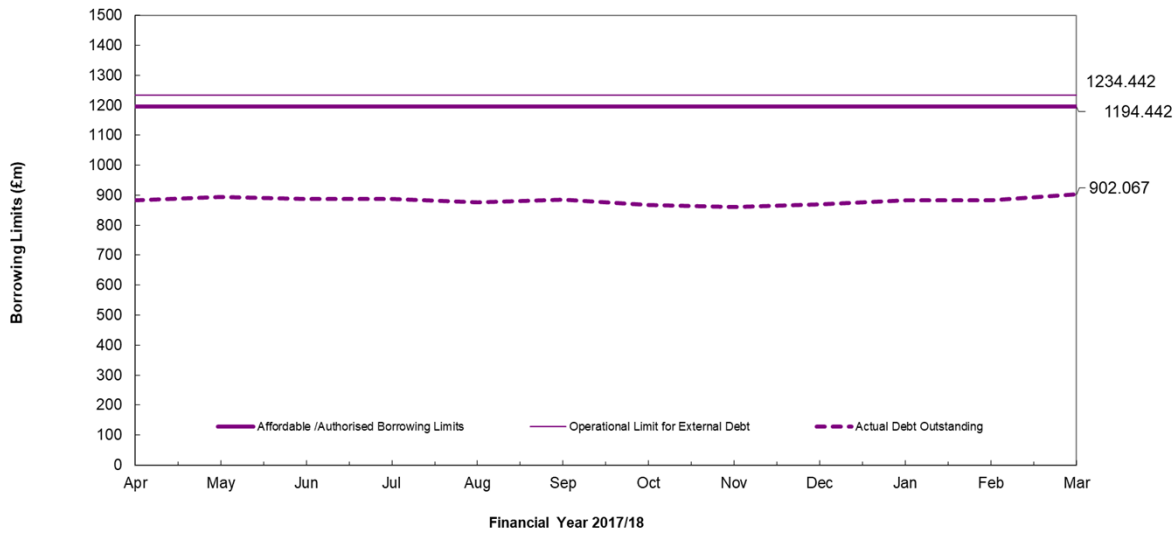
### 3.5 Borrowing

3.5.1 The Council set borrowing limits that were approved by **Full Council on 27 February 2017 (Minute A16/17 refers)** for the year 2017/2018 as part of the legislative constraints specified in Section 3 of the Local Government Act 2003 which requires the Council to determine and keep under review how much it can afford to borrow. These sums were:

Operational Limit for External Debt	£1,194.442m
Affordable Borrowing Limit	£1,234.442m
Authorised Borrowing Limit	£1,234.442m

3.5.2 The chart below shows the actual debt in 2017/2018 in comparison to the above borrowing limits.

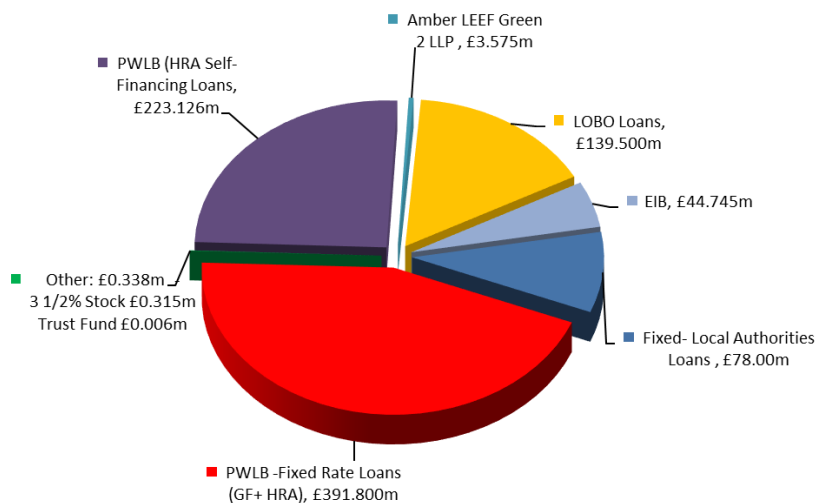
**Actual Debt in 2017/2018 in comparison to the Operational, Affordable and Authorised Borrowing Limits for the year**



3.5.3 The Authorised Limit sets the maximum amount that the Council can borrow for capital and revenue purposes. This ceiling was not exceeded and the Council's overall borrowing as at 31 March 2018 stood at £902.067m. The maturity profile of the Council's debt is shown in **Appendix B**. The Operational Limit was also observed.

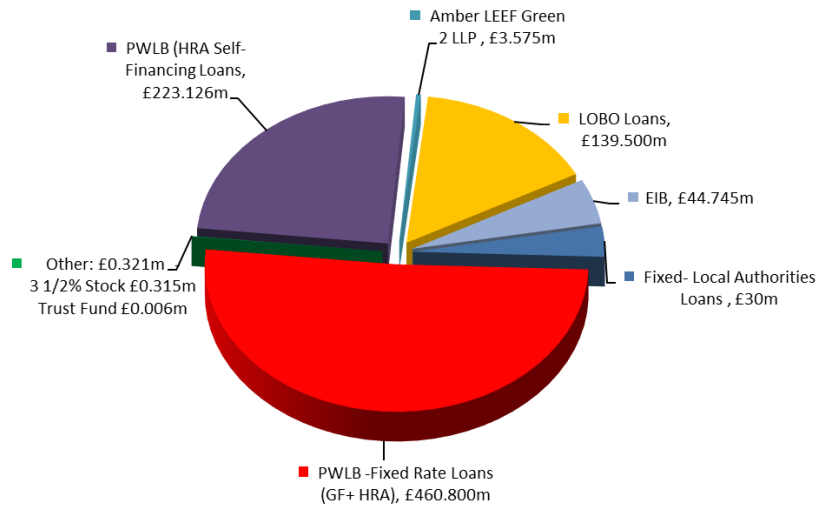
The Council's external debt at 1st April 2017 and 31<sup>st</sup> March 2018 is detailed graphically as follows:

as at 1 April  
(£881.067m)



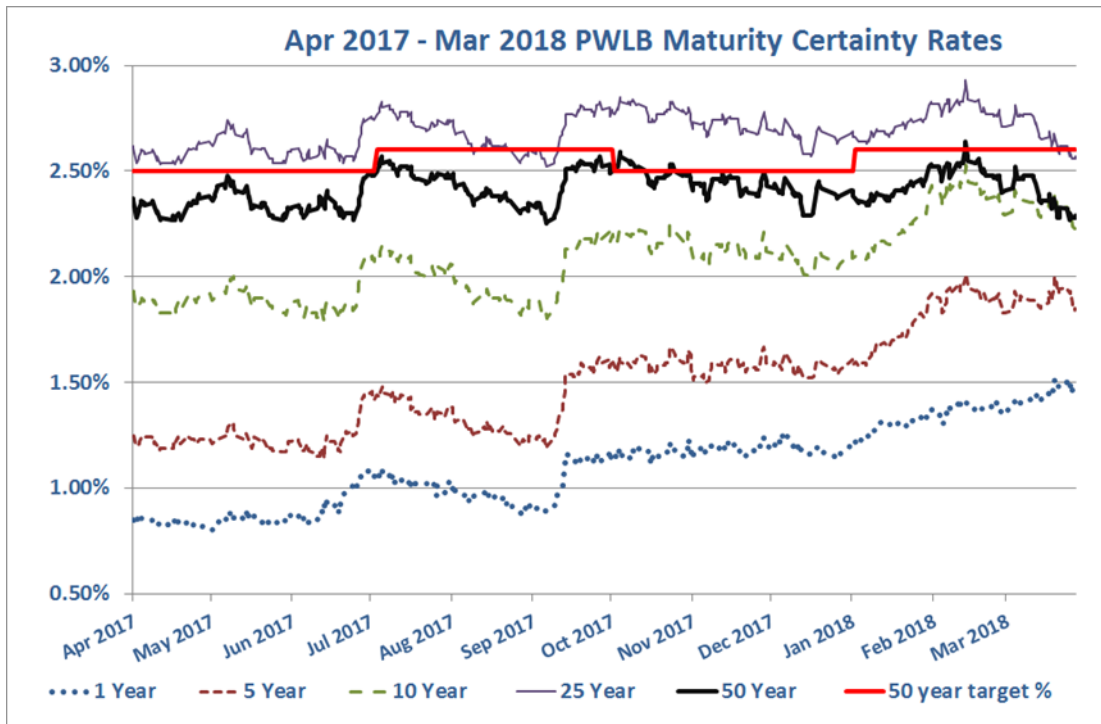
External Debt  
2017





External Debt as at 31 March 2018 (£902.067m)

3.5.4 The Council is able to borrow at the PWLB certainty rate. The 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March. During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4. The graph below shows PWLB rates for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



3.5.5 During the year the overall borrowing increased by £21.0m. This low increase in borrowing was because the Council reduced its cash investments, using them to finance capital expenditure. During the second half of the year short term interest rates increased while long term rates were volatile, but still at low levels. The Council preferred any new borrowing to be long term with the PWLB and so, at the end of the year borrowing from other Local Authorities was £30m, a fall of £48m from the previous year and long term borrowing with the PWLB increased by £69m to £683.926m. Loans taken up from the PWLB were as follows:

Principal	Start date	Type	Maturity date	Interest rate
£25m	27/12/2017	Fixed rate	28/06/2065	2.45%
£25m	23/01/2018	Fixed rate	30/10/2064	2.42%
£25m	23/03/2018	Fixed rate	30/04/2066	2.37%

The Council ensured borrowing was undertaken below the PWLB target (certainty) rates referred to in section 3.5.4.

- 3.5.6 The Council's treasury strategy for 2017/2018 was approved by Full Council **on 27 February 2017 (Minute A16/17 refers)**. Within the report were detailed the different borrowing strategies available, of which temporary borrowing and borrowing from other local authorities were options. Borrowing undertaken for up to 364 days is termed temporary borrowing and this form of borrowing is also being offered by other local authorities at rates between 0.15% for one month to 0.50% for 364 days. Temporary borrowing can be used for cash flow purposes pending a more advantageous time to borrow long term. To maximise savings on the interest payable on the Council's external debt, the Treasury Section has in 2017/2018 mainly used internal cash balances whenever possible along with a combination of temporary borrowing and PWLB borrowing for longer periods.
- 3.5.7 The interest rate payable on the Council's long term fixed rate debt has remained consistently below the average of the peer group respondents to the CIPFA benchmarking club. The Council's cost of borrowing for 2017/18 was 3.54% compared to the peer group at 3.80%. To provide some context if the Council's long term cost of debt was at the London average an additional £2.35m would need to be found each year. Currently the Council can borrow at levels below the average rate, and therefore the cost of new debt and of refinancing debt as it matures lowers the average rate payable. The average rate payable is likely to continue to fall in the near term as rates are still at historic lows despite the move to an upward path.

### 3.6 Compliance with Prudential Indicators

- 3.6.1 December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code. A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. Officers will report to members when the implications of these new codes have been assessed as to the likely impact on this Authority.
- 3.6.2 The Prudential Code for Capital Finance in Local Authorities serves as a professional code of practice to support local authorities in complying with Part 1 of the Local Government Act 2003. The Code required the continual monitoring of the Prudential Indicators set by the Council.
- 3.6.3 The purpose of the Prudential Indicators set is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.

3.6.4 The Prudential Indicators set by this Authority for 2017/2018 and the actual outturn figures are detailed in **Appendix C**.

### 3.7 **Repayment of Debt and Debt Rescheduling**

3.7.1 In 2017/2018, as a result of both the high premiums attached to the premature repayment of debt there were minimal opportunities for the rescheduling of the Council's long term debt and therefore none was undertaken.

3.7.2 The borrowing strategy adopted in 2017/2018 ensures that debt will mature over a spread of future years so as to avoid 'clustering' and thus exposure to any future in-year events.

### 3.8 **Markets in Financial Instruments Directive**

3.8.1 The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions have with local authorities from that date. This has had little effect on this Authority apart from having to fill in forms sent by each institution dealing with this Authority and for each type of investment instrument we use, apart from for cash deposits with banks and building societies.

### 3.9 **Minimum Revenue Provision Policy Statement**

3.9.1 Minimum Revenue Provision (MRP), often referred to as a 'provision for the repayment of debt', is a charge to revenue in relation to capital expenditure financed from borrowing or through credit arrangements.

3.9.2 The annual MRP charge was previously determined under Regulation but is now determined under Guidance ('the Guidance') issued by the Secretary of State in February 2008. There is now a statutory duty, embodied within Statutory Instrument 2008 No.414 s 4, which lays down that:

***'A local authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent.'***

3.9.3 MRP only applies to the General Fund. There is no requirement to make a MRP charge for the Housing Revenue Account (HRA).

3.9.4 Along with the above duty, the Government issued guidance in February 2008 which requires that a statement on the Council's policy for its annual MRP should be submitted to Full Council for approval before the start of the financial year to which the provision will relate. The current MRP Statement was agreed by full Council at its February 2018 meeting.

3.9.5 The Executive Director of Resources is responsible for ensuring that accounting policies and the MRP policy complies with the statutory Guidance in determining a prudent level of MRP.

3.9.6 The 2018/2019 Minimum Revenue Provision Statement, has been reviewed to reflect current practices in respect of loans and also investment properties. The revised MRP Policy Statement for 2018/2019 is attached at Appendix E.

## 4 **CONSULTATION**

- 4.1 Full consultation has taken place with the Council's Treasury Management advisers, Link Asset Services in the preparation of this report.

## **5. FINANCIAL CONSIDERATIONS**

- 5.1 Revenue and Capital consequences of this report are dealt within this report. There are no additional financial considerations other than those identified in this report.

### **The effect of the decision**

- 5.2 Approval of this report will endorse the continued implementation of the Council's Treasury Management Strategy by the Executive Director of Resources (Section 151 Officer).

### **Risks**

- 5.3 There are no further risks issues other than those already detailed in this report.

### **Options**

- 5.4 These are fully dealt with in this report.

### **Savings/ future efficiencies**

- 5.5 This report sets out the treasury activities in 2017/2018 and demonstrates the Council's compliance with the Prudential Code and the limits set in both the Code and the Treasury Strategy Statement and the Annual Investment Strategy 2017/2018 report presented to Members **on 27 February 2017 (Minute A16/17 refers)**

Approved by: Lisa Taylor, Director of Finance, Investment and Risk

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Solicitor to the Council comments the Local Government Act 1972, Section 151 provides each local authority has a statutory duty to make arrangements for the proper administration of its financial affairs. The Council's Chief Financial Officer appointed under Section 151 is responsible for reporting to the committee on the activities of the treasury management operation.
- 6.2 The Council is under a duty to manage its resources prudently and all treasury activity must comply with a variety of professional codes, statues and guidance.
- 6.3 The Council has adopted the CIPFA Treasury Management Code of Practice in Public Services and a Treasury Management Policy Statement which is referred to in the Council's Constitution Financial Regulations Part 4H.

Approved by: Sandra Herbert Head of Litigation and Corporate Law on behalf of Jacqueline Harris-Baker the Director of Law and Monitoring Officer.

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no immediate HR considerations that arise from the recommendations of this report for LBC staff or workers.

Approved by: Sue Moorman, Director of Human Resources.

## **8. CUSTOMER IMPACT**

8.1 There are no Customer impacts arising from this report.

## **9. EQUALITIES IMPACT ASSESSMENT (EIA)**

9.1 Consistent with the requirements of equal opportunities legislation including the Disability Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.

9.2 The Council's Capital and Revenue Budget 2017/2018 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

## **10. ENVIRONMENT AND DESIGN IMPACT**

10.1 There are no Environment and Design impacts arising from this report.

## **11. CRIME AND DISORDER REDUCTION IMPACT**

11.1 There are no Crime and Disorder reduction impacts arising from this report.

## **12. HUMAN RIGHTS IMPACT**

12.1 There are no Human Rights impacts arising from this report.

## **13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS**

13.1 There are no specific Data Protection or Freedom of Information considerations arising from this report.

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### **BACKGROUND DOCUMENTS:**

CIPFA's Prudential Code for Capital Finance in Local Authorities 2017 edition.

CIPFA's Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes – 2017 edition.

CLG's Guidance on Local Government Investments March 2004.

### **Appendices**

**Appendix A:** Authorised Lending List

**Appendix B:** Long-term debt profile

**Appendix C:** Prudential Indicators

**Appendix D:** Glossary

**Appendix E:** Minimum Revenue Provision Policy Statement

### **CONTACT OFFICER:**

Nigel Cook, Head of Treasury and Pensions Ext. 62552

**LONDON BOROUGH OF CROYDON****Authorised Lending List Criteria as at 31 August 2018 (Criteria as per FITCH)****LIST A**

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada <b>(Canada)</b>	20,000,000	AA	F1+	aa	2	AAA
Svenska Handelsbanken AB (Sweden)	20,000,000	AA	F1+	aa	5	AAA
Morgan Stanley Money Market Fund	15,000,000	AAA				
Aberdeen Money Market Fund	15,000,000	AAA				
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Group Plc <b>(Part Nationalised) (UK)</b>	25,000,000	BBB+	F2	bbb+	5	AA+
Debt Management Account <b>(UK Government Body)</b>	No Limits					AA+

**LIST B**

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Cooperative Rabobank <b>(Netherlands)</b>	10,000,000	AA-	F1+	a+	5	AAA
DBS Ltd <b>(Singapore)</b>	10,000,000	AA-	F1+	aa-	1	AAA
National Australia Bank <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Nordea Bank <b>(Sweden)</b>	10,000,000	AA-	F1+	aa-	5	AAA
Overseas Chinese Banking Corporation Ltd <b>(Singapore)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Skandinaviska Enskilda Banken AB	10,000,000	AA-	F1+	aa-	5	AAA
Swedbank AB <b>(Sweden)</b>	10,000,000	AA-	F1+	aa-	5	AAA
Toronto-Dominion Bank <b>(Canada)</b>	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd <b>(Singapore)</b>	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation <b>(Australia)</b>	10,000,000	AA-	F1+	aa-	1	AAA

## **LIST A**

### **LIMITS TO INDIVIDUAL ORGANISATIONS**

Maximum Investment Limit - £20m apart from the limits on the institutions noted below.

### **CREDIT RATINGS**

FITCH Rating in each of the following categories:

F1+ on Short Term Rating  
AA or above Long Term Rating  
aa- or above Viability Rating  
5 or above for Support Rating  
AA+ or above Sovereign Rating

### **APPROVED ORGANISATIONS MEETING CREDIT RATINGS**

ALL NON – UK BANKS that meet the FITCH ratings set out above.

ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.

UK BANKS that meet the FITCH ratings set out above.

AAA RATED MONEY MARKET FUNDS - £15M LIMIT

DEBT MANAGEMENT OFFICE – NO LIMIT

### **APPROVED ORGANISATIONS NOT MEETING THE ABOVE CREDIT RATINGS**

PART NATIONALISED UK BANKS – Limits as noted below:

ROYAL BANK OF SCOTLAND GROUP PLC - £25M LIMIT

## **LIST B**

### **LIMITS TO INDIVIDUAL ORGANISATIONS**

Maximum Investment Limit - £10m

### **CREDIT RATINGS**

FITCH Rating in each of the following categories:

F1+ on Short Term Rating  
AA- or above on Long Term Rating  
a+ or above Viability Rating  
5 or above for Support Rating  
AA+ or above Sovereign Rating

### **APPROVED ORGANISATIONS MEETING CREDIT RATINGS**

ALL NON – UK BANKS that meet the FITCH ratings set out above.

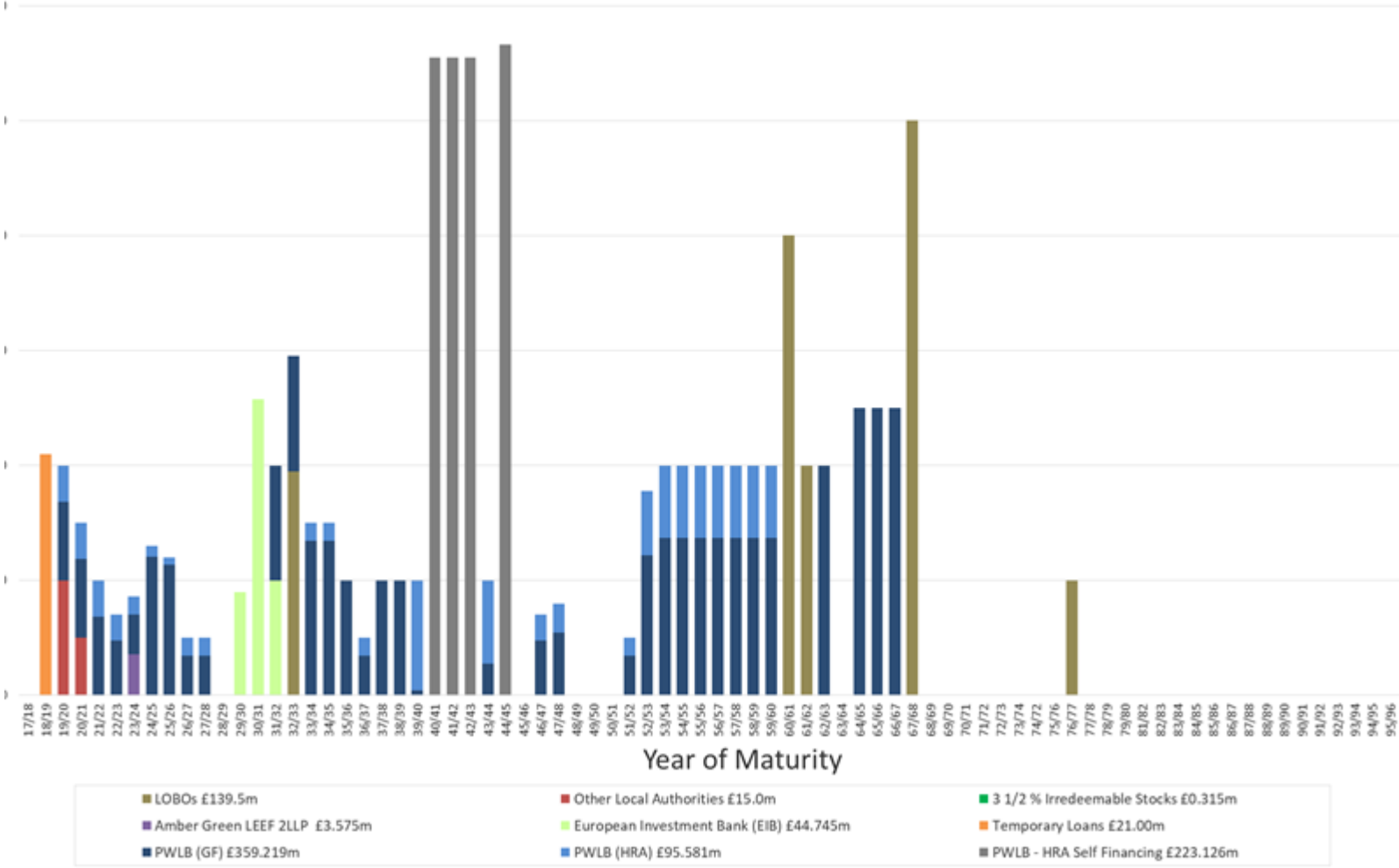
ALL UK BUILDING SOCIETIES that meet the FITCH ratings set out above.

UK BANKS that meet the FITCH ratings set out above

ALL UK LOCAL AUTHORITIES

**London Borough of Croydon**  
**Long Term Debt Profile as at 31 March 2018 £902.067m**

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## Appendix C

### PRUDENTIAL INDICATORS FOR 2017/2018

		2017 / 2018	2017 / 2018	Notes
	<b>PRUDENTIAL INDICATORS</b>	<b>Budget</b>	<b>Actual</b>	
		<b>£'000</b>	<b>£'000</b>	<b>1</b>
<b>1.</b>	<b><u>Prudential Indicators for Capital Expenditure</u></b>			
1.1	Capital Expenditure			
	General Fund	386,774	106,909	
	HRA	27,051	32,889	
	Total	413,825	139,798	
1.2	In year Capital Financing Requirement			
	General Fund	355,227	58,401	
	HRA	0	0	
	Total	355,227	58,401	2
1.3	Capital Financing Requirement as at 31 March 2018 – <b>balance sheet figures</b>			
	General Fund (net of Minimum Revenue Provision (MRP) costs)	966,083	633,633	
	HRA	322,497	322,497	
	Total	1,288,580	956,130	3
<b>2</b>	<b><u>Prudential Indicators for Affordability</u></b>			
2.1	Ratio of financing costs to net revenue stream			
	General Fund	13.00%	10.25%	4
	HRA	16.50%	13.20%	5
2.2	General Fund impact of Prudential (unsupported) borrowing on Band D Council Tax levels (per annum). - In year increase	£14.32	£15.17	6
2.3	HRA impact of Prudential (unsupported) borrowing on housing rents (per annum)	0	0	
<b>3</b>	<b><u>Prudential Indicators for External Debt</u></b>			
3.1	Borrowing Requirement			
	External Debt brought forward 1 April	881,067	881,067	
	External Debt carried forward 31 March	1,215,067	902,067	7
	Additional borrowing requirement/undertaken	334,000	21,000	

## Appendix C

<b>4</b>	<b><u>Prudential Indicators for Treasury Management</u></b>		
4.1	Borrowing limits - upper limit for fixed interest rate exposure expressed as:-  Net principal re fixed rate borrowing / investments	1,234,442	762,567
4.2	Borrowing limits - upper limit for variable rate exposure expressed as:-  Net principal re variable rate borrowing / investments	20%	15.5%
4.3	Lending limits - upper limit for total principal sums invested for over 364 days expressed as a % of total investments	30%	0%

### Notes:

1. Actual is based upon the audited accounts for 2017/2018.
2. Long term funding of £58.401m was used to finance capital expenditure in the year all of which was for the General Fund (GF).
3. The Capital Financing Requirement (CFR) reflects the local authority's underlying need to borrow for a capital purpose.
4. This reflects the impact on the GF of the Council's external debt. The GF's net revenue stream consists of the amount to be met from government grants and local taxpayers. The GF's ratio of financing cost was lower than estimated as a result of the new borrowing undertaken at lower than estimated interest rates.
5. This reflects the impact on the HRA of the Council's external debt. The HRA's net revenue stream consists of rental income received and other income as shown in the HRA accounts.
6. This represents the extra annual levy on a Band D tax bill arising from the take up of GF unsupported borrowing.
7. The external debt brought forward as at 1 April 2018 includes the £223.126m that the Council's HRA borrowed on 28/3/2012 to exit the national HRA Subsidy system. This amount, known as the HRA Self Financing settlement sum, was paid over by the Council to the Government.

**GLOSSARY OF TERMS USED IN THE TREASURY ANNUAL REVIEW REPORT**

<p>Affordable Borrowing Limit and Authorised Limit for external debt</p>	<p>The maximum amount the Council can borrow for capital and revenue purposes, allowing a prudent margin for unexpected events. The Affordable Borrowing Limit reflects a level of borrowing which, while not desirable, is affordable in the short term. The Council does not have the power to borrow above the Authorised Limit.</p>
<p>Capital Financing Requirement</p>	<p>A calculated notional figure that represents the authority's underlying need to borrow to finance capital expenditure. Note that this does not necessarily mean that this is the sum borrowed.</p>
<p>CIPFA</p>	<p>The Chartered Institute of Public Finance and Accountancy. The leading professional accountancy body for the public services.</p>
<p>CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes Fully Updated Edition 2011</p>	<p>The professional code governing treasury management, which was approved by Full Council on 29 February 2016 (Minute A19/16 refers).</p>
<p>Debt Management Office (DMO)</p>	<p>The Debt Management Office (DMO) is an Executive Agency of Her Majesty's Treasury. The DMO's responsibilities include debt and cash management for the UK Government, lending to local authorities and managing certain public sector funds. The majority of the Council's debt is arranged through the DMO (see PWLB below).</p>
<p>European Central Bank (ECB)</p>	<p>The European Central Bank (ECB) is the central bank for Europe's single currency, the Euro. The ECB's main task is to maintain the Euro's purchasing power and thus price stability in the Eurozone. The ECB also sets the bank lending rate across the Eurozone.</p>
<p>European Union (EU)</p>	<p>The European Union (EU) is a politico- economic union of 28 member states that are primarily located in Europe.</p>
<p>European Investment Bank (EIB)</p>	<p>The European Investment Bank (EIB) is owned by the 28 EU countries. It borrows money on the capital markets and lends it at a low interest rate to projects that improve infrastructure, energy supply or environmental standards both inside the EU and in neighbouring or developing countries.</p>

## Appendix D

FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services. Standard & Poor's and Moody's are also rating agencies.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan. These can offer more attractive rates to the borrower than conventional lending.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Monetary Policy Committee (MPC)	Interest rates are set by the Bank of England's Monetary Policy Committee (MPC). The MPC sets an interest rate it judges will enable the inflation target to be met (2% per annum currently). The Bank's Monetary Policy Committee (MPC) is made up of nine members - the Governor, three Deputy Governors for Monetary Policy, Financial Stability and Markets & Banking, the Bank's Chief Economist and four external members appointed directly by the Chancellor.
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.(see Affordable & Authorised limits above).
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

## MINIMUM REVENUE PROVISION POLICY STATEMENT

**Effective from 2017/2018 and periods onwards.  
Adopted February 2018, revised October 2018.**

1. The Council has implemented the new Minimum Revenue Provision (MRP) Guidance from 2008/09, and have assessed their MRP for 2018/19 in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under Section 21(1A) of the Local Government Act 2003.
2. The Council's MRP Policy Statement for 2018/2019 is to be as follows:
  - 2.1. For the proportion relating to historic debt (incurred up to 31 March 2008) and to Government-supported capital expenditure incurred since, the MRP policy will be to adopt Option 1 - the Regulatory Method by providing a fixed amount each financial year, calculated at 2% of the balance at 31 March 2015, reducing on a straight line basis so that the whole debt is repaid after 50 years.
  - 2.2. For unsupported borrowing undertaken since 1 April 2008, reflected within the Capital Financing Requirement (CFR) debt liability at 31st March 2019, the MRP policy will be to adopt Option 3 – Asset Life Method – Annuity method from the Guidance. Estimated life periods will continue to be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.
3. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
4. Where schemes are not fully completed at the end of the financial year, MRP charges will be deferred until the schemes are complete and the assets are operational.
5. MRP on Public Finance Initiative (PFI) schemes debt is to be charged on an annuity basis over the remaining life of each scheme.
6. The Council retains the right to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).
7. There will be circumstances when the Council will not be making a provision for the repayment of debt.
8. The Authority will provide loans on a commercial basis which will be used to fund capital expenditure and thus should therefore be treated as capital expenditure and a loan to a third party. The Capital Financing Requirement (CFR) will increase by the

amount of the loans advanced and under the terms of the contractual loan agreements are due to be returned in full with interest paid. When these funds are returned to the Authority, the returned funds will be classed as a capital receipt and offset against the CFR, which will reduce accordingly. As this is in effect a temporary arrangement and the funds will be returned to the Council in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The outstanding loan will be reviewed on an annual basis and if the likelihood of default increases, a prudent MRP policy will commence.

9. The Authority is purchasing commercial property to be held as part of its Investment Property Portfolio. The properties are held for investment purposes and are managed on a fully commercial basis. The purchase of these properties will be treated as capital expenditure and will increase the CFR. The Council is holding these properties solely for investment purposes and they are leased to tenants on a fully repairing basis. As the Council has the ability to sell these properties to repay any outstanding debt liabilities related to their purchase, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP application. The market value of the assets will be reviewed on a regular basis and if the asset value significantly decreases, a prudent MRP policy will commence.
10. The Council's cash investment in the Real Lettings Property Fund LP under a 7-year life arrangement is due to be returned in full at maturity with interest paid on outstanding balances annually. The cash investment will be treated as capital expenditure with the Council's Capital Financing Requirement (CFR) increasing by this amount. At maturity, the funds returned to the Council will be treated as a capital receipt and the CFR will reduce accordingly. As this is a temporary arrangement over 6 years, and as the funds are to be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.
11. Loans borrowed from Amber Green LEEF 2LLP or an alternative source to fund energy efficiency and carbon reduction schemes at certain educational institutions within the Borough will be recovered in full from these institutions. As such, there is no need to set aside prudent provision to repay the debt liability in the interim period, and therefore no MRP application is required.

# Agenda Item 8

<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b> 10 October 2018
<b>SUBJECT:</b>	<b>Internal Audit Update Report</b> <b>April to August 2018</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Head of Internal Audit</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
<b>FINANCIAL IMPACT</b> The Internal Audit contract for 2018/19 is a fixed price contract of £377,280 and appropriate provision has been made within the budget for 2018/19.	

## 1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Internal Audit Report for April to August 2018 (Appendix 1).

## 2. EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit so far during 2018/19 and the progress made in implementing recommendations from audits completed in previous years.

## 3. DETAIL

3.1 The Internal Audit report (Appendix 1) includes the following:

- a list of all audits completed so far in 2018/19,
- a list of audits relating to 2017/18, but finalised after the annual report, and
- lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.

3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Executive Director of Resources. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

3.3 At this stage in the year there is insufficient evidence (5 final reports) on which to give an overall assurance level for the Council.

## 4. FOLLOW-UP REVIEWS

4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets set for 2014/18 audits are shown Table 1.

**Table 1: Implementation of Audit Recommendations**

	Target	2014/15	2015/16	2016/17	2017/18
Implementation of priority one recommendations at follow-up	90%	100%	86%	97%	75%
Implementation of all recommendations at follow-up	80%	94%	87%	83%	81%

## 5. PROGRESS AGAINST THE AUDIT PLAN

5.1 By 31 August **35%** (38% last year) of the 2018/19 planned audit days had been delivered and **18%** (24% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary



resources are available to deliver the internal audit plan in-year as usual.

## **6. PUBLICATION OF INTERNAL AUDIT REPORTS**

- 6.1 Following a decision at the June 2015 meeting of this committee, all finalised internal audit reports from the year 2015/16 onwards are published on the Council's public internet site.

## **7. CONSULTATION**

- 7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Leadership Teams (DLT). Details are circulated and discussed with Directors on a regular basis.

## **8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 8.1 The fixed price for the Internal Audit Contract is £377,280 for 2018/19 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

## **9. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 9.1 The Solicitor to the Council comments that information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(Approved by: Sandra Herbert Head of Litigation and Corporate, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

## **10. HUMAN RESOURCES IMPACT**

- 10.1 There are no immediate human resources issues arising from this report for LBC employees or staff.

(Approved by: Gillian Bevan, Head of HR, Resources)

**11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER  
REDUCTION IMPACTS**

- 11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

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**CONTACT OFFICER:** Simon Maddocks, Head of Internal Audit

**BACKGROUND DOCUMENTS:** Internal Audit report for the period April to August 2018 (appendix 1)

# London Borough of Croydon

## Internal Audit Report for the period

### 1 April 2018 to 31 August 2018

#### **Confidentiality and Disclosure Clause**

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

## Internal Audit activity

1. During the first five months of the 2018/19 financial year the following work has been delivered:

- 35% of the 2018/19 planned audit days have been delivered
- 42 planned audits (excluding ad hoc and fraud work) commenced, either by setting up the files, attending scope meetings or by performing the audits. This was made up of:-
  - 39 system audits commenced and/or were completed;
  - 3 probity audits commenced and/or were completed; and,
  - 0 computer audits commenced and/or were completed.

In addition:

- 6 new ad hoc or fraud investigations commenced and/or were completed.

### Internal Audit Performance

2. To help ensure that the internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2017/18 internal audit plan was substantially informed by the risk registers. The 2018/19 internal audit plan was presented to the General Purposes and Audit Committee on 15 March 2018.
3. Work on the 2018/19 audit plan commenced in April 2018 and delivery is now well underway.
4. Table 1 details the performance for the 2018/19 audit plan against the Council's targets. At 31 August 2018 Internal Audit had delivered 35% of the planned audit days and 18% of the planned draft reports. Although the planned drafts are behind target, there are a number of audits where the reports are close to being issued and work has either commenced, is in progress or draft stage for almost half of the audit plan.

**Table 1: Performance against targets**

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2018-19 audit days delivered	100%	34%	<b>35%</b>	▲
Number of 2018-19 planned audit days delivered	1050	357	<b>363</b>	▲
% of 2018-19 planned draft reports issued	100%	25%	<b>18%</b>	▼
Number of 2018-19 planned draft reports issued	91	23	16	▼
% of draft reports issued within 2 weeks of exit meeting	85%	85%	<b>100%</b>	▲
2017/18 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	<b>75%</b>	▼
2017/18 % of all recommendations implemented at the time of the follow up audit	80%	80%	<b>81%</b>	▲
2016/17 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	<b>97%</b>	▲
2016/17 % of all recommendations implemented at the time of the follow up audit	80%	80%	<b>83%</b>	▲

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
2015/16 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	<b>86%</b>	▼
2015/16 % of priority all recommendations implemented at the time of the follow up audit	80%	80%	<b>87%</b>	▲
2014/15 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	<b>100%</b>	▲
2014/15 % of all recommendations implemented at the time of the follow up audit	80%	80%	<b>94%</b>	▲
% of qualified staff engaged on audit	40%	40%	<b>38%</b>	▼

**Audit Assurance**

5. Internal Audit provides four levels of assurance as follows:

<b>Full</b>	The systems of internal control are sound and achieve all systems objectives and that all controls are being consistently applied.
<b>Substantial</b>	The systems of internal control are basically sound, there are weaknesses that put some of the systems objectives at risk and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. (*Note - Substantial assurance is provided on School audits.)
<b>Limited</b>	Weaknesses in the systems of internal control are such as to put the systems objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No</b>	The system of internal control is generally weak leaving the system open to significant error or abuse and /or significant non-compliance with basic controls leaves the system open to error or abuse.

6. Tables 2 and 3 lists the audits for which final reports were issued from 1 April to 31 August 2018. Details of the key issues arising from these reports are shown in Appendix 1.

**Table 2: 2017/18 Final audit reports issued since the Head of Internal Audit Report (June 2018) to 31 August 2018**

Audit Title	Risk Level	Assurance Level	Planned Year
<b>Non-school audits</b>			
Housing Rents and Accounting	High	Limited	2017/18
Budget Management - People	High	Limited	2017/18
SekChek Active System Directory Security	High	Limited	2017/18
Health Visiting	High	Limited	2017-18
MyAccount and MyApp	High	Limited	2017/18

**Table 3: 2018/19 Final audit reports issued from 1 April 2018 to 31 August 2018:**

Audit Title	Risk Level	Assurance Level	Planned Year
<b>Non-school audits</b>			
Cashiers (Cash Handling)	High	Full	2018/19
Coroner's Service	High	Substantial	2018/19
Discretionary Housing Payments	High	Substantial	2018/19
Libraries Income Collection	High	Limited	2018/19
Parking CCTV	High	Substantial	2018/19

**Follow-up audits – effective implementation of recommendations**

- During 2018/19 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of the 2015/16, 2016/17, 2017/18 audits. No 2018/19 follow up audits are yet due.
- Follow-up audits are undertaken to ensure that all the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations.

Performance Objective	Target	Performance (to date*)				
		2013/14	2014/15	2015/16	2016/17	2017/18
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	86%	97%	75%
Percentage of all recommendations implemented at the time of the follow up audit	80%	96%	94%	87%	83%	81%

The results of those for 2015/16, and 2016/17 and 2017/18 audits that have been followed up are included in Appendixes 2, 3, and 4 respectively.

- Appendix 2 shows the follow-up audits of 2015/16 audits undertaken to date and the number of recommendations raised and implemented. 87% of the total recommendations were found to have been implemented and 86% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
EMS Application	Richard Simpson	High	Limited	A recommendation was raised due to the absence of an effective disaster recovery plan for the EMS application. The response to the follow up is that this is being worked on with Capita and a solution planned for January 2019
Adoption	Eleni Ioannides	High	Limited	A recommendation was raised as the weekly adoption payment runs were not being checked for accuracy and to ensure no inappropriate payments made.

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
ICT ~Service Delivery ITIL Framework	Richard Simpson	High	Limited	<p>A recommendation was raised as it was identified that the development of an appropriate Business Impact Review (BIR) to assist in the design of both the IT Service Disaster Recovery Plan (DRP) and the associated Business Continuity Plan (BCP) are currently at an embryonic stage and no DRP or BCP solutions have been recently tested as effective.</p> <p>The response to the follow up is that this is being worked on with Capita and a solution planned for January 2019</p>

10. Appendix 3 shows the 2016/17 follow-up audits undertaken to date and the number of recommendations raised and implemented. 83% of the total recommendations were found to have been implemented and 97% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Adult Social Care – Caseload Management	Guy Van Dichele	High	Limited	<p>A priority 1 recommendation was raised as examination of the 'Caseload Pressures Reporting', dated 20 September 2016 identified that there were a significant number of cases on the respective team waiting lists, i.e. cases not yet assigned to a case worker. There were further cases on the Centralised Duty team waiting list, i.e. cases not yet assigned to the respective teams.</p> <p>Discussion with the Team Managers of the OP North and South teams confirmed that no priority 1 cases were on the waiting lists; however, as some cases had been on the waiting lists for some time the initial priority assigned to these cases may no longer be appropriate.</p>

11. Appendix 4 shows the 2017/18 follow-up audits undertaken to date and the number of recommendations raised and implemented. 81% of the total recommendations were found to have been implemented and 75% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Abandoned Vehicles	Shifa Mustafa	High	No	<p>A priority 1 issue was raised as the records of reported abandoned vehicles on the Access 2003 database was incomplete, with images, links to '7 day' notices and the dates removed and outcomes not always being recorded.</p> <p>A priority 1 issue was raised as although the estimated contract value for abandoned vehicle removal is over £160k, there has been no tendering for this service and there is no contract in place between Tran-Support and the Council.</p>
Mayors Charity	Richard Simpson	High	No	A priority 1 issue was raised as bank reconciliations are not performed on a regular basis.
Pay and Display Meter Maintenance and Income Collection	Shifa Mustafa	High	Limited	A priority 1 issue was raised because the contract between NSL and the Council expired in 2015.

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Appointeeships	Mark Meehan	High	Limited	A priority 1 issue was raised as although payee bank accounts were being checked to invoices or other payment documents, there is a risk that the bank details on these documents may be incorrect.
Brokerage	Richard Simpson	High	Limited	<p>A priority 1 issue was raised as it was confirmed that providers outside of the signed Integrated Framework Agreement (IFA) were being used regularly for care provision of clients.</p> <p>A priority 1 issue was raised as there was no evidence provided of inspections having occurred at three of the five providers sampled.</p>



## Appendix 1: Key issues from finalised audits

<b>2018/19 audits</b>			
Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
<b>Non School Audits</b>			
Cashiers (Cash Handling)	High	Full (1 priority 3 issue)	No priority 1 issues raised
Libraries Income Collection	High	Limited (Two priority 1, two priority 2 and one priority 3 issue)	Two priority 1 issues were raised, one relating to the approval and control over the waiver of fines and the other relating to the lack of reconciliations between income collected and income banked and coded to Oracle ledger codes.
Discretionary Housing Payments	High	Substantial (One priority 2 and 2 priority 3 issues)	No priority 1 issues raised
Parking CCTV	High	Substantial (1 priority 2 issue)	No priority 1 issues raised
Coroner's Service	High	Substantial (Three priority 2 issues)	No priority 1 issues raised

<b>2017/18 Key issues from final audit reports issued since the Head of Internal Audit Report (June 2018) to 31 August 2018</b>			
Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
<b>Non School Audits</b>			
Housing Rents and Accounting	High	Limited (One priority 1 issue and five priority 2 issues)	A priority 1 issue was raised as evidence of appropriate authorisation was not available for two out of the 10 refunds tested.
Budget Management - People	High	Limited (One priority 1 issue and one priority 2 issue)	A priority 1 issue was raised as in Children's Services, only external local placements were being monitored, the data for the other types of placements being considered inaccurate
Health Visiting	High	Limited (one priority 1 issue and one priority 2 issue)	A priority 1 issue was identified as while the Council receives monthly detailed reports on key performance indicators and has conducted a recent extensive six month Health Visiting Services Review, appropriate contract monitoring processes were not in place to obtain assurance of the general conditions in the S75 Agreement and the actual processes undertaken by CHS, including those for safeguarding.
SekChek Active System Directory Security	High	Limited (Nine priority 2 issues and one priority 3 issue)	No priority 1 issues
MyAccount and MyApp	High	Limited (One priority 1, three priority 2 and one priority 3 issue)	A priority 1 issue was identified because no formal change management process was in place to track changes which impact the applications.

## Appendix 2 - Follow-up of 2015/16 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non School Audits</b>							
2015/16	Contract Management & Governance of Croydon Care Solutions	Guy Van Dichele	High	No (No further follow up planned)	9	9	100%
2015/16	Contract Management & Governance of Adult Social Care Providers	Guy Van Dichele	High	Limited (No further follow up planned)	6	5	83%
2015/16	Performance Monitoring Adult Social Care	Guy Van Dichele	High	Limited (2nd follow up in progress)	9	1	11%
2015/16	Food Flagship Initiative	Guy Van Dichele	High	Limited (No further follow up planned)	9	8	89%
2015/16	Staff Car parking and Corresponding Allowances	Richard Simpson	High	Limited (No further follow up planned)	6	5	84%
2015/16	Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited (No further follow up planned)	4	4	100%
2015/16	Employee Expenses (via One Oracle)	Richard Simpson	High	Limited (No further follow up planned)	6	6	100%
2015/16	Adoption	Eleni Ioannides	High	Limited (3rd follow up in progress)	4	3	75%
2015/16	Fostering	Eleni Ioannides	High	Limited (4 <sup>th</sup> follow up in progress)	5	3	60%
2015/16	Software Licensing	Richard Simpson	High	Limited (No further follow up planned)	8	8	100%
2015/16	EMS Application	Richard Simpson	High	Limited (6th follow up in progress)	4	1	25%
2015/16	Old Town Building Frontages	Shifa Mustafa	High	Limited (No further follow up planned)	5	5	100%
2015/16	ICT Service Delivery ITIL Framework	Richard Simpson	High	Limited (4 <sup>th</sup> follow up in progress)	2	1	50%
2015/16	ICT Mobile Devices	Richard Simpson	High	Limited (No further follow up planned)	8	7	88%
2016/16	Cyber Security	Richard Simpson	High	Limited (No further follow up planned)	2	2	100%
2015/16	Council Tax	Richard Simpson	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NDR – Non Domestic Rates	Richard Simpson	High	Substantial	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Payments to Schools	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Cultural Direction	Richard Simpson	High	Substantial (No further follow up in planned)	1	1	100%
2015/16	Locality Early Help	Guy Van Dichele	High	Substantial (No further follow up planned)	9	8	89%
2015/16	Looked After Children (placed in another LA area)	Eleni Ioannides	High	Substantial (1 <sup>st</sup> follow up in progress)	7	-	-
2015/16	Youth Offending Service	Eleni Ioannides	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Care Act 2014	Guy Van Dichele	High	Substantial (2nd follow up in progress)	2	1	50%
2015/16	Better Care Fund	Guy Van Dichele	High	Substantial (No further follow up planned)	7	7	100%
2015/16	Childcare Provision	Eleni Ioannides	High	Substantial (No further follow up)	6	5	83%
2015/16	Integrated Commissioning	Guy Van Dichele	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Member Ethics and Transparency	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Connected Croydon – Programme and Project Management	Shifa Mustafa	High	Substantial (2nd follow up in progress)	4	2	50%
2015/16	People Gateway Programme	Guy Van Dichele	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NHS Partnership with Public Health	Guy Van Dichele	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Asset Sales	Richard Simpson	High	Substantial (No further follow up planned)	6	5	83%
2015/16	Croydon Challenge (Programme Management)	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2015/16	Pension Fund Admitted Bodies	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Interserve – Fire Safety and Health and Safety Assessments	Richard Simpson	High	Substantial (No further follow up planned)	11	10	90%
2015/16	Public Consultations	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Street Lighting	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Waste Contract Management	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Planning Enforcement	Shifa Mustafa	High	Substantial (No further follow up planned)	2	2	100%
2015/16	School Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	5	4	80%
2015/16	Housing Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Waste Recycling	Shifa Mustafa	High	Substantial (5th follow up in progress)	3	1	33%
2015/16	One Oracle Back Office	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Internal Network	Richard Simpson	High	Substantial (3rd follow up in progress)	2	1	50%
2015/16	Cyber Security	Richard Simpson	High	Assurance n/a (No further follow up planned)	2	2	100%
2015/16	Procurement of Consultants – South Norwood Public Realm Lead Design	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Clocktower and Town Hall Replacement Works	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Wandle Park pavilion Works	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (3rd follow up in progress)	2	0	0
2015/16	SEN Transport Contract	Richard Simpson	High	Substantial (No further follow up planned)	6	6	100%
<b>Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>220</b>	<b>185</b>	<b>84%</b>

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>22</b>	<b>19</b>	<b>86%</b>
<b>School Audits</b>							
2015/16	Beulah Junior	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Elmwood Junior	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Gilbert Scott	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Howard Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Kingsley	Eleni Ioannides	Medium	Substantial (No f/up - recs implemented at final report)	4	4	100%
2015/16	Purley Oaks Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	6	100%
2015/16	Rockmount	Eleni Ioannides	Medium	Substantial (No f/up recs implemented at final report)	1	1	100%
2015/16	Selsdon	Eleni Ioannides	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	St Chad's RC Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	10	10	100%
2015/16	Winterbourne Infant & Nursery	Eleni Ioannides	Medium	Substantial (No further follow up)	4	4	100%
2015/16	Winterbourne Junior Girls	Eleni Ioannides	Medium	Substantial (No further follow up)	2	2	100%
2015/16	Wolsey Infants	Eleni Ioannides	Medium	Substantial (No further follow up)	4	4	100%
2015/16	St Joseph's RC Federation	Eleni Ioannides	Medium	Substantial (No further follow up)	3	3	100%
<b>School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>48</b>	<b>48</b>	<b>100%</b>
<b>School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>0</b>	<b>0</b>	<b>N/a</b>
<b>Recommendations and implementation from audits that have had responses</b>					<b>268</b>	<b>233</b>	<b>87%</b>
<b>Priority 1 Recommendations from audits that have had responses</b>					<b>22</b>	<b>19</b>	<b>86%</b>

## Appendix 3 - Follow-up of 2016/17 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non School Audits</b>							
2016/17	Adult Care Packages	Guy Van Dichele	High	Limited (1 <sup>st</sup> follow up in progress)	7	-	-
2016/17	ASC Caseload Management	Guy Van Dichele	High	Limited (2 <sup>nd</sup> follow up in progress)	7	4	57%
2016/17	Adult Self-Funding and Deferred Payments	Mark Meehan	High	Limited (No further follow up)	8	7	88%
2016/17	Client Management of Octavo Partnership	Eleni Ioannides	High	Limited (No further follow up)	6	6	100%
2016/17	Disabled Facilities Grants	Mark Meehan	High	Limited (4 <sup>th</sup> follow up in progress)	12	11	92%
2016/17	Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Procurement of Consultants – Caterham Bourne	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Facilities Management – Contract Cleaning	Richard Simpson	High	Limited (No further follow up)	7	7	100%
2016-17	Contract Formalities and Storage of Contracts	Richard Simpson	High	Limited (1 <sup>st</sup> follow up in progress)	4	-	-
2016-17	Contract and Tender Regulation Compliance	Richard Simpson	High	Limited (2 <sup>nd</sup> follow up in progress)	8	6	75%
2016-17	Microsoft Office Enterprise Procurement Compliance	Richard Simpson	High	Limited (No further follow up)	3	3	100%
2016/17	Housing Benefits	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Housing Rents and Accounting	Mark Meehan	High	Substantial (No further follow up)	7	6	86%
2016/17	Housing Repairs	Shifa Mustafa	High	Substantial (No further follow up)	4	4	100%
2016/17	Payments to Schools	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Payroll	Richard Simpson	High	Substantial (No further follow up)	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Pension Fund Investments	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Declarations of Interests, Gifts and Hospitality	Richard Simpson	High	Substantial (No further follow up)	7	7	100%
2016/17	Sickness Absence	Richard Simpson	High	Substantial (No further follow up)	5	4	80%
2016/17	HMRC Compliance	Richard Simpson	High	Substantial (4th follow up in progress)	5	3	60%
2016/17	Empty Property Grants	Mark Meehan	High	Substantial (No further follow up)	6	6	100%
2016/17	Housing Registration and Allocation	Mark Meehan	High	Substantial (No further follow up)	8	7	87%
2016/17	Top 50 Families Review	Eleni Ioannides	High	Substantial (No further follow up)	3	3	100%
2016/17	Anti-Social Behaviour	Shifa Mustafa	High	Substantial (3rd follow up in progress)	9	4	44%
2016/17	Household Green Waste	Shifa Mustafa	High	Substantial (No further follow up)	5	5	100%
2016/17	Flood Management Plan	Shifa Mustafa	High	Substantial (No further follow up)	7	6	86%
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (3rd follow up in progress)	2	1	50%
2016/17	Prevent Agenda	Shifa Mustafa	High	Substantial (No further follow up)	1	1	100%
2016/17	Project Assurance (Place)	Shifa Mustafa	High	Substantial (No further follow up)	3	3	100%
2016/17	Regeneration Partnership	Shifa Mustafa	High	Substantial (1st follow up in progress)	2	-	-
2016/17	S106 Negotiating, Charging and Funding	Shifa Mustafa	High	Substantial (No further follow up)	3	3	100%
2016/17	Selective Licensing	Shifa Mustafa	High	Substantial (No further follow up)	5	5	100%
2016/17	Clinical Governance	Guy Van Dichele	High	Substantial (3rd follow up in progress)	3	1	33%
2016/17	Commercial use of Bernard Weatherill House	Richard Simpson	High	Substantial	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up)			
2016/17	Debt Recovery and use of Bailiffs	Richard Simpson	High	Substantial (No further follow up)	2	2	100%
2016/17	Fairfield Delivery	Shifa Mustafa	High	Substantial (3rd follow up in progress)	2	1	50%
2016/17	MOU_ Clinical Commissioning Group	Guy Van Dichele	High	Substantial (No further follow up)	4	4	100%
2016/17	Public Health Integration Funding	Guy Van Dichele	High	Substantial (No further follow up)	5	5	100%
2016/17	Hyperion Application	Richard Simpson	High	Substantial (No further follow up)	9	8	89%
2016/17	Citrix Security	Richard Simpson	High	Substantial (No further follow up)	2	2	100%
2016/17	Windows Operating System Security	Richard Simpson	High	Substantial (No further follow up)	5	5	100%
2016/17	Cloud Services and Solutions Azure	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Members- Bring Your Own Devices (BYOD)	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Service Desk	Richard Simpson	High	Substantial (No further follow up)	5	4	80%
2016/17	WAN Connectivity	Richard Simpson	High	Substantial (No further follow up)	6	5	83%
2016/17	Intranet and Internet Security	Richard Simpson	High	Substantial (2 <sup>nd</sup> follow up in progress)	2	2	100%
2016/17	Service and Maintenance of Fire Alarm and Emergency Lighting	Shifa Mustafa	High	Substantial (No further follow up)	2	2	100%
2016/17	Independent Fostering Agencies Framework Procurement	Richard Simpson	High	Substantial (No further follow up)	2	2	100%
<b>Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>229</b>	<b>193</b>	<b>84%</b>
<b>Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>18</b>	<b>17</b>	<b>94%</b>
<b>School Audits</b>							
2016/17	The Hayes Primary	Eleni Ioannides	Medium	Limited (No further follow up))	12	11	92%



Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Regina Coeli RC primary	Eleni Ioannides	Medium	Limited (No further follow up)	7	6	86%
2016/17	Selhurst Children's Centre	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	20	-	-
2016/17	St Andrew's C of E High	Eleni Ioannides	Medium	Limited (No further follow up)	19	19	100%
2016/17	Virgo Fidelis Convent Senior School	Eleni Ioannides	Medium	Limited (No further follow up)	12	11	92%
2016/17	Bensham Manor MLD Secondary	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	15	-	-
2016/17	Christ Church CE Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	4	4	100%
2016/17	Coulsdon C of E Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Courtwood Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Forestdale Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Greenvale Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Kenley Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	7	7	100%
2016/17	Kensington Avenue Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	5	83%
2016/17	Keston Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	13	11	84%
2016/17	Monks Orchard Primary School	Eleni Ioannides	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Orchard Way Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	12	10	83%
2016/17	Park Hill Junior	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Park Hill Infants	Eleni Ioannides	Medium	Substantial (No further follow up planned)	1	1	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Ridgeway Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Smitham Primary	Eleni Ioannides	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Archbishop Tenison's C of E	Eleni Ioannides	Medium	Substantial (No further follow up)	8	7	88%
2016/17	Thomas More	Eleni Ioannides	Medium	Substantial (No further follow up)	7	6	86%
2016/17	Redgates SLD & Autism	Eleni Ioannides	Medium	Substantial (No further follow up)	11	9	82%
2016/17	St Giles School	Eleni Ioannides	Medium	Substantial (No further follow up)	9	9	100%
2016/17	St Nicholas MLD & Autism Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	6	6	100%
2016/17	Downsview Primary	Eleni Ioannides	Medium	Full (n/a)	0	0	0%
2016/17	Gresham Primary	Eleni Ioannides	Medium	Full (No further follow up)	1	1	100%
2016/17	St John's C of E Primary	Eleni Ioannides	Medium	Full (No further follow up)	2	2	100%
2016/17	Beckmead School	Eleni Ioannides	Medium	Full (No further follow up)	4	4	100%
<b>School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>186</b>	<b>154</b>	<b>83%</b>
<b>School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>12</b>	<b>12</b>	<b>100</b>
<b>Recommendations and implementation from audits that have had responses</b>					<b>4415</b>	<b>347</b>	<b>83%</b>
<b>Priority 1 Recommendations from audits that have had responses</b>					<b>30</b>	<b>29</b>	<b>97%</b>

## Appendix 4 - Follow-up of 2017-18 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
<b>Non School Audits</b>							
2017/18	Mayors Charity	Richard Simpson	High	No (2 <sup>nd</sup> follow up in progress)	13	6	46%
2017/18	Abandoned Vehicles	Shifa Mustafa	High	No (2 <sup>nd</sup> follow up in progress)	10	7	70%
2017/18	Community Care Payments	Guy Van Dichele	High	Limited (1 <sup>st</sup> follow up in progress)	9	-	-
2017/18	Appointeeships	Mark Meehan	High	Limited (2 <sup>nd</sup> follow up in progress)	7	4	75%
2017/18	Direct Payments	Guy Van Dichele	High	Limited (3 <sup>rd</sup> follow up in progress)	4	3	75%
2017/18	Special Sheltered Housing	Richard Simpson	High	Limited (3 <sup>rd</sup> follow up in progress)	10	4	40%
2017/18	Croydon Enterprise Loan Fund	Shifa Mustafa	High	Limited (no further follow up planned)	5	5	100%
2017/18	Brokerage	Richard Simpson	High	Limited (2 <sup>nd</sup> follow up in progress)	10	2	20%
2017/18	Deprivation of Liberty Safeguards	Guy Van Dichele	High	Limited (No further follow up)	4	4	100%
2017/18	Registrars	Mark Meehan	High	Limited (No further follow up)	6	6	100%
2017/18	Food Safety	Shifa Mustafa	High	Limited (No further follow up)	11	9	82%
2017/18	Pay and Display Meter Maintenance and Income Collection	Shifa Mustafa	High	Limited (2 <sup>nd</sup> follow up in progress)	4	3	75%
2017/18	Tree Root Inspections	Shifa Mustafa	High	Limited (No further follow up)	6	5	83%
2017/18	ICT Capita Contract	Richard Simpson	High	Limited (No further follow up)	1	1	100%
2017/18	Payments to Schools	Richard Simpson	High	Substantial (1 <sup>st</sup> follow up in progress)	5	-	-
2017/18	Payroll	Richard Simpson	High	Substantial (1 <sup>st</sup> follow up in progress)	3	-	-
2017/18	Pension Administration	Richard Simpson	High	Substantial	2	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(2 <sup>nd</sup> follow up in progress)			
2017/18	CALAT Income Collection	Shifa Mustafa	High	Substantial (3 <sup>rd</sup> follow up in progress)	6	4	67%
2017/18	Youth Offending service	Eleni Ioannides	High	Substantial (No further follow up)	3	3	100%
2017/18	Place Review Panel	Shifa Mustafa	High	Substantial (No further follow up)	3	3	100%
2017/18	Croydon Equipment Solutions	Richard Simpson	High	Substantial (No further follow up)	7	7	100%
2017/18	Street Trading Income Collection	Shifa Mustafa	High	Substantial (1 <sup>st</sup> follow up in progress)	9	-	-
2017/18	Admitted Bodies	Richard Simpson	High	Substantial (1 <sup>st</sup> follow up in progress)	4	-	-
2017/18	Unix (Linux) Operating System Security	Richard Simpson	High	Substantial (2 <sup>nd</sup> follow up in progress)	3	0	0
2017/18	Smitham 2016 School Heating Works	Shifa Mustafa	High	Substantial (1 <sup>st</sup> follow up in progress)	3	-	-
2017/18	Windows OS Security	Richard Simpson	High	Full (no further follow up planned)	2	2	100%
<b>Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>115</b>	<b>78</b>	<b>68%</b>
<b>Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>28</b>	<b>20</b>	<b>71%</b>
<b>School Audits</b>							
2017/18	Beulah Juniors	Eleni Ioannides	Medium	Limited (No further follow up)	13	11	84%
2017/18	Elmwood Infants School	Eleni Ioannides	Medium	Limited (No further follow up)	14	14	100%
2017/18	The Minster Nursery and Infant School	Eleni Ioannides	Medium	Limited (No further follow up)	17	15	89%
2017/18	Norbury Manor	Eleni Ioannides	Medium	Limited (2 <sup>nd</sup> follow up in progress)	12	8	67%
2017/18	St Joseph's Federation	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	25	-	-
2017/18	Winterbourne Nursery and Infants	Eleni Ioannides	Medium	Limited (1 <sup>st</sup> follow up in progress)	18	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2017/18	St Mary's High School	Eleni Ioannides	Medium	Limited (No further follow up)	16	14	87%
2017/18	Crosfield Nursery and Selhurst Early Years	Eleni Ioannides	Medium	Substantial (No further follow up)	2	2	100%
2017/18	Purley Nursery	Eleni Ioannides	Medium	Substantial (No further follow up)	4	4	100%
2017/18	Tunstall Nursery	Eleni Ioannides	Medium	Substantial (No further follow up)	4	4	100%
2017/18	Thornton Heath Early Years Centre	Eleni Ioannides	Medium	Substantial (No further follow up)	7	6	86%
2017/18	All Saints C of E Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	8	7	87%
2017/18	Elmwood Junior	Eleni Ioannides	Medium	Substantial (No further follow up)	3	3	100%
2017/18	Heavers Farm	Eleni Ioannides	Medium	Substantial (No further follow up)	10	10	100%
2017/18	Howard Primary	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	13	-	-
2017/18	Margaret Roper	Eleni Ioannides	Medium	Substantial (No further follow up)	16	13	81%
2017/18	Purley Oaks Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	7	7	100%
2017/18	Rockmount Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	6	5	83%
2017/18	Selsdon Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	9	9	100%
2017/18	Woodcote Primary	Eleni Ioannides	Medium	Substantial (No further follow up)	7	7	100%
2017/18	Coloma Convent Girls' School	Eleni Ioannides	Medium	Substantial (2 <sup>nd</sup> follow up in progress)	14	10	72%
2017/18	Saffron Valley	Eleni Ioannides	Medium	Substantial (No further follow up)	6	6	100%
2017/18	Priory	Eleni Ioannides	Medium	Substantial (1 <sup>st</sup> follow up in progress)	6	-	-
2017/18	Beaumont Primary	Eleni Ioannides	Medium	Full	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up)			
2017/18	Archbishop Tenison	Eleni Ioannides	Medium	Full (No further follow up)	1	1	100%
<b>School Audits Sub Total: Recommendations and implementation from audits that have had responses</b>					<b>179</b>	<b>159</b>	<b>86%</b>
<b>School Audits Sub Total: Priority 1 Recommendations from audits that have had responses</b>					<b>4</b>	<b>4</b>	<b>100%</b>
<b>Recommendations and implementation from audits that have had responses</b>					<b>294</b>	<b>237</b>	<b>81%</b>
<b>Priority 1 Recommendations from audits that have had responses</b>					<b>32</b>	<b>24</b>	<b>75%</b>

## Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> 10 October 2018
<b>SUBJECT:</b>	<b>Anti-Fraud Update Report 1 April 18 – 31 August 2018</b>
<b>LEAD OFFICER:</b>	<b>Lisa Taylor, Director of Finance, Investment &amp; Risk</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>The work of the Audit &amp; Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council's vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law abiding Borough.</p>	
<b>FINANCIAL SUMMARY:</b>	
<p>The budget provision for the Anti-Fraud service for 2018/19 is £263,000 and the service is on target to be delivered within budget.</p>	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

<b>1.</b>	<b>RECOMMENDATIONS</b>
1.1	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> <li>• Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2018 – 31 August 2018</li> </ul>

## 2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2018 – 31 August 2018.

## 3. DETAIL

### Performance 1 April 2018 to 31 August 2018

- 3.1 The CAFT comprises 10 staff (8.9 FTEs), including investigators an Intelligence Officer and an Investigation Manager. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Lambeth, as well as providing Financial Investigation services to the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 It has been reported previously to this committee that the CAFT was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden and Islington councils. The ambition of the LCFH project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or registering to vote in more than one borough. Data relating to council tax discounts, housing tenancy and business rates has now been submitted to the LCFH project and we are currently testing the output. Feedback will be given once the pilot phase draws to a close.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	ANNUAL TARGET 17/18	ANNUAL TARGET 18/19	YTD
Successful Outcomes	120	120	57
Identified Overpayments & Savings	£1,250,000	£1,250,000	£667,572

**Table 2 - Breakdown of Outcomes from 1 April 2018 – 31 August 2018 compared to the same period in 2017**

2017		2018	
Area	Value £	Area	Value £
<b>Housing - 11</b> 9 Recovered Properties 0 Removed from Housing list 1 Possession Orders 1 Legal notice issued*	162,000	<b>Housing - 17</b> 3 Recovered Properties 4 Removed from housing list 1 Right to Buy stopped 1 Removed from TA 2 Possession order 5 Legal notices issued* 1 - Other	54,000 **8,000 £104,900 £18,000
<b>Other - 38</b> 5 Formal Cautions 9 Dismissal/Resignation & Other Disciplinary Action 3 Council Tax Discounts 12 Blue Badge Abuse 1 Insurance Claim Stopped 1 Care Package Stopped 3 Recommendations for Improvements 4 Other	305,104	<b>Other - 40</b> 3 Formal Cautions 4 Dismissal/Resignation & Other Disciplinary Action 4 Council Tax Discounts 6 Council Tax reduction removed 3 Council tax liability order 3 Blue Badge Abuse 5 Recommendations for Improvements 5 Chargeback warnings 7 Other	£482,672
<b>Total</b>	467,104	<b>Total</b>	£667,572

\*Includes: Notice Seeking Possession, Notice to Quit and Possession Orders

\*\* Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

### 3.4 Blue Badge Case study

Parking concessions for disabled people enable many disabled people to live their lives with greater independence. To society the abuse of this concession causes immense irritation, but to a person with disability the impact can be significant. Blue badge abuse is one area the anti-fraud team continues to tackle, both proactively and reactively in response to reports from members of the public and their representatives.

On the 4<sup>th</sup> July 2018 a Purley resident admitted five counts of fraud after displaying a blue badge in his car when he parked illegally at two sites in the borough.

He was caught using a cancelled blue badge that belonged to another Croydon resident to park on Altyre Road, Croydon and High Street, Purley in 2016.

After officers issued penalty notices for the two incidents he tried to mislead them, claiming the blue badge belonged to him each time.

On another occasion he made a false representation regarding a penalty charge for his Mercedes parked on Meadow Stile, again claiming the blue badge he used belonged to him.

A trial date was set as he indicated he would be contesting the charges. He appeared for trial at Croydon Crown Court on Wednesday 4 July where he admitted five counts of breaching Section 2 of the Fraud Act 2006.

The next day he was sentenced to pay costs of £5,061, fined £1,500 for breaching a suspended sentence for other offences, told to complete 270 hours of unpaid work and obey a 3 month curfew order.

#### **4. FINANCIAL INVESTIGATIONS**

4.1 The Council employs two Financial Investigators to undertake cash seizures and other financial investigations, in addition to the work undertaken for Croydon, the Council's Financial Investigators are also undertaking work for Waltham Forest and have recently been commissioned by Merton Trading Standards to provide additional support. Their investigations relate to various departments within the Councils including:

- Housing Benefit – legacy cases;
- Trading Standards - trademark and rogue trader cases;
- Planning – enforcement case;
- Licensing; and
- Internal cases

4.2 At the time of writing the Financial Investigators have 10 cases under investigation involving a total of 19 defendants. These investigations relate not only to Croydon cases, but also to a case for another council.

4.3 Financial Investigators are empowered to apply for restraint orders, which is a type of court order agreed by a judge. The order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance

between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases if there is a successful prosecution then a portion of these restrained assets will be returned to the Council. The Council's Financial Investigators currently have £110,000 of cash detained as well as 62 restraint orders in place as follows:

- 49 Bank Accounts
- 13 Properties

## 5. LOCAL GOVERNMENT TRANSPARENCY CODE

5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however there are some new areas which now need to be made public. These are detailed below for the period from April 2018 to 31 August 2018:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	3
Total number of employees undertaking investigations and prosecutions relating to fraud	8
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	6.9
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	7
Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	6.1
Total number of fraud cases investigated*	147

\*The number of investigations that have been closed during the period April '18 to 31 August 18.

## 6. FINANCIAL AND RISK ASSESSMENTS

6.1 The budget provision for the anti-fraud service for 2018/19 is £263,000 and the service is on target to be delivered within budget.

6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

**7. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

7.1 The Solicitor to the Council advises that there are no additional legal implications arising from this report

(Approved by Sandra Herbert Head of Litigation and Corporate, for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

**8. HUMAN RESOURCES IMPACT**

8.1 There are no immediate human resource considerations arising from this report for LBC employees or staff.

(Approved by: Gillian Bevan, Head of HR, Resources)

**9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS**

9.1 There are no further considerations in these areas.

**10. EQUALITIES IMPACT ASSESSMENT**

10.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

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**CONTACT OFFICER:** David Hogan (Head of Anti-Fraud)

<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b> <b>10 October 2018</b>
<b>SUBJECT:</b>	<b>GPAC Independent Non-voting Member Recruitment</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Director of Governance</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Resources</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
The report relates to the appointment of independent non-voting Members in respect of Audit functions for the General Purposes and Audit Committee	
<b>FINANCIAL IMPACT</b>	
There are no direct costs arising from the proposals within this report.	
<b>1. RECOMMENDATIONS:</b>	
That the Committee:	
1.1 Supports the recommendation of the recruitment panel for the preferred candidate to be appointed as an independent non-voting co-opted member of the Committee;	
1.2 Recommends to Full Council that the appointment should be confirmed for the remainder of the municipal year and that said appointment be subject to the Code of Conduct for Non-Voting Co-optees.	

## 2. EXECUTIVE SUMMARY

- 2.1 This report identifies the recommended candidate to be appointed as an independent non-voting co-opted Member on the General Purposes and Audit Committee.

## 3. DETAIL

- 3.1 The Council Constitution provides for the General Purposes and Audit Committee to have two non-elected independent non-voting members on the Committee. These co-opted Members can provide the Committee with outside knowledge, experience and skills that can inform the Audit work of the General Purposes and Audit Committee and supplement the role of Members.
- 3.2 There is currently a vacancy following the resignation of one of the post holders.

- 3.3 At its meeting on July 18<sup>th</sup> 2018, this committee gave a delegation to the Chair and the Director of Governance to commence recruitment by inviting applications for the vacant post. Once a suitable candidate was identified following the interview process, this was to be reported back to the committee at a future meeting to enable a recommendation to be made to Full Council in December for the appointment to be confirmed.
- 3.4 It is hoped that a new independent non-voting co-opted Member of the committee would commence their duties at the December meeting of the committee.
- 3.5 After advertising the role on the Council's website, in the Council's e-newsletter 'Your Croydon' and on LinkedIn and an interview process, a suitable candidate has been identified.
- 3.6 The Committee is asked to recommend to Full Council, the appointment of **Nousheen Hassan** as an independent non-voting co-opted member of the General Purposes and Audit Committee, in relation to Audit only functions. Such appointment is to be subject to the Code of Conduct for Non-Voting Co-optees. Nousheen was a lifelong resident of the borough until very recently and still maintains strong ties as a board trustee of the charity 'Off the Record' in Croydon. Professionally she provides risk management and internal audit services to the insurance and financial services sector. In addition she has some past experience of internal audit in local government.

#### **4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

- 4.1 The proposals within the report do not have financial implications as the Scheme of Members Allowances does not contain provision for allowances to Co-opted Members.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

#### **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 5.1 The Council Solicitor comments that there is provision within the Constitution for the appointment of two independent non-voting co-opted committee members who are permitted to be involved in respect of the Audit Functions of the committee only.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Jacqueline Harris-Baker, Director of Law and Governance and Monitoring Officer)

#### **6. HUMAN RESOURCES EQUALITIES, ENVIRONMENT AND CRIME AND DISORDER REDUCTION IMPACTS**

- 6.1 There are no direct implications in these areas arising from this report.

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**CONTACT OFFICER:** Simon Maddocks, Director of Governance

**BACKGROUND DOCUMENTS:** None