

Audit & Governance Committee Agenda



To: Olu Olasode (Independent Chair)

Councillors Matt Griffiths, Claire Bonham, Simon Brew, Sherwan Chowdhury, Danielle Denton, Patricia Hay-Justice, and Endri Llabuti

Reserve Members: Sean Fitzsimons, Simon Fox, Mark Johnson, Enid Mollyneaux, Stella Nabukeera and Nikhil Sherine Thampi

A meeting of the **Audit & Governance Committee** which you are hereby invited to attend, will be held **Thursday, 13 October 2022 at 6.30 pm. Council Chamber, Town Hall, Katherine Street, Croydon, CR0 1NX.**

Katherine Kerswell
Chief Executive and Head of Paid Service
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Marianna Ritchie, Democratic Services
marianna.ritchie@croydon.gov.uk
www.croydon.gov.uk/meetings

Members of the public are welcome to attend this meeting.

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If you require any assistance, please contact Marianna Ritchie, Democratic Services as detailed above

AGENDA

1. **Apologies for Absence**

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

2. **Disclosure of Interests**

Members and co-opted Members of the Council are reminded that, in accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, they are required to consider **in advance of each meeting** whether they have a disclosable pecuniary interest (DPI), another registrable interest (ORI) or a non-registrable interest (NRI) in relation to any matter on the agenda. If advice is needed, Members should contact the Monitoring Officer **in good time before the meeting**.

If any Member or co-opted Member of the Council identifies a DPI or ORI which they have not already registered on the Council's register of interests or which requires updating, they should complete the disclosure form which can be obtained from Democratic Services at any time, copies of which will be available at the meeting for return to the Monitoring Officer.

Members and co-opted Members are required to disclose any DPIs and ORIs at the meeting.

- Where the matter relates to a DPI they may not participate in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation.
- Where the matter relates to an ORI they may not vote on the matter unless granted a dispensation.
- Where a Member or co-opted Member has an NRI which directly relates to their financial interest or wellbeing, or that of a relative or close associate, they must disclose the interest at the meeting, may not take part in any discussion or vote on the matter and must not stay in the meeting unless granted a dispensation. Where a matter affects the NRI of a Member or co-opted Member, section 9 of Appendix B of the Code of Conduct sets out the test which must be applied by the Member to decide whether disclosure is required.

The Chair will invite Members to make their disclosure orally at the

commencement of Agenda item 3, to be recorded in the minutes.

3. Minutes of the Previous Meeting (Pages 7 - 20)

To approve the minutes of the meeting held on 7 July 2022 as an accurate record of the proceedings, and to approve the minutes of the former General Purposes and Audit Committee from 20 October 2021.

4. Budget Monitoring (Pages 21 - 138)

A regular and structure Budget Management process allows for strong financial management through regular monitoring and financing of budgets. The key objective this process allows for is for the Council to live within our means, balance the books and provide value for money for our residents.

5. Head of Internal Audit Annual Report 2021/22 (Pages 139 - 170)

This report details the work completed by Internal Audit in 2021/22 and the overall level of assurance for the Council's internal control environment to support the Annual Governance Statement (AGS).

6. London Borough of Croydon General Fund & Pension Fund Grant Thornton Audit Plan (Pages 171 - 234)

This report updates the Audit & Governance Committee on the Audit Plan in relation to Final Accounts for the financial year 2020/21. The Audit Plan is produced by the Council's external auditors Grant Thornton and details the areas that they will cover during their audit.

7. Update on Action Plan relating to Report in the Public Interest concerning Fairfield Hall (RIPI 2) (Pages 235 - 286)

The Committee as part of its responsibility to review the Council's governance and risk management framework, is asked to consider and comment on the progress made to date with the action plan.

8. Treasury Management Strategy Statement and Annual Investment Strategy End of Year Review 2021/22 (Pages 287 - 322)

This Report is prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) codes of practice in respect of capital finance and treasury management. The codes recommend that members are advised of the treasury management activities for the whole of each financial year and of compliance with the various strategies and policies agreed by the Council.

9. Corporate Risk Report (Pages 323 - 358)

The report updates the Audit & Governance Committee Members on the corporate risk register (the register) as at September 2022.

10. Whistleblowing

The Committee will receive a verbal update from officers on Whistleblowing.

11. Appointment of the Independent Member

The committee will receive a verbal update on the appointment of the independent member to the Audit and Governance Committee.

12. 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.

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Public Document Pack Agenda Item 3

Audit & Governance Committee

Meeting of held on Thursday, 7 July 2022 at 6.30 pm in Council Chamber, Town Hall,
Katharine Street, Croydon, CR0 1NX

MINUTES

Present: Dr. Olu Olasode (Independent Chair);
Councillor Matt Griffiths (Vice-Chair);
Councillors Claire Bonham, Simon Brew, Sherwan Chowdhury,
Patricia Hay-Justice and Llabuti

PART A

1/22 **Disclosure of Interests**

There were none.

2/22 **Urgent Business (if any)**

The Chief Executive, Katherine Kerswell, attended and delivered an update on the progress of the Croydon Renewal Programme, highlighting that:

- The Mayor's priorities were being overlaid onto the plan and tracked in the form of individual team objectives;
- A cultural change programme called Crossing the Threshold was underway to reform the outlook and morale of council employees;
- The Medium Term Financial Strategy and Budget would be informed by the findings of the plan and this would be reported in the autumn;
- As part of improving the governance of the council, the Audit and Governance Committee was expected to review the plan and ensure it was connected, reasonable and adequate;
- That another staff survey would be taking place in the autumn to measure the impacts of the plan and the culture change exercise.

3/22 **Work Programme and Action Tracker 2022-23**

Former Interim Monitoring Officer, Andrew Hunkin, asked that the Committee be mindful of making the workload and nature of the items on the agenda reasonable and manageable within the timeframe of

meetings. Andrew Hunkin also asked that the Committee maintains the discipline of keeping the Action Tracker up to date.

The Chair informed committee members that there would be a workshop on the Terms of Reference and Assurance Mapping in order to support them to develop the Work Programme. The likely timing was early October so that the work programme could be updated for approval in November.

RESOLVED

1. To agree the Work Programme 2022-23 and amendments.
2. To note and comment on the Action Tracker.

4/22

Progress update on Council's Year End Final Accounts

Nish Popat, Interim Head of Corporate Finance, introduced the report highlighting that the key outstanding issues which were delaying Grant Thornton, the council's external auditor, from being able to sign off the 2019-20 accounts were to do with Croydon Affordable Homes and Croydon Affordable Tenancies, and that the council was expecting additional advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) over the next week. The Council's would be neutral in revenue terms, whereas accounting for the transactions fully as an operating lease has the potential to impact the Council's revenue reserves by up to £70m.

The Committee expressed concerns that the Report in the Public Interest relating to the refurbishment of Fairfield Halls could develop some risk to the Council's accounts being signed off. Officers explained that the risk was more likely to be reputational but that they would produce another report for the Committee following the results of that investigation in September.

RESOLVED, to:

1. Note progress being made on audit of Draft Accounts for financial year 2019/20 and 2020/21 and;
2. Note the progress being made on completing Draft Accounts for financial year 2021/22.

5/22

Ombudsman Report - Children's Services

Shaun Hanks, Head of Social Care for Children Looked After and Care Leavers, and Brian Amos, Service Manager (Children's Social Care), introduced the report. In response to questions officers clarified that:

- The results of this report showed that the issue was to do with the legal agreement and the process;
- The recommendations of an ombudsman are not legally binding but that they carry significant weight, and that significant consideration would have been given to the recommendations in the report which found maladministration, and that it would be very difficult for the Committee to argue against this;
- The department had since examined and investigated its processes and procedures and had made robust steps to ensure that a situation such as this would be properly handled in future.

RESOLVED, to:

1. Consider the public interest report dated 6 December 2021 and the recommendations made by the Local Government & Social Care Ombudsman (LGSCO) in relation to Croydon Council.
2. Agree the recommendations set out in the public interest report; and:
3. Note the steps, progress, and timeline to implement the recommendations set out in section 7 of the report.

6/22

Audit Charter, Strategy and Plan

Dave Phillips, Interim Head of Internal Audit (Finance Investment and Risk), summarised the report and clarified that the council had outsourced its internal audit function to Mazars for many years, and that the 2022/2023 annual cost was £396,000.

Dave Phillips also informed the Committee that the plan was informed by meetings with Directors, information gathered from previous audits and issues facing local authorities such as inflation and Covid-19.

The Committee questioned whether the plan included new projects to enable Internal Audit to help ensure good governance of these at the outset, to which officers responded that the Head of Internal Audit was a member of two of the internal control boards that had been set, the remit of those boards being to pick up cross-departmental issues and lead on projects.

RESOLVED, to approve the Internal Audit Charter (Appendix 1), Strategy (Appendix 2) and the plan of audit work for 2022/23 (Appendix 3).

7/22

Recruitment and Appointment of Independent Member to the Audit and Governance Committee

It was agreed that Councillor Bonham, Councillor Griffiths, and the Chair would form the Panel supported by the Monitoring Officer to appoint an Independent Member to the Audit and Governance Committee.

RESOLVED, to note the process for the recruitment and appointment of an independent member for the Audit and Governance Committee.

8/22

Annual Governance Statement 2020/21 - update on Action Plan

The Committee commended the work of officers on this report commenting that the process had been strengthened.

RESOLVED, to note and agree on the progress the Council has made in regard to achieving the recommendations set in the Annual Governance Statement 2020/21 Action Plan.

The meeting ended at 9.00 pm

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General Purposes & Audit Committee

Meeting of held on Wednesday, 20 October 2021 at 6.30 pm in Council Chamber, Town Hall, Katharine Street, Croydon CR0 1NX

MINUTES

Present: Councillors Karen Jewitt (Vice-Chair), Nina Degrads, Paul Scott, Chris Clark, Joy Prince, Steve Hollands and Simon Hoar

Apologies: Olu Olasode (Chair) and Councillor Luke Clancy

PART A

1/21 **Disclosure of Interests**

There were none.

2/21 **Urgent Business (if any)**

There were no items of urgent business.

3/21 **Presentation on Information Management Risk**

The Head of Digital Operations, Dave Briggs, gave a presentation to the committee.

In response to queries raised by the Committee, the following was clarified:

- The reporting frequency required was due to the fact that the council had been in breach of the reporting standards in the past;
- The challenges around Freedom of Information (FOI) and SAR timescales were specifically around staffing levels;
- It was hoped that new software would assist the way in which Councillors' requests were processed which would reduce the number FOI requests being made by Councillors. It would also significantly reduce requests if certain information could be made available on the council's website;
- More data analysis was required so that requests on the same subject could be mitigated by having more information available on the website;
- The review would include benchmarking with other Local Authorities to see where patterns were and where improvements could be made;
- Exemptions were not seen as an issue;

- This area of improvement work was receiving the backing of the Corporate Leadership Team;
- Cyber security was a major concern but old systems had been closed down to reduce the risk of being hacked;
- GDPR was covered by an e-learning course which staff regularly undertook and this reminded everybody of their responsibilities;
- The ICO could impose fines if the level of responses to FOI and SAR requests did not reach adequate levels, and this was why it had been highlighted as a corporate risk.

The Committee requested that a written report on FOI and SAR would come to them quarterly or sooner if an issue arose.

RESOLVED – That the Committee agreed to note the report.

4/21 **Presentation on Budget Risk**

The Deputy s151 Officer, Matthew Davis, gave a presentation to the Committee and in response to queries raised by the Committee, the following clarified that the money spent to keep people safe during Covid had not all been covered by grants from Central Government, so the budget had taken a reduction as a result. Including savings that had not been delivered that figure was expected to be between £10 million and £20 million.

5/21 **Treasury Management Strategy Statement and Annual Investment Strategy End of Year Review 2020/2021**

The Committee considered a report prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) codes of practice in respect of capital finance and treasury management. The codes recommended that members were advised of the treasury management activities for the whole of each financial year and of compliance with the various strategies and policies agreed by the Council. The Committee received an introduction from the Head of Treasury and Pensions, Nigel Cook.

In response to queries raised by the Committee, the following was clarified:

- The amount of debt was being accrued as the council was investing in schools and other infrastructure which would benefit future generations; but they would also be those who would have to manage the debt;

- The debt was also spread out over time to mitigate fluctuations in interest rates and market conditions so the debt would mature over the next 20, 30 or 40 years;
- A significant interest rate rise was expected but should still be within the expected range and not as high as it was 20 years ago;
- The debt, as it became due was being rolled forward on a short-term basis through the Local Authority Market which offered a lower rate than through the Public Works Loan Board. However, there were risks which needed to be managed and it was hoped to pay down some of the debt by using capital receipts.

RESOLVED - That the Committee agreed to note the report.

6/21 **Financial Performance Report**

The Committee considered a report which set out the financial monitoring position of the Council as at the end of Period 5 (August 2021). The Committee received an introduction from the Deputy s151 Officer, Matthew Davis.

In response to queries raised by the Committee, the following was clarified:

- That the council would continue to incur costs related to Covid and that the grant received from Government was a one-off;
- The particular budget pressure in the Place Directorate related to the unsuccessful bid for the Landlord Licencing Scheme and to increased costs around the transport for children with Special Educational Needs. In addition, some of the parking schemes took longer to implement than expected leading to a reduction in the income;
- Pay & Display parking income had been lower than expected partly due to Covid and a claim had been made to Government for between £600,000 and £1 million for the lost income;
- The focus had been on getting the Revenue Budget sorted and more now needed to be done to ensure that the Capital Budget was also where it should be.

RESOLVED – The Committee agreed to note the contents of the Period 5 Financial Monitoring report as set out in the appendices.

7/21 **Progress Report**

The Committee considered a report which updated Members on the progress of the 2019/2020 Financial Statement and the current findings. The Committee received an introduction from the Key Audit Partner at Grant Thornton, Sarah Ironmonger.

In response to queries raised by the Committee, the following was clarified:

- The Pension Committee would be looking at the issue of the asset transfer again at its meeting in March 2022 as this option was now less attractive;
- The report was complex for Members to understand and it was suggested that before the Audit Findings Report was published that Members received a workshop session where the auditors could explain some of the context around the issues. In addition, it was suggested that the Members appointed to the Committee after the election in May should undertake mandatory training which already happened for the Planning and Licencing committees;
- Some of the risks highlighted in the report were very specific to Croydon Council and were more than would normally be expected which reflected the financial position of the council;
- The £13.2 million adjustment would reduce the amount of reserves and would require time to restore. However, this amount was known about when the work was undertaken to produce the Medium Term Financial Strategy;
- The Croydon Affordable Homes issue outlined in the report still required work;
- The broken culture and lack of leadership had led to the Internal Auditor's notification of bank reconciliations not happening being ignored;
- Grant Thornton hoped that the 2019/2020 Financial Statement would be completed in the next few months;
- The Value for Money Report regarding the Fairfield Halls refurbishment was still being worked on and it was hoped to have it available for the next meeting of GPAC in November 2021.

The Committee suggested that this issue should have a committee meeting where it would be the only item to allow for the time needed and for Cabinet Members to attend.

8/21 **Exclusion of Public and Press**

This was not required.

The meeting ended at 9.14 pm

Signed:

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Date:

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Date of meeting	Agenda item	Officers
13-Oct-22	Head of Internal Audit Annual Report Annual Governance Statement Report in the Public Interest (Fairfield Halls) Action Plan - Progress Update Treasury Management Annual Review 2021/22 Corporate Risk Register Budget Monitoring	Head of Internal Audit Stephen / Jane Monitoring Officer Head of Pensions and Treasury Head of Fraud, Risk and Insurance S151 Officer
24-Nov-22	Internal Audit Quality Review Internal Audit update report Treasury Management Mid-Year Review 2022-23 Anti-Fraud Update Financial Performance Report Review of Governance and Assurance Arrangements for significant partnerships or collaborations Zurich Risk Framework Review Fusion	Head of Internal Audit Head of Internal Audit Head of Pensions and Treasury Head of Fraud, Risk and Insurance Director of Finance Malcolm Davies Head of Governance S151 Officer
19-Jan-23	Review of the MTFS January Cabinet Report Report in the Public Interest Action Plan - Progress Update	S151 Officer Monitoring Officer

	Quarterly report on whistleblowing activity	Monitoring Officer
02-Feb-23	Internal Audit update report	Head of Internal Audit
	Corporate Risk Register	Head of Fraud, Risk and Insurance
02-Mar-23	Audit Charter Strategy and Plan Report in the Public Interest (Fairfield Halls) Action Plan - Progress Update	Head of Internal Audit Monitoring Officer
	Anti-Fraud Update	Head of Fraud, Risk and Insurance
	Audit Committee Draft Annual Report 2023/24 Budget	Chair S151 Officer
20-Apr-23	Internal Audit update report	Head of Internal Audit
	Corporate Risk Register	Head of Fraud, Risk and Insurance
	Annual and Quarterly reports on whistleblowing activity	Monitoring Officer
	External Auditor's Annual Assessment Report in the Public Interest (Governance) Action Plan - Progress Update	External Auditor Monitoring Officer

Audit and Governance Committee Action Log 2022-23

Date of meeting	Action	Agenda ref.	Deadline	Progress
7 July 2022	Committee to receive a report on the findings of culture change exercise and renewal plan	2/22	Autumn	
7 July 2022	Committee to receive workshop on the Terms of Reference and Assurance Mapping	3/22	Early October	
7 July 2022	Officers to produce a report on the RIPI re: Fairfield Halls following the results of the September investigation	4/22	October	Report being brought to committee on 13 October
7 July 2022	Appointment of Independent Member	7/22	-	Work in progress

Completed Actions

Date of meeting	Action	Deadline	Progress	

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REPORT TO:	Audit and Governance Committee
SUBJECT:	Monthly Budget Monitoring Process
LEAD OFFICER:	Jane West – Corporate Director of Resources and S151 Officer
CABINET MEMBER:	Cllr Jason Cummings - Cabinet Member for Finance
WARDS:	ALL
COUNCIL PRIORITIES 2020-2024	
<p>A regular and structure Budget Management process allows for strong financial management through regular monitoring and financing of budgets. The key objective this process allows for is for the Council to be briefed with regards to its budget position and importantly any risks to the delivery of the budget is flagged and dealt with.</p>	
FINANCIAL IMPACT	
<p>All costs to carry out the budget monitoring work are included within existing budgets. Finance team play a key role in supporting and leading on the budget monitoring process, with ownership with regards to budgets rests with the Budget Holders and Directors as stipulated within the Council's constitution</p>	

1. Recommendations

The Audit and Governance Committee is asked to:

- 1.1 Note the Budget Monitoring cycle at Croydon Council along with the relevant stipulations within the Council's constitution and financial regulations.

2. Budget Monitoring Process

- 1.2 Before the Council's issuance of a Section 114 notice, the Council reported quarterly to Cabinet with regards to its performance against budget. This changed to a monthly reporting from 2021/22 on the back of a number of Recommendations from Report in Public Interests and Croydon Finance Review.
- 1.3 Managing the budgets is the responsibility of all Budget Holders and the Council's Financial Regulations are clear that Corporate Directors and Directors are responsible for their budgets. Financial Regulations form part of the Council's Constitution under Part 4H and set the rules for Financial Management across the Council. The Financial Regulations can be found from the Council's website at <https://democracy.croydon.gov.uk/documents/s37589/14%20Part%204H%20-%20Financial%20Regulations%2006.2020%2012.21.pdf>
- 1.4 The monthly monitor takes into account actual costs and income up to the prior month and uses this information along with service knowledge to forecast for the rest of the financial year. The Council has a Finance Business partnering team that

works with the Service Teams to ensure that all transactions for the future are accounted for and included within the forecast.

- 1.5 Upon completion of the budget monitor by the Services, a number of assurance meetings are held. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the officer assurance meetings is to provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings are delivered and income targets are met. Overall, the meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.
- 1.6 In addition, over the last financial year, a monthly independent challenge has been undertaken by the Improvement and Assurance Panel. This is in addition to Cabinet, and Scrutiny and Overview review.
- 1.7 Before the final returns are submitted to the Corporate Finance team, the monitors would need to be signed off and approved by Corporate Directors and their Directors to clear ownership of the budgets.
- 1.8 A number of improvement initiatives are being considered with regards to the Budget Monitor process and to ensure this is more robust and covers all risks with regards to the overspends and non-delivery of savings.
- 1.9 The monthly report also presentation on the progress of the Capital Programme as well as the delivery of the Housing Revenue Account budgets.

3. Period 4 & 5 and MTF5 Savings Target

- 1.10 This report provides the Period 4 Financial Performance Report (FPR) within Appendix 1 which details the latest position that was reported to Cabinet. The Period 5 FPR, is also attached as Appendix 2.
- 1.11 Key points to note is that as at Period 4 the Council was projecting an overspend of £9.5m as reported within Table 1 of the report in Appendix 1 but that this had risen to £10.5m by Period 5. The Council has developed a deficit recovery plan as detailed within both reports which aims to bring the spend down.
- 1.12 A further number of risks and compensating opportunities may materialize which would see the forecast year-end variance change. These are set out in detail in the reports.
- 1.13 The Council has a target of delivering £53.7m of Service related savings of which, by Period 5, £9.5m are projected to not be delivered. Full details are provided in the reports.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1.14 There are no Financial implications from this report as it's an update report to Audit and Governance Committee on the process for Budget Monitoring.

1.15 The cost of carrying out budget monitoring is contained within existing budgets.

(Approved by: Matt Davis – Interim Director of Finance)

5. LEGAL CONSIDERATIONS

1.16 Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.

1.17 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.

1.18 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report is published in accordance with that legal duty.

(Approved by: Stephen Lawrence- Orumwense – Director of Legal Services (MO))

6. HUMAN RESOURCES IMPACT

1.19 There are no immediate HR impacts arising from the content of this report for employees or staff. Should any impacts arise, these will be managed under the Council's HR policies and procedures.

(Approved by: Gillian Bevan, Head of HR Resources and Assistant Chief Executives on behalf of the Chief People Officer)

7. EQUALITIES IMPACT

1.20 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

1.21 There are no equality implications in this report because it is an update report to the Audit and Governance Committee on the process for Budget monitoring. Equality implications on the budget have been presented elsewhere.

(Approved by: Denise McCausland Equality Programme Manager)

8. DATA PROTECTION IMPLICATIONS

1.22 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

1.23 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO

No DPIA Implications

CONTACT OFFICER: *Nish Popat – Interim Head of Corporate Finance.*

APPENDICES TO THIS REPORT

Appendix 1 – Period 4 Financial Performance Report – Month 4 (July 2022)

Appendix 2 - Period 5 Financial Performance Report – Month 5 (August 2022)

REPORT TO:	Cabinet September 2022
SUBJECT:	Financial Performance Report – Month 4 (July 2022)
LEAD OFFICER:	Jane West, Corporate Director of Resources (Section 151)
CABINET MEMBER:	Councillor Jason Cummings - Cabinet Member for Finance
SUMMARY OF REPORT:	
<p>This report provides the Council's annual forecast as at Month 4 (July 2022) for the Council's General Fund (GF), Housing Revenue Account (HRA) and the Capital Programme (CP). The report forms part of the Council's financial management process of publicly reporting financial performance against its budgets on a monthly basis. Reports for Month 2 and Month 3 are attached for information as this is the first Cabinet meeting since the Month 1 position was reported as part of the Opening the Books Cabinet report in July.</p>	
FINANCIAL IMPACT	
<p>The Month 4 position shows an improvement of the Council's forecast outturn for 2022/23 since Month 3 and a Deficit Recovery Plan has been put in place to deliver savings to mitigate the projected overspend. Work is continuing to look at measures to mitigate and avert any further adverse impacts on the forecast. Early mitigating actions are reported in the opportunities contained within this report. The impact of the in-year position is also being considered as part of the early planning for 2023/24.</p> <p>The end of year projection is currently indicating a net overspend of £9.483m against budget. There are a further set of risks and opportunities, which indicate a net opportunity of £3.290m (risks £9.807m and opportunities of £13.097m), but they are not yet sufficiently developed to be included in the outturn forecast.</p> <p>Should all these risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £19.290m. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £3.614m.</p> <p>Paragraph 2.15 includes an initial Deficit Recovery Plan which sets out the actions the Council is taking to mitigate the projected overspend with a view to eliminating it by the end of the financial year.</p> <p>Section 3 details the risks and opportunities that have been identified at this stage.</p> <p>The HRA is indicating a £3.147m overspend variance against budget at the end of the year, an adverse movement by £2.071m mainly due to inflation in energy costs.</p> <p>The Capital Programme has spent £11.360m against a £134.152m budget in the fourth month. The end of year position is forecast to be an underspend of £10.026m.</p>	

The Audit & Governance Committee is Recommended to:

1. Note the Month 4 Finance Performance report presented to Cabinet on 14th September 2022.

The Executive Mayor in Cabinet is recommended to:

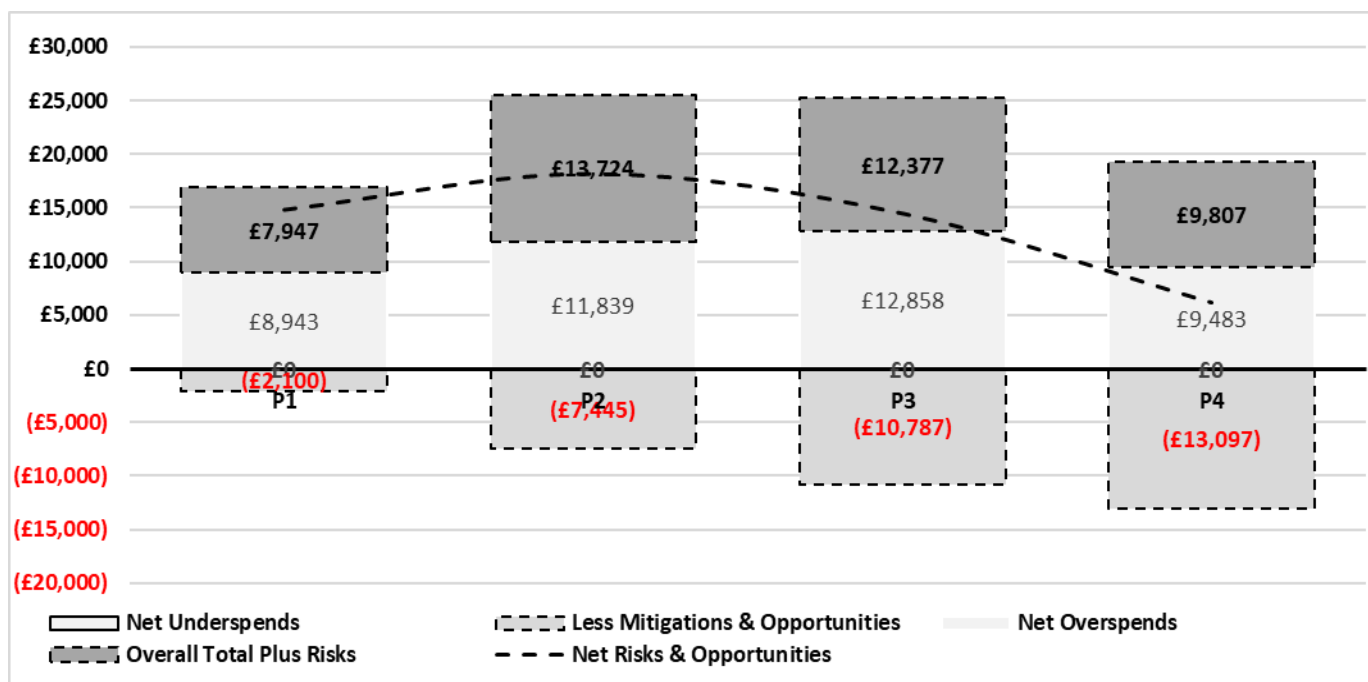
- 1.1 Note the General Fund is projecting a net overspend of £9.483m as at Month 4. Service directorates are indicating a £24.252m overspend with a £14.769m underspend corporately.
- 1.2 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change. These indicate a net opportunity of £3.290m (risks £9.807m and opportunities of £13.097m) and are reported within Section 3 of this report. Should all these risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £19.290m. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £3.614m.
- 1.3 Note the further actions being taken, through development of the Deficit Recovery plan, to mitigate the projected overspend with a view to eliminating it by the end of the financial year. Further details are in paragraph 2.15.
- 1.4 To approve that the MTFs savings within Table 2b are not deliverable.
- 1.5 Note the Housing Revenue Account (HRA) is projecting an end of year position of a £3.147m overspend, mainly due to inflation in energy costs.
- 1.6 Note the Capital Programme spend to date for the General Fund of £7.882m (against a budget of £112.069m) with a projected forecast underspend of £5.207m for the end of the year.
- 1.7 Note the Housing Revenue Account Capital Programme spend to date of £3.478m (against a budget of £22.083m), with a projected forecast underspend of £4.819m for the end of the year.
- 1.8 Note, the above figures are predicated on forecasts from Month 4 to the year end and therefore could be subject to change as forecasts are made based on the best available information at this time.
- 1.9 Note, the Council continues to operate with the Spend Control Panel to ensure that tight financial control and assurance oversight are maintained, and a new financial management culture is being implemented across the organisation through increased scrutiny, such as the Assurance meetings, improved communication and budget manager training from CIPFA.
- 1.10 Note the full Financial Performance Reports for month 3 (June) and month 2 (May) are provided as appendix 3 and 4 respectively to this report.

1.11 Agree the capital schemes listed in paragraph 6.3 are removed from the Capital Programme as following a detailed review, it has been established that they do not meet capital expenditure criteria. These schemes will be assessed as to whether they are still relevant and if so, whether resources are available to deliver them within the General Fund budget for 2022/23.

2. EXECUTIVE SUMMARY

- 2.1. The Financial Performance Report (FPR) is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the GF, HRA and Capital Programme. The FPR ensures there is transparency in our financial position, and enables scrutiny by the Executive Mayor, Cabinet, Scrutiny and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and discipline.
- 2.2. The GF revenue forecast outturn for Month 4 is an overspend of £9.483m. This is a favourable movement of £3.375m from Month 3.
- 2.3. There are a further set of risks and opportunities, which indicate a net opportunity of £3.290m (risks £9.807m and opportunities of £13.097m), but the risks are not yet sufficiently developed to be included in the outturn forecast. Depending on how the risks and opportunities materialise, they may have a further negative impact on the projected outturn forecast. Should all the risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £19.290m. Key drivers of the projected overspend are non-delivery of savings agreed at Full Council in March 2022 and other new pressures previously not anticipated. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £3.614m. These are outlined in detail in Section 3 of this report.
- 2.4. The chart below illustrates the trend in the monthly monitoring reports for this financial year and shows both the forecast as well as the quantum of risks and opportunities, together with the impact should all risks and opportunities fully materialise (dashed line).

Chart 1 – Monthly financial movements on Monthly Forecast, Risk & Opportunity



- 2.5. Further work continues to bring the pressures down and find new mitigations so that the Council ensures that it stays within budget. Early mitigating actions for the projected overspend are reported within the opportunities contained in this report. The impact of the in-year position is also being considered as part of the planning for 2023/24.
- 2.6. The Housing Revenue Account is forecasting an overspend of £3.147m (an increase of £2.071m on the Month 3 forecast). This unfavourable projected variance will either be met by new in-year cost reductions or be met from HRA reserves. The detail of these will be included in the Month 5 report.
- 2.7. The Capital Programme for both the GF and HRA is reporting a total expenditure to date of £11.360m of which £7.882m is within GF and £3.477m for the HRA. The overall capital spend is projected to be £124.126m against a budget of £134.152m. This will result in a £10.026m underspend to budget. A review is currently underway of the Capital Programme with a view to reducing spend in 2022/23.
- 2.8. The 2022/23 outturn forecast includes the use of a £25.00m agreed capitalisation direction, to balance the Council’s revenue budget. The capitalisation direction was approved (minded to) by the Department of Levelling Up, Housing and Communities (DLUHC) in March 2022 subject to regular positive reports from the Improvement and Assurance Panel and the Budget was approved at Full Council on 7th March 2022.
- 2.9. This report forms part of the reporting framework on the delivery of the Croydon Renewal Plan by ensuring the delivery of the Council’s budget is reported monthly and transparently. The format of this report will continue to evolve over this financial year.
- 2.10. The format of this report will expand as it will be important for the Council to be able to identify the additional pressures that the global economic crisis is causing in inflation and the impact on supplies and services the Council provides.

- 2.11. The Council continues to build on the improvements in financial management that were made over the past year however there is a considerable amount yet to do, which is fully recognised within the organisation. The Council's financial recovery is outlined within the three-year MTFS. The second year of that strategy has always been recognised as the toughest of the three to deliver as the Council steps down from its reliance on capitalisation directions that allow it to meet revenue costs from capital funding.
- 2.12. The Opening the Books Project is underway to further assure the Council's financial position, the full results of which will be available by January 2023. The project is examining the last three years of the Council's accounts as errors have been identified in areas such as capital charges. It is also examining the accuracy of budgets and the methodology and process for setting them. As an example, overspends totalling £19m have arisen from mistakes in setting three specific budgets:
- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better reflected in the assumptions for projected activity in 2022/23
 - New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
 - A deficit in the Housing Benefit budget for 2021/22 should have been recognised earlier. It was only picked up at the very end of the year and therefore has not been built into the 2022/23 budget.
- 2.13. In addition, and as this report identifies, the Council continues to face significant financial pressures. The delivery of Year 1 of the MTFS / financial recovery plan (2021/22) was aided by covid depressed demand for Council services that enabled the monthly expenditure to be reported as an underspend in many areas. Demand has begun to pick up for some Council services which is removing that underspend. There are also early signs of demand increasing for some services due to the cost-of-living pressures being driven by the current national economic outlook. In addition, some resident behaviour which has generated revenue for the Council in the past has failed to be reinstated post-covid. The inflationary pressures already showing in this forecast outturn are significant and further detailed at 2.16.
- 2.14. The outturn forecast identifies an overspend that the Council will need to mitigate. The Deficit Recovery Plan sets out a range of initiatives to eliminate this overspend. However, this report flags a number of other risks that could be realised and be declared in the outturn forecast during the year which would further worsen the position.
- 2.15. Over the last financial year, a monthly budget assurance process and independent challenge of expenditure by the Improvement and Assurance Panel took place. This is in addition to Cabinet, and Scrutiny and Overview review. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the officer assurance meetings is to provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings

are delivered and income targets are met. Overall, the meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

Deficit Recovery Plan

2.16. Each Directorate has been asked to identify mitigations and in year cost reductions to ensure that the Council brings its expenditure within budget to avoid any call on reserves. The following table sets out the mitigations proposed to date. Where the proposals are confirmed, their impact is already included in the projected outturn for the year. Where there is further work to be done to confirm them, they are included in this report as opportunities.

	£m	Allocation with P4
Delivery Plans in Forecast		
Duplication of interest costs budget in Resources	2.400	Included within Resources forecast.
Increased Court Costs Income	0.700	Included within Resources forecast.
Council Tax Support Scheme	1.100	Included within Resources forecast.
Homelessness process changes	0.500	This has been factored within the Housing forecast as it contributes to the reduction in Housing.
Reduction in loan non-repayment provision	1.400	The Council plans to release a £1.4m provision previously set aside to support potential risks to commercial loans. The loan is now likely to be repaid in full.
Forecast Total	6.100	
Delivery Plans as Opportunities		
Public Health	1.000	Cross department reallocations of budgets, detailed in opportunities.
Housing Benefits (unquantified)	0.815	Included within Resources opportunities
Staff changes	0.100	Included within Resources opportunities
Children's Services Legal Costs	0.570	Included within Children's opportunities
Leaving Care Grant	0.800	Included within Children's opportunities
Children Operational savings	0.500	Included within Children's opportunities
Review of election accounts	0.300	Included within ACE's opportunities
CIL substitution for General Fund expenditure	0.500	Included within SCRER's Opportunities
Delays in the capital programme	0.605	Reduced amount of £605k included within Corporate as opportunities
Opportunities Total	5.190	
Total	11.290	

2.17. In addition, the Council may be in the position that it does not need to use the budgeted addition to its reserves of £6.9m at the end of 2022/23. The financial year 2021/22 is still subject to further work, but the early indications are that reserves will be sufficient and that a further contribution may not be required. Should it not be necessary to transfer the full £6.9m into reserves, the Council's net expenditure would decrease by £6.9m. This further opportunity increases the total opportunities to £13.097m. If none of the risks materialise and all the opportunities are delivered, the Council will underspend by £3.614m.

- 2.18. Further work will be undertaken to add to this Deficit Recovery Plan. Without this Deficit Recovery Plan the Council's pressures would have been considerably higher.
- 2.19. The macroeconomic climate is causing further pressure on the Council particularly from a very tight labour market and significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale costs. The Council has budgeted a 5% inflationary uplift on all its contracts costs which is a prudent level compared to historic standards. However current inflation rates, which are higher than 10% and therefore significantly higher than budgeted, pose an added challenge that the Council does not have full control over. The Council cannot absorb all inflationary costs itself and will need to find ways to ensure the burden of these costs is fairly shared with our suppliers and customers.
- 2.20. The Council's overall financial position is still subject to a number of unresolved issues. The Opening the Books project is currently underway reviewing many aspects of the Council's accounts, the results of which will be reported by January 2023. The Council is continuing to work closely with the external auditors on finalising the 2019/2020 and 2020/2021 audit of accounts and is in the process of completing the accounts for 2021/22. The 2019/20 accounts require a resolution in relation to the accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures which, as previously reported, may have a c£70m impact on the Council's available reserves. Work is ongoing in this area in collaboration with Grant Thornton, the Council's External Auditors. All these areas of work may have implications for this year's budget.

3. FINANCIAL POSITION

- 3.1. The overspend of £9.483m is driven by two underlying factors, which are £6.887m non-delivery of savings and £2.596m other pressures which are expanded in section 4 of this report. The 2022/23 General Fund Budget included a number of proposed savings which have ultimately proved to be undeliverable or which are still at risk four months into the financial year. Work is underway to improve budget setting processes and the Opening the Books project is examining this area in order to identify further improvements that can be made.
- 3.2. Directorate teams and Finance colleagues meet monthly to review the forecast position for each area, including risks of overspending and identify further options to mitigate these. A table of risks and opportunities are provided within this section where applicable.
- 3.3. The forecast outturn position of the General Fund is shown below in Table 1.

Table 1 – Month 4 Forecast per Directorate

	Forecast Variance as at Current Month 4	Forecast Variance as at Prior Month 3	Change From Month 4 To 3	Savings Non-Delivery as at Month 4	Other Pressures as at Month 4
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)

Children, Young People and Education	(133)	(125)	(8)	300	(433)
Adult Social Care and Health	(217)	58	(275)	380	(597)
Housing	847	1,386	(539)	50	797
Sustainable Communities Regen & Economic Recovery	15,140	16,491	(1,351)	5,743	9,397
Resources	9,135	8,803	332	302	8,833
Assistant Chief Executive	(520)	(387)	(133)	112	(632)
Departmental Total	24,252	26,227	(1,975)	6,887	17,365
Corporate Items & Funding	(14,769)	(13,369)	(1,400)	-	(14,769)
Total General Fund	9,483	12,858	(3,375)	6,887	2,596

3.4. Net overspends and underspends within the service budgets are presented as a forecast variance (as per Table 1) and are additionally classified as either non-delivery of agreed in year savings or other pressures which were not foreseen or quantifiable at the time of setting the budget.

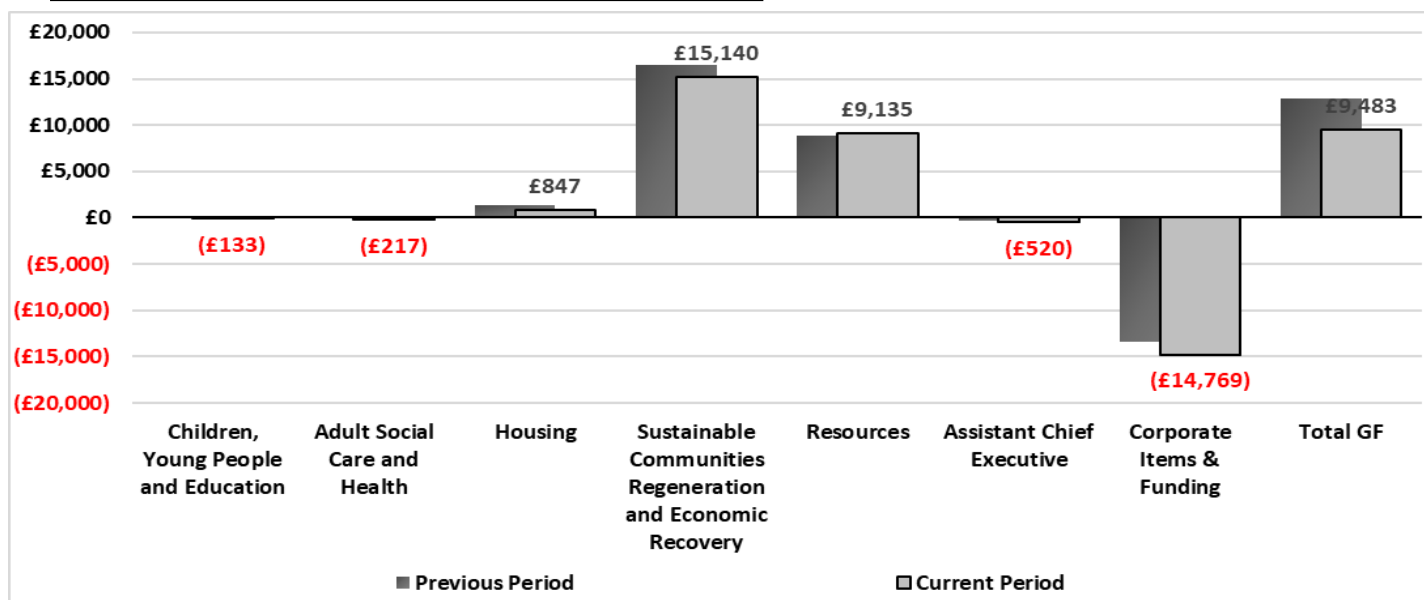
3.5. The main areas of movement from Month 3 are as follows:

- Adult Social Care and Health Directorate's £0.275m **favourable** movement is due in the main to a staffing underspend particularly within provider services and the assessments team.
- Sustainable Communities, Regeneration and Economic Recovery Directorate's **favourable** movement of £1.351m is due to the release of corporately held budgets to cover off some inflationary pressures.
- Resources Directorate has moved £0.332m **adversely** from Month 3, which is largely as a result of one-off costs in relation to key consultancy advice sought to support the wider review of companies, increase in agency spend and continued pressures on Housing Benefit shortfall.
- Housing Directorate is indicating a £0.539m **favourable** movement due to further work to identify appropriate properties for Temporary Accommodation and also due to less demand than previously projected.
- Children, Young People and Education Directorate is reporting a £0.008m **favourable** movement from Month 3 relates to staffing underspends.
- Corporate Budget is projecting a further favourable movement of £1.400m from Month 3 due to release of a one-off provision.

Further details for each Directorate can be found in section 4 of this report.

3.6. The chart below shows the forecast by Directorate for both the current and previous month:

Chart 2: Forecast per Directorate as at Month 4



Risks and Risk mitigations

3.7. The outturn forecast has been reported excluding further potential risks and risk mitigations. Risks are split in to MTFs savings risks and other risks. Savings risks relate to savings proposals that were approved at Full Council in March 2022 to deliver a balanced budget. Other risks are risks that have risen from other operational challenges but not related to the delivery of savings. Risk mitigations are proposals that the services have identified that would mitigate their risks and help bring spend back within budget.

3.8. Savings are at various stages in their delivery, and it is important that the Council transparently reports the progress on these. Savings which are not deliverable are included within the forecast as overspends, however other MTFs savings which are at risk of non-delivery are reported in Table 2c, with Table 2b identifying balanced not delivered. Table 2a below provides a summary of progress per directorate on delivery of their savings targets.

Table 2a – Progress on MTFs Savings

Division	Target Value £'000s	Savings Not Delivered (In Forecast) £'000s	On Track Value £'000s	Delivered Value £'000s	Current Month At Risk Value £'000s
Children, Young People and Education	(9,564)	300	6,882	1,077	1,305
Adult Social Care and Health	(16,500)	380	8,315	6,453	1,352

Housing	(2,841)	50	1,862	0	929
Sustainable Communities Regen & Economic Recovery	(12,396)	5,743	2,969	967	2,718
Resources	(3,029)	172	2,727	0	0
Assistant Chief Executive	(9,543)	112	8,281	250	900
TOTAL FOR MTFS	(53,873)	6,757	31,036	8,747	7,204

Table 2b – MTFS savings not delivered

Directorate & Saving Description	Target Value £000	Savings not Delivered £000
Adult Social Care and Health	-16,500	380
Refocusing Public Health funding - New Youth & Wellbeing Offer	-380	380
Assistant Chief Executive	-9,543	112
Fees And Charges	-19	19
Increase in fees and charges	-93	93
Children, Young People and Education	-9,564	300
Refocusing Public Health funding - New Youth & Wellbeing Offer	-300	300
Housing	-2,853	50
C13767 - Reduction in Welfare Rights by 5 FTE (PLAN A)	-88	50
Resources	-3,139	172
Fees And Charges	-44	28
Increase in fees and charges	-218	144
Sustainable Communities Regen & Economic Recovery	-12,396	5,743
ANPR camera enforcement	-3,180	2,040
Bus Re-Tender Contract Savings	-120	40
Increase in Pre-Planning Applications	-66	66
Independent travel optimisation	-20	20
Introduction of a variable lighting policy	-417	417
Parking charges increase	-650	285
Private Sector Environmental Enforcement	-250	125
Review and reduction of the Neighbourhood Operations (NSO team)	-950	450
Revised Landlord Licensing scheme	-2,300	2,300
Grand Total	-53,873	6,757

3.9. Other risks and risk mitigations are split into quantified and unquantified items.

3.10. As with the outturn forecast set out in Table 1, risks are separately reported for those elements that relate to potential non or under-delivery of approved savings, as agreed

by Full Council in March 2022, and those that are new and not directly related to agreed savings plans.

- 3.11. The Council is encouraged to be transparent in flagging its risks that could potentially result in a change to the outturn forecast. This allows the Council to act and support these challenges before they become realised.
- 3.12. Table 2c below provides for details of MTFS savings that are at risk of non-delivery with a brief commentary of the projects that are not or are unlikely to deliver the expected savings and Table 2d provides a list of quantified and unquantified other risks, which are in addition to the savings risks.
- 3.13. The report identifies savings at risk and mitigations for both the current and future years. Where risks are quantified currently, these are based on high level information and directorate experience of the service.

Table 2c – Month 4 MTFS Savings Risk

MTFS Savings Ref	MTFS Savings Description	Savings at risk as at Month 4	Savings at risk as at Month 3	Change From Prior Month 4 To Month 3
		(£,000's)	(£,000's)	(£,000's)
21/22 CYPE 05	Review Support for Young People where Appeal Rights Exhausted	225	225	0
21/22 CYPE 06	Improve Practice System Efficiency	290	290	0
22/23 CYPE 07a and 7b	NHS Funding	790	790	0
Children, Young People and Education Total		1,305	1,305	0
21/22 ASCH 01	Baseline Savings - Disabilities Operational Budget	833	833	0
21/22 ASCH 05	Baseline Savings - Mental Health Operational Budget	83	83	0
21/22 ASCH 08	Baseline Savings - Older People Operational Budget	194	194	0
21/22 ASCH 04	Review of Contracts - OBC Commissioning, Working Age Adults Commissioning and Public Health commissioning	132	0	132
21/22 RES 06	HWA contract savings	110	0	110
Adult Social Care and Health Total		1,352	1,110	242
22/23 HOUS 11	Procurement of EA Contracts	100	125	(25)

22/23 HOUS 12	Staffing Review	0	113	(113)
22/23 HOUS 13	Income Maximisation - Rent Collection	101	168	(67)
22/23 HOUS 17	Housing Benefit Maximisation	0	60	(60)
22/23 HOUS 04	Repurpose under-utilised sheltered housing stock	158	158	0
22/23 HOUS 07	Ending EA/TA where the council has no duty	97	97	0
22/23 HOUS 09	Incentivising temporary accommodation leasing schemes	104	104	0
22/23 HOUS 01	Impact of maximising homelessness prevention	214	289	(75)
22/23 HOUS 02	Impact of increasing speed of homelessness decisions	40	40	0
22/23 HOUS 14	Resident Engagement & Tenancy Services £100,000 saving in 22/23	60	60	0
22/23 HOUS 03	Increase use of LA Stock for EA/TA	56	0	56
Housing Total		929	1,213	(284)
21/22 SCRER 09	Reduce Spatial Planning (Local Plan Team and Place Making Team)	0	484	(484)
Various	Fees And Charges	350	350	0
21/22 SCRER 16	Revised Landlord Licensing scheme	0	150	(150)
22/23 SCRER 06	Review and reduction of the Neighbourhood Operations (NSO team)	260	260	0
22/23 SCRER 12	Contract Savings - Pay and Display Machines	300	0	300
22/23 SCRER 16	Private Sector Environmental Enforcement	63	63	0
22/23 SCRER 19	New gym in Monks Hill Leisure Centre	90	90	0
22/23 SCRER 20	Leisure contract saving	50	0	50
22/23 SCRER 28	Merger of Management Functions in Place	100	100	0
22/23 SCRER 17	Parking charges increase	365	0	365
21/22 SCRER 11	ANPR camera enforcement	1,140	0	1,140
Sustainable Communities Regen & Economic Recovery Total		2,718	1,497	1,221
22/23 COR SAV 09	Rationalisation of software applications and contracts	300	300	0
22/23 ACE 18	Contract Savings - Managed Service Provider for Temporary Agency Resources £600K saving in 22/23	600	600	0
Assistant Chief Executive Total		900	900	0
Total Savings at Risk		7,204	6,024	1,180

Table 2d – Other quantifiable and unquantifiable risks

Quantified Risks	P4 £'000	P3 £'000	Details of Risk
Children, Young People and Education	2,284	3,334	Capitalisation income (£0.784m) This is a historic income budget that was added to Children's Social Care. This amount was funded from capital receipts until 2020/21
			CLA Cost of Living (£1.5m) There is an expectation that children in care providers will increase placement costs as cost of living rises
Adult Social Care and Health	-	-	None
Housing	-	-	None
Sustainable Communities Regen & Economic Recovery	319	2,592	NSO (£0.319m) The service is dependent on the closure of the NSO team and any delays in implementation of the proposal will have an impact on delivery of the saving.
			PCN Income Parking Income at risk as we have had difficulties in attracting applicants to the vacant CEO roles.
Resources	-	-	None
Assistant Chief Executive	-	427	None
Total Quantified Risks	2,603	6,353	

Un-Quantified Risks	P4 £'000	P3 £'000	Details of Risk
Children, Families and Education			None
Adults, Health and Social Care			Potential post Covid-19 pandemic latent demand working through the population resulting in additional care packages placements.
			Inflation , rising fuel and food costs significant expenditure for care providers - may result in claims for increased fees or face financial instability
			High vacancy rate is caused by significant challenges in recruitment across the Directorate. This means staff are focussed on statutory delivery, rather than transformation. This is a national issue.
			There is Hospital discharge pressure as the current system risk is running at winter levels due to Covid and backlog despite being summer. Work is being done on a deep dive, as

			the numbers of placements and equipment cost are rising.
Housing			New Housing Structure (temporary) 'We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers, approx. £100k. We have bid for Transformation Funding to resources these additional positions.
Sustainable Communities Regen & Economic Recovery			Although Unknown at this stage there is a potential risk to NSWRA Income due to delays and disputes with Utility Companies in relation to coring activities. Further work is being undertaken to quantify these risks and where possible mitigate the affect.
			SEN Passenger Transport Pressures At present there is a £1m risk in identified within quantifiable risks due to demand on the service in terms of the number of users. Additionally, there is now inflation that is affecting the service with information on what new routes will be being collated. Until the number of required routes is established there is a significant risk of additional costs as fuel rates are high.
Resources			Legal Trading Model The legal trading services model is under review. Until this review is completed officers are flagging this area as a risk. Last year Legal Services were overspent by £0.306m.
Assistant Chief Executive			Green Lawn Memorial Park Risk based upon the lack of available graves until the cemetery extension opens
			Crematorium Increased competition from neighbouring facilities, perceived increase in direct cremations, viewed as the cheaper option for families as inflation starts to take effect
Corporate Items & Funding			None
Total Un-Quantified Risks			

3.14. Table 3 provides a list of quantified and unquantified risk mitigations or opportunities. These are potential risk mitigations that will require further assurance to be included within the forecast. Service managers have identified these as potential mitigations to the risks identified Tables 2 and 2b.

Table 3 - Quantifiable and unquantifiable opportunities

Quantified Opportunities	P4 £'000	P3 £'000	Details of Opportunities
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Children, Young People and Education	(2,170)	(1,870)	Staying Put Grant (£0.800m) Increasing the income budget in 2022/23 in line with the actual grant
			Children Service legal costs (£0.570m) Review on operations to mitigate legal costs arising from challenges from service users. The aim is to improve the operations and process to ensure all aspects of support is carefully provided
			Operational Efficiency Savings in Children Social Care (£0.500m) Sustained impact of hybrid working has reduced use of workplace supplies and services across CYPE.
			Public Health (£0.300m) Ongoing Internal Review of Public Health Funding towards related expenses
Adult Social Care and Health	(380)	(380)	Public Health (£0.380m) Ongoing Internal Review of Public Health Funding towards related expenses
Housing	(790)	(790)	Homelessness Prevention Grant reserve (£0.790m) There is a Homelessness prevention reserve available of £790k that can be drawn down on to implement the prevention work. This will be used only when all other in year mitigation options are identified.
Sustainable Communities Regen & Economic Recovery	(730)	(2,697)	CIL Review (£0.500m) Further CIL monies being reviewed to support revenue expenditure where the conditions met.
			Streetlighting review (£0.230m) Current pilot is being evaluated.
Resources	(915)	-	Measures to reduce HB subsidy loss (£0.815m) Measures to reduce Housing Benefit subsidy loss
			Staffing Review (£0.100m) Staff reviews that may lead to further savings in salary costs
Assistant Chief Executive	(620)	(445)	Public Health (£0.320m) Ongoing Internal Review of Public Health Funding towards related expenses Public Health
			Drawdown of Election Reserve Funding (£0.300m) The Council review of the Election Fund Account has identified additional funding available in a reserve.
Corporate Items & Funding	(7,492)	(4,605)	Reduced borrowing need than budgeted (£0.605m) Potential saving as a result of a review of borrowing costs to fund the capital programme.
			Release of Corporate Reserve Top Up (£6.887m) The Council will release corporate reserve top up budget to support in year pressures.
Total Quantified Opportunities	(13,097)	(10,787)	
Un-Quantified Opportunities	P4 £'000	P3 £'000	Details of Opportunities

Children, Young People and Education	-	-	None
Adult Social Care and Health	-	-	None
Housing	-	-	New Housing Structure (temporary) We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers, approx. £100k. We have bid for Transformation Funding to resources these additional positions.
Sustainable Communities Regen & Economic Recovery	-	-	None
Resources	-	-	Recovery of utilities debt from schools still owed from when bills were paid by the council and recharged to schools rather than been billed direct
Assistant Chief Executive	-	-	None
Corporate Items & Funding	-	-	None
Total Un-Quantified Opportunities			

4. DIRECTORATE VARIANCE DETAIL

4.1. Children, Young People and Education (CYPE)

At Month 4 a £0.133m underspend has been forecast alongside £1.305m of MTFS savings at risk of non-delivery together with £2.284m of other risks against £1.67m of opportunities. This is a **favourable** movement from Period 3 of £0.008m.

The £0.133m underspend is net position of £0.300m of non-delivery of the MTFS saving related to Public Health funding offset with a net benefit of £0.433m through underspends in Children's Social Care of £0.278m and £0.155m in non-DSG Education services.

The Directorate has also identified £2.284m of other risks in Table 2(b) which if realised could have a material impact on the CYPE forecast. These relate to cost pressures such as inflationary pressures above and beyond Council budgets and loss of income or contribution from the Council's partners.

However, the Directorate has identified potential opportunities of £2.170m from re-purposing grants and reducing legal costs substantially due to a reduction in age related assessment challenges.

4.2. Adult Social Care and Health (ASCH)

At Month 4, an underspend of £0.217m is forecast with £1.352m MTFs savings at risk of non-delivery and £0.380m opportunities have been identified.

The underspend is due in the main to the level of vacant posts across provider services.

The forecast has improved and there are still risks that some savings may not be achieved. This is, in part, due to the level of social work vacancies within Social Care Operations. The total risk indicated is £1.252m.

Unquantified Risks present continued concerns as to impact upon the Directorate budget over the remainder of the financial year:

- 1) Potential post COVID-19 latent demand working through the population resulting in additional care package placements and community equipment.
- 2) Inflation, rising fuel costs will result in significant expenditure for ASC Providers – may result in claims for increased fees and/or financial instability with potential for 'handing back' contracts.
- 3) Hospital discharge pressure as current system risk is running at winter activity levels due to COVID-19.

Continued detailed analysis of demand and cost will take place each month to the end of the financial year to enable, where possible, an estimate of the value of these current Unquantified Risks as listed.

There are also opportunities of £0.380m identified in relation of public health.

Deep dive analysis of the budgets in Transitions, Disability Services, Older Peoples Services and Mental Health is underway to support additional quality assurance and grip on the finances of these large and volatile budgets.

4.3. **Housing**

At Month 4, Housing is forecasting a £0.847m overspend in relation to temporary accommodation activity with key risks related to non-delivery of £0.929m of savings. However, the Directorate is looking to draw down £0.790m of housing reserves to support in year pressures and have identified this as an opportunity subject to further review. This will only be released once all other in-year mitigations have been exhausted.

The service is seeing an increase in demand for temporary accommodation and is also facing rising rental costs as the Council struggles to find viable accommodation.

4.4. **Sustainable Communities, Regeneration & Economic Recovery (SCRER)**

In Month 4, SCRER is forecasting a net overspend of £15.140m.

The main area of overspend relates to £10.5m shortfall in parking income, £0.950m relating to streetlighting energy costs and £0.5m SEN transport costs. This position has moved favourably from Month 3 by £1.351m.

There are also £0.319m other risks identified and £2.718m of MTFs savings at risk. However, the service has indicated £0.480m of opportunities which will need to be worked through to confirm their deliverability.

The service areas that are experiencing these overspends are within the Sustainable Communities division and particularly in the parking teams. Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes, ANPR, pay and display and on-street parking. The division is also expecting delays in obtaining a license from government to run the Selective Licensing scheme which is further adding pressure of £1.580m.

The Council applied to renew its Landlord Licensing scheme in 2021/22 to the Department of Levelling Up, Housing and Communities (DLUHC). The Council budgeted for £1.5m of income that would be achievable from the scheme in this financial year. However, the scheme was rejected by the Secretary of State for DLUHC due to the lack of a Housing Strategy, one of the requirements for the scheme. The development of the Housing Strategy is being progressed but has not yet been completed due to the many other pressures in the Housing Service and the focus on the delivery of the Housing Improvement Plan. It also requires a review of the Council's policy for Landlord Licensing. It is expected that this will not be completed within the next 12 months and therefore for prudence the service is forecasting the non-delivery of the £1.5m income target.

Further pressures are experienced within Planning and Sustainable Regeneration Services particularly in relation to Building Control income and income from Planning.

4.5. **Resources**

There are no additional savings at risk and no further risks, however opportunities of £0.950m have been identified in relation to reducing the loss in relation to housing benefit which are being reviewed at this point and staff savings.

At this point in the year there are two significant areas of overspend.

1. Council wide utilities £4m. This is a national issue caused by wholesale increases in energy markets. Croydon's contract which was renewed in April 2022 is now subject to wholesale variations resulting in increased costs in 22/23.
2. Housing benefit recovery £7.685m (net position).

These are offset by interest payable on commercial properties gross of £2.445m (Net £1.636m).

Of the three key risks that were identified two have been mitigated down by predicted savings elsewhere.

Finance will be working closely with the services over the coming months to monitor and assist with mitigating these risks and pressures.

Work is ongoing around with the Legal Department to resolve the issues with the recharge budgets across the Council.

4.6. Assistant Chief Executive

At Month 4, £0.520m underspend is being projected, which is a favourable movement of £0.133m from month 3. Continued review on the income projections related to registrars and bereavement services has indicated an improvement to Month 3. This has led to risks reported at month 3 being removed at month 4 (£427k). Opportunities of £0.620m have also been identified.

Forecasting models are being reviewed and continue to improve. Risks around savings targets for Croydon Digital & Resident software rationalisation have been managed down by the service. Delivery of fees and charges savings of £205k will not be met but will be offset by savings in other areas. Movement from the previous month relates primarily to increased predicted underspends on staffing in Croydon Digital & Resident and Policy, Programmes & Performance.

4.7. Corporate

At Month 4, the corporate position is projecting an underspend of **£14.769m**. The corporate budget holds funding and financing streams such as Council Tax, Business Rates income share and General Revenue Support grant income. The corporate budget also allocates Council wide risk contingency, inflation growth budgets and budgets to fund corporate debt and interest charges.

There has been no movement from Month 3 in the corporate projection. The release of contingency budgets and risk provisions were made to support some unexpected pressures arising from demand and inflationary pressures. A £1.400m of a provision release relates to risks to a key commercial loan which is now expected to be fully paid back in full. The total risk and provision assessments has released £10.769m.

Corporate Finance have also identified a further one-off £4.0m of reserve drawdown in 2021/22 to support the in year inflationary pressures that the Council is facing as a result of macroeconomic factors which are largely not in the Council's control.

4.8. Table 4 below summaries the overall position:

Table 4 – Summary – Month 4 with Month 3 Comparator

	Month 4	Month 3	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	9,483	12,858	(3,375)
Table 2a - MTFs Savings Risk	7,204	6,024	1,180

Table2c - Other Quantifiable Risks	2,603	6,353	(3,750)
Table 3 - Quantifiable Opportunities	(13,097)	(10,787)	(2,310)
Total	6.193	14,448	(8,255)

5 Housing Revenue Account (HRA)

5.1 The HRA is currently forecasting a £3.147m variance against budget.

Table 5 – Housing Revenue Month 4 forecast

SERVICES	Projected Variance for Month	Variance For Previous Month	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs and Safety	893	616	277	£161k forecast for Disrepair compensation internal legal Fees. £700k overspend due to Axis expected contract inflation due to a change in inflationary basis which was reported as quantified risk and is now upgraded to pressure. £586k underspend due to vacant posts.
Asset Planning and Capital Delivery	(15)	0	(15)	Minor
Allocations Lettings and Income Collection	337	364	(27)	Minor
Tenancy and Resident Engagement	2,382	546	1,836	Pressure due to energy inflation costs expected to be £1.8m higher than budget.
Homelessness and Assessments	50	50	0	

Directorate & Centralised costs	(500)	(500)	0	
	3,147	1,076	2,071	

5.2 The variance at Month 4 has increased considerably and the service will need to ensure it delivers the HRA within its allocated budget. Nonetheless, the HRA has sufficient ring-fenced reserves to meet the £3.147m overspend currently projected if in year mitigations can't be found.

6 Capital Programme as Month 4

5.1 The GF and HRA capital programme have currently spent a gross £11.360m to the end of Month 4 against approved budgets of £134.152m. Forecast spend is £124.126m resulting in a forecast variance of £10.026m.

5.2 Table 6 below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2. Table 7 gives details of how the capital programme is financed. Table 6 below also has been revised for the items removed as per para 6.3 below.

Table 6 – Capital Programme as Month 4

Department	Approved Budget 2022-23	Actual to Date as at 31/07/22	2022/23 Forecasts as at Period 4	Variance To date 2022/23
	£'000	£'000	£'000	£'000
ADULT SOCIAL CARE AND HEALTH	1,707	-	1,707	-
HOUSING	3,493	381	3,493	-
ASSISTANT CHIEF EXECUTIVE	13,455	883	14,230	775
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	635	7,314	(8,650)
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	36,971	4,467	37,267	296
RESOURCES	11,430	1,516	13,802	2,372
CORPORATE ITEMS & FUNDING	29,049	-	29,049	-
General Fund Total	112,069	7,882	106,862	(5,207)
HOUSING REVEUNE ACCOUNT	22,083	3,478	17,264	(4,819)
LBC CAPITAL PROGRAMME TOTAL	134,152	11,360	124,126	(10,026)

Table 7 – Capital Programme Financing as at Month 4

	Approved Budget 2022/23 £'000	Forecast as at P4 2022/23 £'000	Variance 2022/23 £'000
General Fund Capital Financing			
CIL	7,427	7,427	-
s106	2,461	2,441	(20)
Grants & Other Contributions	33,447	19,939	(13,508)

Capital Receipts	4,049	4,049	0
Reserves	70	70	0
Borrowing	64,615	72,936	8,321
Total Financing – GF	112,069	106,862	(5,207)
Housing Revenue Account Capital Financing			
MRR	12,336	7,517	(4,819)
Reserves	9,747	9,747	0
Total Financing - HRA	22,083	17,264	(4,819)
TOTAL PROGRAMME	134,152	124,126	(10,026)

5.3 Work has been undertaken to review capital projects. The aim was to determine the nature of the spend and the challenges faced by the project leads when carrying out forecasting. Through this process it has transpired that there were a few capital projects that didn't meet the definition and criteria for capital spend and therefore they need to be removed from the capital programme. These schemes are:

1. Croydon Healthy Homes - £0.404m
2. Library Books purchase programme - £0.300m (part of Libraries Investment – General project)
3. CALAT Transformation - £0.390m
4. Members Enquiries reviews - £0.043m
5. Core Contract Procurement reviews- £0.530m

5.4 These schemes will be charged to revenue where funding exists and where there is no funding the scheme will need to stop until a funding source is identified. The purchase of Library books will continue as there is Revenue CIL funding available.

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Finance comments have been provided throughout this report.

5.2 The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained, and a new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.

5.3 In-year savings are being sought across the Council to mitigate the projected overspend. Early actions are reported in the opportunities contained within this report. The impact of the in-year position is also being considered as part of the early planning for 2023/24.

5.4 The Council currently has a General Fund Reserve of £27.50m which serves as a further cushion should not all the overspend be eliminated by the end of 2022/23. However, any use of these reserves would have to be reinstated in later financial years as it's a one off support and not a permanent solution.

(Approved: Jane West – Corporate Director of Resources & S151 Officer)

8 LEGAL CONSIDERATIONS

- 5.5 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 5.6 Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 5.7 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 5.8 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report also complies with that legal duty.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer)

9 HUMAN RESOURCES IMPACT

- 5.1 There are no immediate workforce implications as a result of the recommendations in this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation on budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and where necessary consultation with recognised trade unions.

Approved by: (Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer)

10 EQUALITIES IMPACT

- 5.1 There are no specific equalities issues set out in this report.
- 5.2 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 5.3 In setting the Council's budget for 2022/2023, all savings proposals must complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts. If any impacts arise, officers will offer mitigation to minimise any unintended impact.
- 5.4 The core priority of the Equality Strategy 2020-2024 is to tackle ingrained inequality and poverty and tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. The budget should take due regard to this objective in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, disabled people and their families along with adults utilising social care provision is key to this regard. Though families and single parents are not classed as a protected characteristic under Equality Act 2010, the Council is committed to tackling inequality and tackling socio economic inequality so may also consider the impact on families.
- 5.5 The cost-of-living increase has impacted heavily on the most economically vulnerable in society. Energy increases have led to some vulnerable groups having to make a choice between heating and eating. Despite proposed increases in fees and charges being below the rate of inflation they may still have a detrimental impact on residents from our most vulnerable groups. This could potentially have an adverse impact on poverty and inequality and a socio-economic impact on residents. Deprivation in borough is largely focused in the north and the east where most ethnic residents from the African, African Caribbean and Asian communities reside. Officers will seek mitigation if any equality analysis on a proposed change demonstrates a potential adverse impact. Such mitigation may include signposting to agencies which offer support with debt management.
- 5.6 The full impacts of Covid 19 and long Covid on the Adult Social Care Service may not be apparent at this time and could possibly lead to more adults experiencing disabilities either physical or mental and place additional pressure on Adult Social Care. There may also be a subsequent impact on disabled children along with their parents. It is essential to ensure that both groups receive an appropriate standard of care despite the pressure on services to reduce costs. Subsequently young people transitioning from Children's social care to Adults Social Care could impact heavily on budget dependent on the needs of individuals identified.
- 5.7 The impact on poverty and inequality may be increased for those residents who were economically affected by Covid 19 and are currently in rent arrears, have debt to energy companies or elsewhere.

(Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance)

11 ENVIRONMENTAL IMPACT

5.1 There are no specific environmental impacts set out in this report

12 CRIME AND DISORDER REDUCTION IMPACT

5.1 There are no specific crime and disorder impacts set out in this report

13 DATA PROTECTION IMPLICATIONS

5.2 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

5.3 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO, as the report contains no sensitive/personal data

Approved by Nish Popat – Interim Head of Corporate Finance

APPENDIX 1 – SERVICE BUDGETS AND FORECASTS MONTH 4

	Approved Budget	Current Actuals	(%age)	Full-Yr Forecast	Projected Variance
	(£,000's)	(£,000's)	(%age)	(£,000's)	(£,000's)
C1410E : ADULT SOCIAL CARE OPERATIONS	111,275	39,979	0	110,844	(431)
C1405E : TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	1,175	(1,492)	(1)	1,555	380
C1420E : ADULT SOCIAL CARE POLICY AND IMPROVEMENT	11,375	4,526	0	11,210	(166)
TOTAL ADULT SOCIAL CARE AND HEALTH	123,825	43,013	0	123,609	(217)
C1305E : RESIDENT ENGAGEMENT AND ALLOCATIONS	8,175	(2,997)	(0)	9,065	890
C1310E : ESTATES AND IMPROVEMENT	82	109	1	39	(43)
TOTAL HOUSING	8,257	(2,887)	(0)	9,104	847
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTORATE SUMMARY	(262)	263	(1)	(1,440)	(1,178)
C1120E : SUSTAINABLE COMMUNITIES	22,479	10,197	0	37,705	15,226
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	4,543	1,827	0	4,793	250
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	696	1,407	2	1,538	842
TOTAL SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	27,456	13,693	0	42,596	15,140
C1605E : RESOURCES DIRECTORATE SUMMARY	(6,901)	172	(0)	(6,910)	(9)
C1610E : DIRECTOR OF FINANCE	9,114	57,580	6	15,953	6,839
C1620E : PENSIONS DIVISION	343	441	1	296	(47)
C1625E : MONITORING OFFICER	2,094	665	0	2,122	28
C1630E : INSURANCE, ANTI-FRAUD AND RISK	1,018	919	1	886	(132)
C1640E : LEGAL SERVICES DIVISION	(1,644)	136	(0)	(1,292)	352
C1650E : INTERNAL AUDIT SERVICE	597	708	1	644	47
C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	11,707	4,104	0	13,763	2,056
TOTAL RESOURCES	16,328	64,725	4	25,463	9,135
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	584	160	0	584	-
C1210E : CHILDREN'S SOCIAL CARE	67,787	16,888	0	67,509	(278)

UNACCOMPANIED ASYLUM SEEKING CHILDREN (UASC) AND CARE LEAVERS	-	-	-	-	-
C1220E : EDUCATION DIVISION - exc DSG	7,425	13,698	2	7,270	(155)
C1230E : QUALITY, POLICY AND PERFORMANCE IMPROVEMENT	5,978	(3,618)	(1)	6,278	300
TOTAL CHILDREN'S, YOUNG PEOPLE AND EDUCATION	81,774	27,128	0	81,641	(133)
C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	(90)	287	(3)	127	217
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	23,149	7,403	0	22,793	(356)
C1520E : CHIEF PEOPLE OFFICER DIVISION	3,192	1,156	0	3,032	(160)
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	6,111	4,830	1	5,889	(222)
C1540E : PUBLIC HEALTH	-	(11,117)	-	0	0
C1550E : SERVICE QUALITY, IMPROVEMENT AND INCLUSION	-	-	-	-	-
TOTAL ASSISTANT CHIEF EXECUTIVE	32,362	2,558	0	31,842	(520)

Appendix 2 – Capital Programme Month 4

Scheme Name	Type	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/07/22 £'000	Forecast for year end 2022/2023 £'000	Variance to Date 2022/2023 £'000
Disabled Facilities Grant	Spend	2,993	381	2,993	0
Empty Homes Grants	Spend	500	0	500	0
HOUSING		£3,493	£381	£3,493	£0
Adults ICT	Spend	110	0	110	0
Adult Social Care Provision	Spend	0	0	0	0
Provider Services - Extra Care	Spend	500	0	500	0
Sheltered Housing	Spend	938	0	938	0
Capital investment in Garden Centre	Spend	159	0	159	0
ADULT SOCIAL CARE AND HEALTH		£1,707	£0	£1,707	£0
Bereavement Services	Spend	1,000	269	1,775	775
Community Ward Budgets	Spend	0	0		0
Finance and HR system	Spend	500	0	500	0
ICT Refresh & Transformation	Spend	8,955	279	8,955	0
People ICT	Spend	3,000	335	3,000	0
Uniform ICT Upgrade	Spend	0	0	0	0
ASSISTANT CHIEF EXECUTIVE		£13,455	£883	£14,230	£775
Education – Fire Safety Works	Spend	902	0	902	0
Education - Fixed Term Expansions	Spend	3,243	3	843	(2,400)
Education - Major Maintenance	Spend	9,549	324	4,049	(5,500)
Education - Miscellaneous	Spend	0	112	134	134
Education - Permanent Expansion	Spend	44	22	319	275
Education - Secondary Estate	Spend	0	41	41	41
Education - SEN	Spend	2,226	133	1,026	(1,200)
CHILDREN'S, YOUNG PEOPLE & EDUCATION		£15,964	£635	£7,314	(£8,650)
Allotments	Spend	200	177	200	0
Fixtures & Fittings FFH	Spend		571	571	571
CALAT Transformation	Spend		0	0	0
Capitalised Feasibility Fund	Spend	330	0	330	0
Growth Zone	Spend	4,000	7	4,000	0
Grounds Maintenance Insourced Equipment	Spend	200	0	200	0
Highways - maintenance programme	Spend	8,618	1,376	13,290	4,672
Highways - maintenance programme (staff recharges)	Spend	0	0	0	0
Highways – flood water management	Spend	435	174	895	460
Highways - bridges and highways structures	Spend	3,403	1,102	3,403	0
Highways - Tree works	Spend	56	0	56	0
Mitigate unauthorised access to parks and open spaces	Spend	73	0	73	0
Leisure centres equipment upgrade	Spend	70	56	206	136
Libraries Investment - General	Spend	1,614	98	300	(1,314)
Libraries investment – South Norwood library	Spend	412	0	412	0
Museum Archives	Spend	75	0	75	0

Neighbourhood Support Safety Measures	Spend		0		0
Parking	Spend	2,141	64	2,141	0
Play Equipment	Spend	380	53	380	0
Safety - digital upgrade of CCTV	Spend	1,539	0	1,539	0
Section 106 Schemes	Spend	0	2	2	2
Signage	Spend	137	0	274	137
South Norwood Good Growth	Spend	1,032	45	1,208	176
Kenley Good Growth	Spend	425	39	760	335
Sustainability Programme	Spend	565	0	565	0
TFL - LIP	Spend	9,266	635	4,326	(4,940)
Unsuitable Housing Fund	Spend	0	61	61	61
Walking and cycling strategy	Spend	0	0	0	0
Waste and Recycling Investment	Spend	1,000	0	1,000	0
Waste and Recycling - Don't Mess with Croydon	Spend	1,000	7	1,000	0
Schemes with completion date prior to 2020/21	Spend	0	0		0
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DVLPT		£36,971	£4,467	£37,267	£296
Asset Strategy - Stubbs Mead	Spend	700	0	300	(400)
Asset Strategy Programme	Spend	225	0	225	0
Asset Acquisition Fund	Spend	390	0	250	(140)
Clocktower Chillers	Spend	412	0	412	0
Corporate Property Maintenance Programme	Spend	2,500	242	2,716	216
Crossfield (relocation of CES)	Spend	0	0	0	0
MHCLG Code Sharing Project	Spend		0		0
Brick by Brick programme	Spend	6,203	0	6,203	0
Fairfield	Spend	1,000	1,274	3,448	2,448
Fieldway Cluster (Timebridge Community Centre)	Spend	0	0	248	248
RESOURCES		£11,430	£1,516	£13,802	£2,372
Capitalisation Direction	Spend	25,000	0	25,000	0
Transformation Spend (Flexible Capital Receipts)	Spend	4,622	0	4,049	0
CORPORATE ITEMS & FUNDING		£29,622	£0	£29,049	£0
NET GENERAL FUND TOTAL		£112,642	£7,882	£106,862	(£5,207)
Asset management ICT database	Spend		84	155	155
Fire safety programme	Spend		292		0
Larger Homes	Spend		0		0
Major Repairs and Improvements Programme	Spend	22,083	3,101	17,109	(4,974)
Affordable Housing	Spend		1		0
HOUSING REVENUE ACCOUNT		£22,083	£3,478	£17,264	(£4,819)
OVERALL CAPITAL PROGRAMME (GF and HRA)		£134,725	£11,360	£124,126	(£10,026)

Appendix 3

REPORT TO:	Cabinet 14th September 2022
SUBJECT:	Financial Performance Report – Month 3 (June 2022)
LEAD OFFICER:	Jane West, Corporate Director of Resources (Section 151)
CABINET MEMBER:	Councillor Jason Cummings Cabinet Member for Finance

SUMMARY OF REPORT:

This report provides the Council’s annual forecast as at Month 3 (June 2022) for the Council’s General Fund (GF), Housing Revenue Account (HRA) and the Capital Programme (CP). The report forms part of the Council’s financial management process of publicly reporting financial performance against its budgets on a monthly basis.

FINANCIAL IMPACT

The Month 3 position shows a further deterioration of the Council’s forecast outturn for 2022/23 since Month 2. This is the third month in succession that the position has worsened, and urgent measures are being planned to reverse this trend. Early mitigating actions are reported in the opportunities contained within this report. The impact of the in-year position is also being considered as part of the early planning for 2023/24.

The end of year projection is currently indicating a net overspend of £12.857m against budget. There are a further set of risks and opportunities, which indicate a net risk of £2.070m (risks £12.377m and opportunities of £10.307m), but they are not yet sufficiently developed to be included in the outturn forecast. Should these materialise, they will have a further negative impact on the projected outturn forecast.

Section 3 details these risks and the risk mitigations that have been identified at this stage, and further discusses the impact on the GF if these risks were to materialise and the mitigations are not effective.

The HRA is indicating a £1.076m overspend variance against budget.

The Capital Programme has spent £4.907m against a £134.470m budget in the third month. The end of year position is forecast to be an underspend of £5.658m.

The Executive Mayor in Cabinet is recommended to:

1.12 Note the General Fund is projecting a net overspend of £12.857m as at Month 3. Service directorates are indicating a £26.226m overspend with a £13.369m underspend corporately.

1.13 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change. These indicate a net risk of £2.070m (risks £12.377m and opportunities of £10.307m) and

are reported within Section 3 of this report. Should all these risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £25.234m.

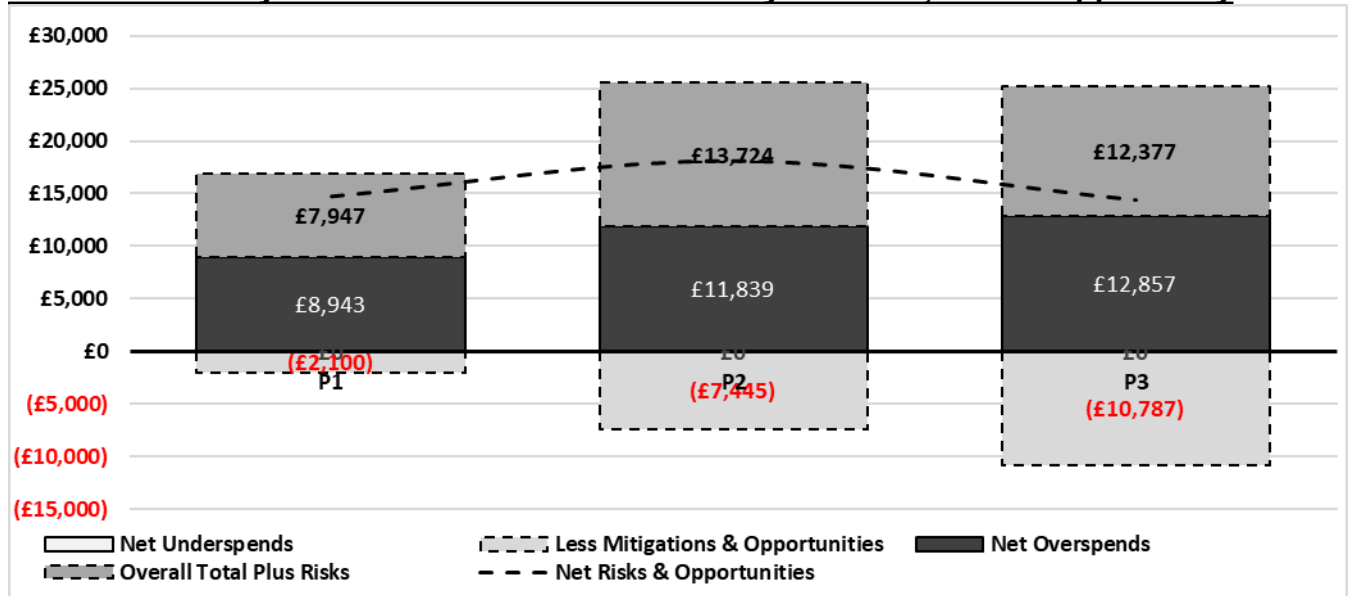
- 1.14 To approve the non-delivery of the MTFs savings as indicated within Table 2a.
- 1.15 Note the Housing Revenue Account (HRA) is projecting a £1.076m overspend.
- 1.16 Note the Capital Programme spend to date for the General Fund of £3.516m (against a budget of £114.549m) with a projected forecast underspend of £5.813m for the end of the year.
- 1.17 Note the Housing Revenue Account Capital Programme spend to date of £1.391m (against a budget of £22.083m), with a projected forecast overspend of £0.155m for the end of the year.
- 1.18 Note, the above figures are predicated on forecasts from Month 3 to the year end and therefore could be subject to change as forecasts are made based on the best available information at this time.
- 1.19 Note, the Council continues to operate with the Spend Control Panel to ensure that tight financial control and assurance oversight are maintained, and a new financial management culture is being implemented across the organisation through increased scrutiny, such as the Assurance meetings, improved communication and budget manager training from CIPFA.
- 1.20 Agree that the three capital schemes listed in paragraph 6.3 are removed from the Capital Programme as following a detailed review, it has been established that they do not meet capital expenditure criteria. These schemes will be assessed as to whether they are still relevant and if so, whether resources are available to deliver them within the General Fund budget for 2022/23.

2. EXECUTIVE SUMMARY

- 2.1. The Financial Performance Report (FPR) is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the GF, HRA and Capital Programme. The FPR ensures there is transparency in our financial position, and enables scrutiny by the Executive Mayor, Cabinet, Scrutiny and the public. It offers reassurance in regard to the commitment by Chief Officers to more effective financial management and discipline.
- 2.2. The GF revenue forecast outturn for Month 3 is an overspend of £12.857m. This is an adverse movement of £1.019m from Month 2 representing the third month in succession that the position has worsened.
- 2.3. There are a further set of risks and opportunities, which indicate a net risk of £2.070m to that outturn forecast (risks £12.377m and opportunities of £10.307m), but the risks are not yet sufficiently developed to be included in the outturn forecast. Should they materialise, they will have a further negative impact on the projected outturn forecast. These are outlined in detail in Section 3 of this report.

2.4. The chart below illustrates the trend in the monthly monitoring reports for this financial year and shows both the forecast as well as the quantum of risks and opportunities, together with the impact should all risks and opportunities fully materialise (dashed line).

Chart 1 – Monthly financial movements on Monthly Forecast, Risk & Opportunity



2.5. This report provides a Month 3 position, which is still at an early stage of the financial year and therefore gives the Council an opportunity to ensure the significant pressures being reported are being mitigated. Early mitigating actions for the projected overspend are reported within the opportunities contained in this report. The impact of the in-year position is also being considered as part of the planning for 2023/24.

2.6. The Housing Revenue Account is forecasting an overspend of £1.076m (an increase of £1.027m on the Month 2 forecast). This unfavourable projected variance will either be met by new in-year cost reductions or be met from HRA reserves.

2.7. The Capital Programme for both the GF and HRA is reporting a total expenditure to date of £4.907m of which £3.516m is within GF and £1.391m for the HRA. The overall capital spend is projected to be £130.974m against a budget of £136.632m. This will result in a £5.813m underspend to budget. A review is currently underway of the Capital Programme with a view to reducing spend in 2022/23.

2.8. The 2022/23 outturn forecast includes the use of a £25.00m agreed capitalisation direction, to balance the Council's revenue budget. The capitalisation direction was approved (minded to) by the Department of Levelling Up, Housing and Communities (DLUHC) in March 2022 subject to regular positive reports from the Improvement and Assurance Panel and the Budget was approved at Full Council on 7th March 2022.

2.9. This report forms part of the reporting framework on the delivery of the Croydon Renewal Plan by ensuring the delivery of the Council's budget is reported monthly and transparently. The format of this report will continue to evolve over this financial year.

- 2.10. The format of this report will expand as it will be important for the Council to be able to identify the additional pressures that the global economic crisis is causing in inflation and the impact on supplies and services the Council provides.
- 2.11. The Council continues to build on the improvements in financial management that were made over the past year however there is a considerable amount yet to do, which is fully recognised within the organisation. The Council's financial recovery is outlined within the three-year MTFs. The second year of that strategy has always been recognised as the toughest of the three to deliver.
- 2.12. In addition, and as this report identifies, the Council continues to face significant financial pressures. The delivery of Year 1 of the MTFs / financial recovery plan (2021/22) was aided by covid depressed demand for Council services that enabled the monthly expenditure to be reported as an underspend in many areas. Demand has begun to pick up for some Council services which is removing that underspend. There are also early signs of demand increasing for some services due to the cost-of-living pressures being driven by the current national economic outlook. In addition, some resident behaviour which has generated revenue for the Council in the past has failed to be reinstated post-covid. The inflationary pressures already showing in this forecast outturn are significant and further detailed at 2.16 and 2.17.
- 2.13. The outturn forecast identifies an overspend that the Council will need to mitigate. This report flags a number of other risks that could be realised and be declared in the outturn forecast during the year which would further worsen the position.
- 2.14. Over the last financial year, a monthly budget assurance process and independent challenge of expenditure by the Improvement and Assurance Panel took place. This is in addition to Cabinet, and Scrutiny and Overview review. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the officer assurance meetings is to provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings are delivered and income targets are met. Overall, the meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget. Each Directorate is asked to identify mitigations and in year cost reductions to ensure that the Council brings its expenditure within budget to avoid any call on reserves.
- 2.15. The macroeconomic climate is causing further pressure on the Council particularly from a very tight labour market and significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale costs. The Council has budgeted a 5% inflationary uplift on all its contracts costs which is a prudent level compared to historic standards. However current inflation rates, which are north of 9% and therefore significantly higher than budgeted, poses an added challenge that the Council does not have full control over. The Council cannot absorb all inflationary costs itself and will need to find ways to ensure the burden of these costs is fairly shared with our suppliers and customers.
- 2.16. Within the forecast currently the Council has included a total of £7m gross inflationary pressure and this is based on recent requests that the Council has received from

suppliers. The corporate budget of £4m has been released to support this, but this still leaves a gap of £3.00m that would need to be funded. The Council has reserves to support this, however the first option will be to find in year mitigations from current operations to avoid overspends. Energy cost inflation contributes significantly to these pressures, for instance the streetlighting energy costs have increased by £1.18m.

2.17. In addition, the Council is continuing to work closely with the external auditors on finalising the 2019/2020 and 2020/2021 audit of accounts and is in the process of completing the accounts for 2021/22. The finalisation of the accounts may have implications for this year's budget.

3. FINANCIAL POSITION

3.1. The FPR shows that the Council is forecast to have a GF net overspend variance of £12.857m as at Month 3. This is an adverse movement from Month 2 by £1.019m. As Table 1 indicates, the overarching cause of the reported pressure is as a result of £7.892m non-delivery of savings and £4.965m other pressures which are expanded in section 4 of this report.

3.2. Directorate teams and Finance colleagues meet monthly to review the forecast position for each area, including risks of overspending and identify further options to mitigate these. A table of risks and opportunities are provided within this section where applicable.

3.3. The forecast outturn position of the General Fund is shown below in Table 1.

Table 1 – Month 3 Forecast per Directorate

Directorates	Month 3 Forecast Variance (£,000's)	Month 2 Forecast Variance from Previous month (£,000's)	Change from previous month (£,000's)	Savings Non- Delivery (£,000's)	Other Pressures (£,000's)
Children, Young People and Education	(125)	(422)	297	300	(425)
Adult Social Care and Health	58	(158)	216	380	(322)
Housing	1,386	661	725	50	1,336
Sustainable Communities Regen & Economic Recovery	16,491	15,820	672	6,748	9,743
Resources	8,803	9,298	(495)	302	8,501
Assistant Chief Executive	(387)	9	(396)	112	(499)
Departmental Total	26,227	25,208	1,019	7,892	18,334
Corporate Items & Funding	(13,369)	(13,369)	-	-	(13,369)
Total General Fund	12,858	11,839	1,019	7,892	4,965

3.4. Net overspends and underspends within the service budgets are presented as a forecast variance (as per Table 1) and are additionally classified as either non-delivery

of agreed in year savings or other pressures which were not foreseen or quantifiable at the time of setting the budget.

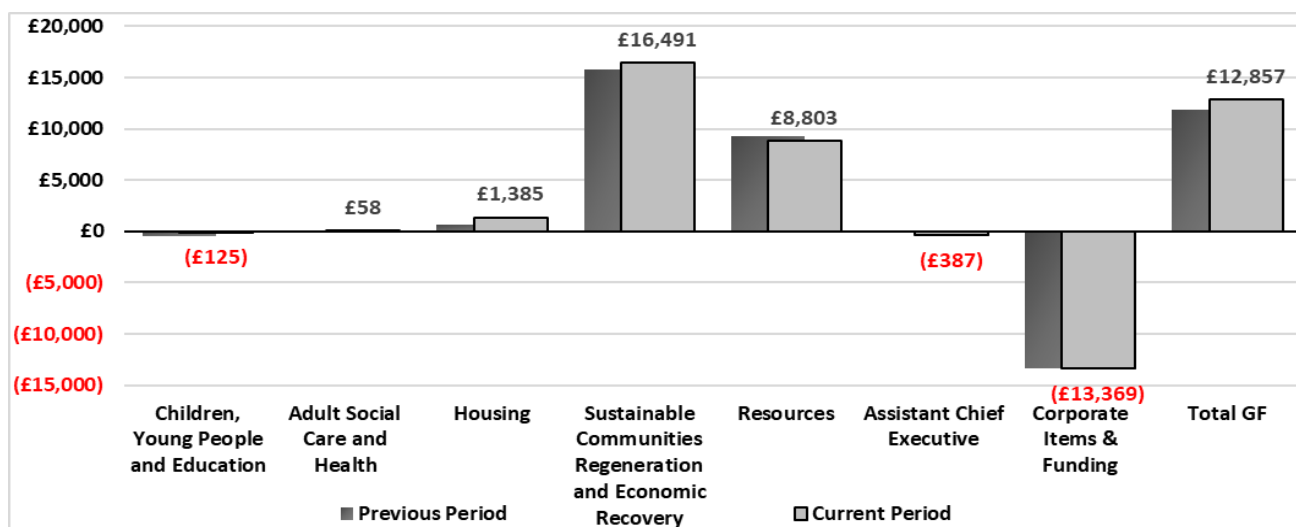
3.5. The main areas of movement from Month 2 are as follows:

- Adult Social Care and Health Directorate's £0.216m **adverse** movement is due in the main to a reappraisal of the financial impact of Care Act 2014 assessment outcomes in the Transition and 18 – 65 year Disability Services latent demand.
- Sustainable Communities, Regeneration and Economic Recovery Directorate's **adverse** movement of £0.672m is due to lower-than-expected income from various parking services and projected additional pressures in relation to street lighting energy costs which are above the 5% Council wide inflation allocation.
- Resources Directorate has moved £0.495m **favourably** from Month 2, which is largely as a result of an opportunity of £2.445m previously reported in Month 2 in relation to an interest charge budget which is no longer required as this is budgeted corporately. This is now identified as an achievable saving. However, the forecast is impacted by an adverse movement from housing benefit claims by £2.00m. This has arisen due to pressures related to housing provision for temporary accommodation clients who are placed in sheltered accommodation. This has been identified in an annual external audit report which shows housing benefit expenditure that is not eligible for grant funding from the Department of Work and Pensions. This is on top of the shortfall on the housing benefit budget of £5m identified in Month 1.
- Housing Directorate is indicating a £0.725m **adverse** movement due to an increase in demand for temporary accommodation.
- Children, Young People and Education Directorate is reporting a £0.297m **adverse** movement from Month 2 mainly due to £0.300m income shortfall related to review of public health expenditure that can now not attract public health funding.
- Corporate Budget is projecting a net nil movement from Month 2.

Further details for each Directorate can be found in section 4 of this report.

3.6. The chart below shows the forecast by Directorate for both the current and previous month:

Chart 2: Forecast per Directorate as at Month 3



Risks and Risk mitigations

- 3.7. The outturn forecast has been reported excluding further potential risks and risk mitigations. Risks are split in to MTFS savings risks and other risks. Savings risks relate to savings proposals that were approved at Full Council in March 2022 to deliver a balanced budget. Other risks are risks that have risen from other operational challenges but not related to the delivery of savings. Risk mitigations are proposals that the services have identified that would mitigate their risks and help bring spend back within budget. These are not firmed up proposals and there is always the risk the opportunities will not materialise once detailed work has been done.
- 3.8. Savings are at various stages in their delivery, and it is important that the Council transparently reports the progress on these. Savings which are not deliverable are included within the forecast as overspends, however other MTFS savings which are at risk of non-delivery are reported in Table 2b. Table 2a below provides a summary of progress per directorate on delivery of their savings targets.

Table 2a – Progress on MTFS Savings

Directorate	Target	Delivered	On Track	At Risk	Not Deliverable (In Forecast)
Adult Social Care and Health	(£16,378,000)	£5,490,000	£9,398,000	£1,110,000	£380,000
Assistant Chief Executive	(£9,543,000)	£250,000	£8,281,000	£900,000	£112,000
Children, Young People and Education	(£9,564,000)	£896,000	£7,063,000	£1,305,000	£300,000
Housing	(£2,853,000)	£12,000	£1,577,600	£1,213,400	£50,000
Resources	(£3,139,000)	£0	£2,727,000	£0	£302,000
Sustainable Communities Regen & Economic Recovery	(£12,396,000)	£967,000	£3,134,500	£1,496,500	£6,748,000
Grand Total	(£53,873,000)	£7,615,000	£32,181,100	£6,024,900	£7,892,000

- 3.9. Other risks and risk mitigations are split into quantified and unquantified items.

- 3.10. As with the outturn forecast set out in Table 1, risks are separately reported for those elements that relate to potential non or under-delivery of approved savings, as agreed by Full Council in March 2022, and those that are new and not directly related to agreed savings plans.
- 3.11. The Council is encouraged to be transparent in flagging its risks that could potentially result in a change to the outturn forecast. This allows the Council to act and support these challenges before they become realised.
- 3.12. Table 2b below provides for details of MTFS savings that are at risk of non-delivery with a brief commentary of the projects that are not or are unlikely to deliver the expected savings and Table 2c provides a list of quantified and unquantified other risks, which are in addition to the savings risks.
- 3.13. The report identifies savings at risk and mitigations for both the current and future years. Where risks are quantified currently, these are based on high level information and directorate experience of the service.

Table 2b – Month 3 MTFS Savings Risk

MTFS Savings Ref	MTFS Savings Description	Savings at risk Current Month P3 (£,000's)	Savings at risk Previous Month P2 (£,000's)	Change From Prior Month (£,000's)
21/22 CYPE 05	Review Support for Young People where Appeal Rights Exhausted	225	140	85
21/22 CYPE 06	Improve Practice System Efficiency	290	290	0
22/23 CYPE 07a	NHS Funding- children with disability funding	490	490	0
22/23 CYPE 07b	NHS Funding – EHCP therapies funding	300	300	0
Children, Young People and Education Total		1,305	1,220	85
21/22 ASCH 01	Baseline Savings - Disabilities Operational Budget	833	833	0
21/22 ASCH 05	Baseline Savings - Mental Health Operational Budget	83	83	0
21/22 ASCH 08	Baseline Savings - Older People Operational Budget	194	194	0
Adult Social Care and Health Total		1,110	1,110	0
22/23 HOUS 11	Procurement of EA Contracts	125	125	0
22/23 HOUS 12	Staffing Review	113	113	0

22/23 HOUS 13	Income Maximisation - Rent Collection	168	168	0
22/23 HOUS 17	Housing Benefit Maximisation	60	60	0
22/23 HOUS 04	Repurpose under-utilised sheltered housing stock	158	0	158
22/23 HOUS 07	Ending EA/TA where the council has no duty	97	0	97
22/23 HOUS 09	Incentivising temporary accommodation leasing schemes	104	0	104
22/23 HOUS 01	Impact of maximising homelessness prevention	289	0	289
22/23 HOUS 02	Impact of increasing speed of homelessness decisions	40	0	40
22/23 HOUS 14	Resident Engagement & Tenancy Services £100,000 saving in 22/23	60	0	60
Housing Total		1,213	466	747
21/22 SCRER 09	Reduce Spatial Planning (Local Plan Team and Place Making Team)	484	484	0
21/22 SCRER 14	Fees And Charges Income	58	58	0
21/22 SCRER 16	Revised Landlord Licensing scheme	150	150	0
22/23 SCRER 06	Review and reduction of the Neighbourhood Operations (NSO team)	260	260	0
22/23 SCRER 12	Contract Savings - Pay and Display Machines	0	300	(300)
22/23 SCRER 16	Private Sector Environmental Enforcement	63	63	0
22/23 SCRER 19	New gym in Monks Hill Leisure Centre	90	90	0
22/23 SCRER 22	22/23 Increase in fees and charges income	292	292	0
22/23 SCRER 28	Merger of Management Functions in Place	100	100	0
Sustainable Communities Regen & Economic Recovery Total		1,497	1,797	(300)
22/23 RES SAV 01	Council wide legal services review	0	130	(130)
Transfer 02	Fees And Charges	0	26	(26)
22/23 O/S Form 20	Increase in fees and charges	0	143	(143)

Resources Total		0	299	(299)
Corporate Items & Funding Total		0	0	0
22/23 COR SAV 09	Rationalisation of software applications and contracts	300	750	(450)
22/23 ACE 18	Contract Savings - Managed Service Provider for Temporary Agency Resources £600K saving in 22/23	600	0	600
Assistant Chief Executive Total		900	750	150
Total Savings at Risk		6,024	5,641	383

Savings at significant risk of delivery (in forecast)

Directorate & Saving Description	Sum of Target £'000	Sum of Balance to Deliver £'000
Adult Social Care and Health	(16,378)	380
Refocusing Public Health funding - New Youth & Wellbeing Offer	(380)	380
Assistant Chief Executive	(9,543)	112
Fees And Charges	(19)	19
Increase in fees and charges	(93)	93
Children, Young People and Education	(9,564)	300
Refocusing Public Health funding - New Youth & Wellbeing Offer	(300)	300
Housing	(2,853)	50
Reduction in Welfare Rights by 5 FTE (PLAN A)	(88)	50
Resources	(3,139)	302
Council wide legal services review	(130)	130
Fees And Charges	(44)	28
Increase in fees and charges	(218)	144
Sustainable Communities Regen & Economic Recovery	(12,396)	6,748
ANPR camera enforcement	(3,180)	3,180
Business Tender Contract Savings	(120)	40
Contract Savings - Pay and Display Machines	(300)	300
Increase in Pre-Planning Applications	(66)	66
Independent travel optimisation	(20)	20
Introduction of a variable lighting policy	(417)	417
Parking charges increase	(650)	650
Private Sector Environmental Enforcement	(250)	125
Review and reduction of the Neighbourhood Operations (NSO team)	(950)	450
Revised Landlord Licensing scheme	(2,300)	1,500
Grand Total	(53,873)	7,892

Table 2c – Other quantifiable and unquantifiable risks

Quantified Risks	P3 £'000	P2 £'000	Details of Risk
Children, Young People and Education	3,334	3,734	Education and Health Care Coordinators staffing cost to be chargeable to General Fund (£1.000m) This represents additional staffing resources more likely to be required to meet the SEND Strategy
			Capitalisation income (£0.784m) This is a historic income budget that was added to Children's Social Care. This amount was funded from capital receipts until 2020/21 and the budget was not corrected in 2022/23 budget setting
			CLA Cost of Living (£1.500m) There is an expectation that children in care providers will increase placement costs as the cost of living rises
			Delayed implementation of Children Centre (£0.050m) Expected savings from project at risk due to delayed implementation
Adult Social Care and Health	-	-	None
Housing	-	-	None
Sustainable Communities Regen & Economic Recovery	2,592	3,082	Energy cost pressure in Leisure Contract (£0.500m) This may need renegotiation with the Leisure provider and therefore cannot be fully quantified at this time.
			Additional RISK in SEN Transport (£1.000m) Due to continuing increase in the number of SEN Users and passenger routes coupled with price rises from providers there is a risk the costs for SEN transport could increase further.
			Waste Guaranteed Income Risk (£0.812m) Risk identified by SLWP in connection with Veolia Claim for reduction in Guaranteed Income Payable to Council due the continued effect on commercial income related to Covid. This is being disputed by the SWLP.
			Implementation delay in closure of NSO service (£0.125m) The outsourcing of Environmental Enforcement Team Earmarked in MTFs for 22/23 was based on the closure of the NSO Service however this has faced delays in implementation. This element is the 50% of the total savings target and the other 50% is within forecast.
			Delay in recruitment of Community Enforcement Officers [CEO] (£0.155m) Parking income at risk as difficulties in attracting applicants to the vacant CEO roles
Resources	-	640	Masts Income HRA masts Income budget that was previously incorrectly included in GF has now been moved in forecast and the service is not projecting any new risks.

Assistant Chief Executive	427	627	<p>Green Lawn Memorial Park (£0.127m) Risk based upon the lack of available graves until the cemetery extension opens. Memorial Park works are anticipated to be complete by November 2022 and ready for operation by the spring of 2023.</p> <p>Crematorium (£0.300m) Increased competition from neighbouring facilities and direct cremations could lead to lower income from fees & charges. This risk is being flagged and the service will review profiling of income targets for the year.</p>
Total Quantified Risks	6,353	8,083	

Un-Quantified Risks	P3 £'000	P2 £'000	Details of Risk
Children, Families and Education	-	-	None
Adults, Health and Social Care	-	-	Potential post Covid-19 pandemic latent demand working through the population resulting in additional care packages placements.
	-	-	Inflation, rising fuel and food costs significant expenditure for care providers - may result in claims for increased fees or face financial instability
	-	-	High vacancy rate is caused by significant challenges in recruitment across the Directorate. This means staff are focused on statutory delivery, rather than transformation. This is a national issue.
	-	-	Hospital discharge pressure as current system risk is running on winter volume levels due to Covid and backlog, despite being summer.
Housing	-	-	<p>New temporary Housing staffing structure A bid for transformation funding is being sought to support delivery of efficiencies within the service and bring in cost reductions.</p>
Sustainable Communities Regen & Economic Recovery	-	-	Although unknown at this stage there is a potential £500k risk to Roads and Street Network Income due to delays and disputes with utility companies in relation to coring activities. Further work is being undertaken to quantify these risks and where possible mitigate the effect.
	-	-	<p>At present there is a £1m risk in quantifiable risks due to demand on the SEN Transport service in terms of the number of users. Additionally, there is now inflation that is affecting the service with information on what new routes will be being collated.</p> <p>Until the number of required routes is established (should be done by end of July as school numbers will be known by then) there is a significant risk of additional costs as fuel rates are high</p>
Resources	-	-	<p>Core Savings and Fees & Charges Review Budgeted savings on fees & charges (£312,000) and contracts (£350,000) will be difficult to achieve. Costs in these areas for this service are contract based and are not easily varied in the short term. Officers hope to</p>

			mitigate this in year but would like to highlight the risk at this stage.
	-	-	Legal Trading Model The legal trading services model is under review. Until this review is completed officers are flagging this area as a risk. Last year Legal Services were overspent by £306,000.
	-	-	Permanent Establishment Shortfall There is a permanent shortfall in the establishment budget of £0.527m. Last year this was mitigated by vacancy savings and court cost recovery. Vacancies have been identified as savings in 2022/23 and it is expected that court cost recovery levels will reduce once backlogs caused by the pandemic, are managed down. It is hoped to mitigate this in year.
Assistant Chief Executive	-	-	None
Corporate Items & Funding	-	-	None
Total Un-Quantified Risks			

3.14. Table 3 provides a list of quantified and unquantified risk mitigations or opportunities. These are potential risk mitigations that will require further assurance to be included within the forecast. Service managers have identified these as potential mitigations to the risks identified Tables 2 and 2b.

Table 3 - Quantifiable and unquantifiable opportunities

Quantified Opportunities	P3 £'000	P2 £'000	Details of Opportunities
Children, Young People and Education	(1,870)	(1,000)	<p>Staying Put Grant (£1.00m) The Council received additional allocation of the staying put grant in 2021/22 and it is anticipated that this funding will be available in 2022/23. The service is waiting for confirmation from Government.</p> <p>Public Health funding (£0.300m) Further review, to support the service, is ongoing to ensure public health related spend is met from Public Health Grant.</p> <p>Children Service legal costs (£0.570m) Review on operations to mitigate legal costs arising from challenges from service users. The aim is to improve the operations and process to ensure all aspects of support is carefully provided.</p>
Adult Social Care and Health	(380)	-	Public Health funding (£0.380m)

			Further review to support the service, is ongoing to ensure public health related spend is met from Public Health Grant.
Housing	(790)	-	Homelessness Prevention Reserve (£790k) There is a Homelessness prevention reserve available of £790k that can be drawn down on to implement the prevention work. This will be used only when all other in year mitigation options are identified.
Sustainable Communities Regen & Economic Recovery	(1,717)	-	Additional funding from corporate inflation (£1.717m) Reserves to support unique challenges in significant increases in energy costs which will impact key services within Directorate. This includes significant pressures in streetlighting energy costs, waste management and transport for SEN.
	(500)	0	Leisure centre price rises (£500k) Increases in prices at leisure centres will help mitigate energy pressures.
	(250)	0	CIL Review (£250k) Further CIL monies being reviewed to support revenue expenditure where the conditions met.
	(230)	0	Streetlighting operational hour review (£230k) Cost reduction from additional dimming and switch off streetlighting during the evening and late at night.
Resources	-	(2,445)	The service has an additional Interest Charge budget in Property which is also available in corporate budgets. Therefore, this has now been confirmed as achievable and is in the forecast.
Assistant Chief Executive	(445)	-	Public Health Grant Review (£320k) Potential for Public Health grant to be used to cover related spend across other Council areas.
			Staffing Review (£125k) Staff reviews that may lead to further savings in salary costs.
Corporate Items & Funding	(4,605)	(4,000)	Cost of Living Reserve (£4.00m) Additional drawdown of cost-of-living reserve to support inflationary pressures caused by adverse macroeconomic conditions. Staffing Cost Review (£0.125m) Further corporate review of staffing costs across every directorate to reduce Reduced borrowing for capital programme (£0.480m) The total borrowing required to fund the 21/22 capital programme is less than projected and therefore it is expected that the Council will incur lower interest costs.

Total Quantified Opportunities	(10,787)	(7,445)	
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Un-Quantified Opportunities	P3 £'000	P2 £'000	Details of Opportunities
Children, Young People and Education	-	-	None
Adult Social Care and Health	-	-	None
Housing	-	-	New Temporary Housing Staffing Structure We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers. A transformation bid has been submitted and is being reviewed.
Sustainable Communities Regen & Economic Recovery	-	-	Fees and Charges allocations against Statutory Charges Inflated income targets have been allocated to services who are unable to increase their fees and charges to meet those targets because the fees are set by government. The service will seek alternative ways to mitigate these pressures.
Resources	-	-	Review of Housing Benefit payments to support exempt accommodation. The work will involve invest to save proposal and close working with Housing to determine how quickly the cost reductions can be
Assistant Chief Executive	-	-	Review of concessionary fares scheme to generate cost savings.
Corporate Items & Funding	-	-	Review of the capital programme to delay projects where borrowing as a funding source.
Total Un-Quantified Opportunities			

4. DIRECTORATE VARIANCE DETAIL

4.1. Children, Young People and Education (CYPE)

At Month 3 a £0.125m underspend has been forecast alongside £1.305m of MTFs savings at risk of non-delivery together with £3.334m of other risks against £1.0m of opportunities. This is an **adverse** movement from Period 2 of £0.297m.

The £0.125m underspend is net position of £0.300m of non-delivery of the MTFs saving related to Public Health funding offset with a net benefit of £0.425m through underspends in Children's Social Care of £0.278m and £0.146m in non-DSG Education services.

The Directorate has also identified £3.334m of other risks in Table 2(b) which if realised could have a material impact on the CYPE forecast. These relate to cost

pressures such as inflationary pressures above and beyond Council budgets and loss of income or contribution from the Council's partners.

However, the Directorate has identified a potential opportunity from the allocation of one-off grant funding that could be used to support costs that the Council is currently paying for. The terms of this grant are being evaluated and if confirmed this will be adjusted within the forecast.

4.2. **Adult Social Care and Health (ASCH)**

At Month 3, an overspend of £0.058m is forecast with £1.110m MTFs savings at risk of non-delivery. No further risks or opportunities have been identified.

The overspend is due in the main to a reappraisal of the financial impact of Care Act 2014 assessment outcomes in the Transition and 18 – 65 year Disability Services latent demand.

However, whilst the current forecast projects a slight overspend, there is a risk that some savings may not be achieved. This is, in part, due to the level of social work vacancies within Social Care Operations. The total risk indicated is £1.110m.

There are unquantified risks due to:

- The potential post Covid-19 latent demand resulting in additional care requirements.
- The current and future levels of inflation for care providers which may result in increased costs for existing and new care.
- High vacancy rate is causing significant challenges in recruitment across the Directorate. This means staff are focused on statutory delivery, rather than transformation.

The potential hospital discharge pressure as current system risk is running on winter volume levels due to Covid and backlog, despite it being summer.

4.3. **Housing**

At Month 3, Housing is forecasting a £1.386m overspend in relation to temporary accommodation activity with key risks related to non-delivery of £1.213m of savings. However, the Directorate is looking to draw down £0.790m of housing reserves to support in year pressures and have identified this as an opportunity subject to further review. This will only be released once all other in-year mitigations have been exhausted.

The service is seeing an increase in demand for temporary accommodation and is also facing rising rental costs as the Council struggles to find viable accommodation.

4.4. **Sustainable Communities, Regeneration & Economic Recovery (SCRER)**

In Month 3, SCRER is forecasting a net overspend of £16.491m.

The main area of overspend relates to £10.5m shortfall in parking income, £0.950m relating to streetlighting energy costs and £0.5m SEN transport costs. This position has moved adversely from Month 2 by £0.672m.

There are also £2.592m other risks identified and £1.547m of MTFs savings at risk. However, the service has indicated £1.717m of opportunities which will need to be worked through with to confirm their achievability.

The service areas that are experiencing these overspends are within the Sustainable Communities division and particularly in the parking teams. Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes, ANPR, pay and display and on-street parking. The division is also expecting delays in obtaining a license from government to run the Selective Licensing scheme which is further adding pressure of £1.580m.

The service is also experiencing significant inflationary pressure in relation to energy costs from provision of streetlighting across the boroughs. The total pressure related to energy inflation costs are £1.18m above the base budget.

The Council applied to renew its Landlord Licensing scheme in 2021/22 to the Department of Levelling Up, Housing and Communities (DLUHC). The Council budgeted for £1.58m of income that would be achievable from the scheme in this financial year. However, the scheme was rejected by the Secretary of State for DLUHC due to the lack of a Housing Strategy, one of the requirements for the scheme. The development of the Housing Strategy is being progressed but has not yet been completed due to the many other pressures in the Housing Service and the focus on the delivery of the Housing Improvement Plan. It also requires a review of the Council's policy for Landlord Licensing. It is expected that this will not be completed within the next 12 months and therefore for prudence the service is forecasting the non-delivery of the £1.58m income target.

Further pressures are experienced within Planning and Sustainable Regeneration Services particularly in relation to Building Control income and income from Planning.

4.5. Resources

At Month 3, there is a £8.803m overspend projected which is a favourable movement from Month 2 by £0.495m. The overspend is largely related to loss in housing benefit (HB) subsidy and projected increases in energy costs across the Council's corporate estates.

£7.60m overspend on HB is due to the difference between the value of HB expenditure and funding received from DWP on sheltered accommodation. The Council cannot claim HB on this accommodation under guidelines, but steps are being taken to mitigate this. An updated position will be reflected in Month 4.

A further pressure of £4.039m is due to increased energy costs on utilities for the Council estate and further £0.900m as result of loss of rent on commercial rents.

The pressures are being netted off against a £2.445m historic budget for interest costs which is now not needed as the interest costs are covered within a corporate budget. There are no additional savings at risk and no further risks or opportunities are reported at this point.

4.6. **Assistant Chief Executive**

At Month 3, £0.387m underspend is being projected, which is a favorable movement of £0.396m from month 2.

The service has carried out a detailed review on the income projections related to registrars and bereavement services and this has indicated an improvement to Month 2.

At this early-stage further work is still being carried out to review fees and charges which was devolved to the service without consideration of demand. The council wide exercise that is taking place will enable the services within ACE to more accurately forecast income and until such time that this is completed, the pressure of £205k is factored within the forecast.

The rationalisation of software applications project has identified £450k of mitigations, which have been included within the forecast, and further work is being done to focus on the remaining £300k. This risk is included within the MTFS Savings Risk table 2b.

4.7. **Corporate**

At Month 3, the corporate position is projecting an underspend of **£13.369m**. The corporate budget holds funding and financing streams such as Council Tax, Business Rates income share and General Revenue Support grant income. The corporate budget also allocates Council wide risk contingency, inflation growth budgets and budgets to fund corporate debt and interest charges.

There has been no movement from Month 2 in the corporate projection. The release of contingency and risk provision budgets were made to support some unexpected pressures arising from demand and inflationary pressures.

Corporate Finance have also identified a further one-off £4.0m of reserve drawdown in 2021/22 to support the in year inflationary pressures that the Council is facing as a result of macroeconomic factors which are largely not in the Council's control.

4.8. Table 4 below summaries the overall position:

Table 4 – Summary – Month 3 with Month 2 Comparator

	Month 3	Month 2	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	12,857	11,839	1,019
Table 2b - MTFs Savings Risk	6,024	5,641	383
Table 2c - Quantifiable Risks	6,353	8,083	(1,730)
Table 3 - Quantifiable Opportunities	(10,787)	(7,445)	(3,342)
Total	14,447	18,118	(3,671)

5. Housing Revenue Account (HRA)

5.1. The HRA is currently forecasting a £1.076m variance against budget.

Table 5 – Housing Revenue Month 3 forecast

SERVICES	Projected Variance for Month	Variance For Previous Month	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs and Safety	616	(7)	623	The service is experiencing a rise in disrepair claims and legal costs associated with dealing with those claims.
Asset Planning and Capital Delivery	0	0	0	
Allocations Lettings and Income Collection	364	(0)	365	A number of works related to general maintenance of communal areas, such as graffiti removal, grounds maintenance and cleaning need to be progressed due to extensive backlog.
Tenancy and Resident Engagement	546	6	540	The service is facing a number of voids which is impacting income collection for rent and service recharges.
Homelessness and Assessments	50	50	(1)	Overspend on costs based on 21/22 outturn in relation to Concord, Sycamore and Windsor
Directorate & Centralised costs	(500)	(0)	(500)	Underspends in staffing costs as result of new Housing restructure.
	1,076	49	1,027	

5.2. The variance at Month 3 has increased considerably and the service will need to ensure it delivers the HRA within its allocated budget. Nonetheless, the HRA has

sufficient ring-fenced reserves to meet the £1.076m overspend currently projected if in year mitigations can't be found.

6. Capital Programme as Month 3

- 6.1. The GF and HRA capital programme have currently spent a gross £4.907m to the end of Month 3 against approved budgets of £134.470m. Forecast spend is £128.812m resulting in a forecast variance of £5.658m.
- 6.2. The table below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2.

Table 6 – Capital Programme as Month 3

Department	Approved Budget 2022-23	Actual to Date as at 30/06/22	2022/23 Forecasts as at Period 3	Variance
	£'000	£'000	£'000	£'000
ADULT SOCIAL CARE AND HEALTH	1,707	-	1,707	-
HOUSING	3,493	174	3,493	-
ASSISTANT CHIEF EXECUTIVE	14,028	548	14,803	775
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	393	7,714	(8,250)
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	37,861	972	37,555	(306)
RESOURCES	11,834	1,429	13,802	1,968
CORPORATE ITEMS & FUNDING	27,500	-	27,500	-
General Fund Total	112,387	3,516	106,574	(5,813)
HOUSING REVEUNE ACCOUNT	22,083	1,391	22,238	155
LBC CAPITAL PROGRAMME TOTAL	134,470	4,907	128,812	(5,658)

- 6.3. During Period 3 additional work began in relation to capital projects. The aim was to determine the nature of the spend and the challenges faced by the project leads when carrying out forecasting. Through this process it has transpired that there were a few capital projects that didn't meet the definition and criteria for capital spend and therefore will be removed from the capital programme. These schemes are:
6. Croydon Healthy Homes - £0.404m Budget
 7. Library Books purchase programme - £0.300m (part of Libraries Investment – General project)
 8. CALAT Transformation - £0.390m
- 6.4. These schemes will be charged to revenue where funding exists and where there is no funding the scheme will need to stop until a funding source is identified. The purchase of Library books will continue as there is Revenue CIL funding available, however the other schemes will be stopped.
- 6.5. Further work is ongoing to improve Capital Programme management including improved profiling over a 5-year period and the increased transparency in how the programme is funded. This will be presented in period 4 once the detailed review is completed.

7. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1. Finance comments have been provided throughout this report.
- 7.2. The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained, and a new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.
- 7.3. In-year savings are being sought across the Council to mitigate the projected overspend. Early actions are reported in the opportunities contained within this report. The impact of the in-year position is also being considered as part of the early planning for 2023/24.
- 7.4. The Council currently has a General Fund Reserve of £27m which serves as a further cushion should not all the overspend be eliminated by the end of 2022/23. However, any use of these reserves would have to be reinstated in later financial years as it's a one off support and not a permanent solution.

(Approved: Matt Davis – Interim Director of Finance)

8. LEGAL CONSIDERATIONS

- 8.1. The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 5.1 Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 8.2. In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.3. The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report also complies with that legal duty.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer)

9. HUMAN RESOURCES IMPACT

- 9.1. There are no immediate workforce implications as a result of the recommendations in this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation on budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and where necessary consultation with recognised trade unions.

Approved by: (Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on half of Dean Shoesmith, Chief People Officer)

10. EQUALITIES IMPACT

- 10.1. There are no specific equalities issues set out in this report.
- 10.2. The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:
- (d) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (e) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - (f) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.3. In setting the Council's budget for 2022/2023, all savings proposals must complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts. If any impacts arise, officers will offer mitigation to minimise any unintended impact.
- 10.4. The core priority of the Equality Strategy 2020-2024 is to tackle ingrained inequality and poverty and tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. The budget should take due regard to this objective in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, disabled people and their families along with adults utilising social care provision is key to this regard. Though families and single parents are not classed as a protected characteristic under Equality Act 2010, the Council is committed to tackling inequality and tackling socio economic inequality so may also consider the impact on families.
- 10.5. The cost-of-living increase has impacted heavily on the most economically vulnerable in society. Energy increases have led to some vulnerable groups having to make a choice between heating and eating. Despite proposed increases in fees and charges being below the rate of inflation they may still have a detrimental impact on residents from our most vulnerable groups. This could potentially have an adverse impact on poverty and inequality and a socio-economic impact on residents. Deprivation in borough is largely focused in the north and the east where most ethnic residents from

the African, African Caribbean and Asian communities reside. Officers will seek mitigation if any equality analysis on a proposed change demonstrates a potential adverse impact. Such mitigation may include signposting to agencies which offer support with debt management.

- 10.6. The full impacts of Covid 19 and long Covid on the Adult Social Care Service may not be apparent at this time and could possibly lead to more adults experiencing disabilities either physical or mental and place additional pressure on Adult Social Care. There may also be a subsequent impact on disabled children along with their parents. It is essential to ensure that both groups receive an appropriate standard of care despite the pressure on services to reduce costs. Subsequently young people transitioning from Children's social care to Adults Social Care could impact heavily on budget dependent on the needs of individuals identified.
- 10.7. The impact on poverty and inequality may be increased for those residents who were economically affected by Covid 19 and are currently in rent arrears, have debt to energy companies or elsewhere.

(Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance)

11. ENVIRONMENTAL IMPACT

- 11.1. There are no specific environmental impacts set out in this report

12. CRIME AND DISORDER REDUCTION IMPACT

- 12.1. There are no specific crime and disorder impacts set out in this report

13. DATA PROTECTION IMPLICATIONS

- 13.1. **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

- 13.2. **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO, as the report contains no sensitive/personal data

Approved by Nish Popat – Interim Head of Corporate Finance

APPENDIX 1 – SERVICE BUDGETS AND FORECASTS MONTH 3

	Approved Budget	Current Actuals	(%age)	Full-Yr. Forecast	Projected Variance
	(£,000's)	(£,000's)	(%age)	(£,000's)	(£,000's)
C1410E: ADULT SOCIAL CARE OPERATIONS	109,328	28,040	0	109,172	(156)
C1405E: TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	1,175	(1,592)	(1)	1,555	380
C1420E : ADULT SOCIAL CARE POLICY AND IMPROVEMENT	4,535	1,131	0	4,370	(165)
TOTAL ADULTS	115,038	27,580	0	115,097	58
C1305E : RESIDENT ENGAGEMENT AND ALLOCATIONS	8,175	(4,863)	(1)	9,561	1,387
C1310E : ESTATES AND IMPROVEMENT	82	80	1	82	(0)
TOTAL HOUSING	8,257	(4,782)	(1)	9,643	1,386
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTORATE SUMMARY	(262)	193	(1)	(262)	(0)
C1120E : SUSTAINABLE COMMUNITIES	22,479	8,880	0	37,667	15,188
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	4,543	943	0	4,996	453
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	696	839	1	1,546	850
TOTAL SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	27,456	10,856	0	43,947	16,491
C1605E : RESOURCES DIRECTORATE SUMMARY	(6,901)	122	(0)	(6,905)	(4)
C1610E : DIRECTOR OF FINANCE	9,114	19,349	2	15,622	6,508
C1620E : PENSIONS DIVISION	343	309	1	297	(46)
C1625E : MONITORING OFFICER	2,094	495	0	2,081	(13)
C1630E : INSURANCE, ANTI-FRAUD AND RISK	1,018	816	1	875	(143)
C1640E : LEGAL SERVICES DIVISION	(1,644)	181	(0)	(1,253)	391
C1650E : INTERNAL AUDIT SERVICE	597	143	0	642	45
C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	21,433	(714)	(0)	23,497	2,064
TOTAL RESOURCES	26,054	20,700	1	34,857	8,803
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	584	120	0	584	-
C1210E : CHILDREN'S SOCIAL CARE	72,879	11,252	0	72,601	-278
UNACCOMPANIED ASYLUM SEEKING CHILDREN (UASC) AND CARE LEAVERS	(4,630)	675	(0)	(4,630)	-
C1220E : EDUCATION DIVISION - exc DSG	7,425	11,602	2	7,579	154
C1230E : QUALITY, POLICY AND PERFORMANCE IMPROVEMENT	4,577	1,236	0	4,577	0
TOTAL CHILDRENS, FAMILIES AND EDUCATION	80,835	24,886	0	80,710	-125

C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	(90)	212	(2)	126	216
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	23,149	6,110	0	22,731	(418)
C1520E : CHIEF PEOPLE OFFICER DIVISION	3,192	824	0	3,193	1
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	6,111	3,891	1	5,925	(186)
C1540E : PUBLIC HEALTH	-	(4,455)	-	(0)	(0)
C1550E : SERVICE QUALITY, IMPROVEMENT AND INCLUSION	-	-	-	-	-
TOTAL ASSISTANT CHIEF EXECUTIVE	32,362	6,583	0	31,975	(387)

Appendix 2 – Capital Programme Month 3

	Revised Approved Budget	Actual to Date as at 30/06/22	Forecasts as at Period 3	Variance for Year
CAPITAL BUDGETS, MONITORING AND FORECASTS - PERIOD 3				
Scheme Name	2022/23	2022/23	2022/23	2022/23
	(£'000's)	(£,000's)	(£,000's)	(£,000's)
Disabled Facilities Grant	2,993	174	2,993	0
Empty Homes Grants	500	0	500	0
HOUSING	3,493	174	3,493	0
Adults ICT	110	0	110	0
Provider Services - Extra Care	500	0	500	0
Sheltered Housing	938	0	938	0
Capital investment in Garden Centre	159	0	159	0
ADULT SOCIAL CARE AND HEALTH	1,707	0	1,707	0
Bereavement Services	1,000	2	1,775	775
Finance and HR system	500	0	500	0
ICT	8,955	211	8,955	0
People ICT	3,000	335	3,000	0
Members Enquiries Transformation Bid	43	0	43	0
Core Contract Procurement Transformation	530	0	530	0
ASSISTANT CHIEF EXECUTIVE	14,028	548	14,803	775
Education – Fire Safety Works	902	0	902	0
Education - Fixed Term Expansions	3,243	3	1,243	(2,000)
Education - Major Maintenance	9,549	209	4,049	(5,500)
Education - Miscellaneous	0	7	134	134
Education - Permanent Expansion	44	0	319	275
Education - Secondary Estate	0	41	41	41
Education - SEN	2,226	133	1,026	(1,200)
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	393	7,714	(8,250)
Allotments	200	0	200	0
Fixtures & Fittings FFH	0	574	574	574
CALAT Transformation	390	0		(390)
Electric Vehicle Charging Points	500	0	500	0
Capitalised Feasibility Fund	330	0	330	0
Growth Zone	4,000	5	4,000	0
Grounds Maintenance Insourced Equipment	200	0	200	0
Highways - maintenance programme	8,618	0	13,290	4,672
Highways – flood water management	435	0	895	460
Highways - bridges and highways structures	3,403	67	3,403	0
Highways - Tree works	56	0	56	0
Mitigate unauthorised access to parks and open spaces	73	0	73	0
Leisure Equipment Upgrade	70	56	206	136
Libraries Investment - General	1,614	81	300	(1,314)
Libraries investment – South Norwood library	412	0	412	0
Museum Archives	75	0	75	0
Parking	2,141	63	0	(2,141)
Play Equipment	380	0	2,141	1,761
Safety - digital upgrade of CCTV	1,539	0	380	(1,159)
Section 106 Schemes	0	2	1,539	1,539

Signage	137	0	0	(137)
South Norwood Good Growth	1,032	38	274	(758)
Kenley Good Growth	425	35	1,208	783
Sustainability Programme	565	0	760	195
TFL - LIP	9,266	57	565	(8,701)
Unsuitable Housing Fund	0	(13)	4,174	4,174
Waste and Recycling Investment	1,000	0	1,000	0
Waste and Recycling - Don't Mess with Croydon	1,000	7	1,000	0
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	37,861	972	37,555	(306)
Asset Strategy - Stubbs Mead	700	0	300	(400)
Asset Strategy Programme	225	0	225	0
Asset Acquisition Fund	390	0	250	(140)
Clocktower Chillers	412	0	412	0
Corporate Property Maintenance Programme	2,500	158	2,716	216
Brick by Brick programme	6,203	0	6,203	0
Fairfield	1,000	1,271	3,448	2,448
Fieldway Cluster (Timebridge Community Centre)	0	0	248	248
Croydon Healthy Homes	404	0	0	(404)
RESOURCES	11,834	1,429	13,802	1,968
Capitalisation Direction	25,000	0	25,000	0
Transformation Spend (Flexible Capital Receipts)	2,500	0	2,500	0
CORPORATE ITEMS & FUNDING	27,500	0	27,500	0
NET GENERAL FUND TOTAL	112,387	3,516	106,574	(5,813)
Asset management ICT database	0	9	155	155
Fire safety programme	0	(20)	0	0
Larger Homes	0	0	0	0
Major Repairs and Improvements Programme	22,083	1,402	22,083	0
Affordable Housing	0	0	0	0
BBB Properties part funded by GLA and HRA RTB 141	0	0	0	0
Special Transfer Payments	0	0	0	0
HOUSING REVENUE ACCOUNT	22,083	1,391	22,238	155
GROSS CAPITAL PROGRAMME	134,470	4,907	128,812	(5,658)

Appendix 4 – Period 2 Financial Performance Report

SUBJECT:	Financial Performance Report – Month 2 (May 2022)
LEAD OFFICER:	Jane West, Corporate Director of Resources (Section 151)
CABINET MEMBER:	Councillor Jason Cummings Cabinet Member for Finance

SUMMARY OF REPORT:

This report provides the Council’s annual forecast as at Month 2 (May 2022) for the Council’s General Fund (GF), Housing Revenue Account (HRA) and the Capital Programme (CP). The report forms part of the Council’s financial management process of publicly reporting financial performance against its budgets on a monthly basis.

FINANCIAL IMPACT

The Month 2 position is currently indicating a net overspend of £11.839m against budget. There are a further set of risks and opportunities, which indicate a net risk of £6.299m (risks £13.744m and opportunities of £7.445m), but they are not yet sufficiently developed to be included in the outturn forecast. Should these materialise, they will have a further negative impact on the projected outturn forecast.

Section 3 details these risks and the risk mitigations that have been identified at this stage, and further discusses the impact on the GF if these risks were to materialise and the mitigations are not effective.

The HRA is indicating a £0.049m overspend variance against budget.

The Capital Programme has spent £3.312m against a £138.257m budget in the first month. Spend is forecast to be on target to the delivery timeline.

The Executive Mayor in Cabinet is recommended to:

- 1.21 Note the General Fund is projecting a net overspend of £11.839m as at Month 2. Service directorates are indicating a net £25.209m overspend with a £13.369m underspend corporately.
- 1.22 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change. These indicate a net risk of £6.279m (risks £13.724m and opportunities of £7.445m) and are reported within Section 3 of this report. Should these risks materialise, or the mitigations not be effective, the Council is forecast to overspend by £25.61m
- 1.23 Note the Housing Revenue Account (HRA) is projecting a £0.049m overspend.
- 1.24 Note the Capital Programme spend to date for the General Fund of £2.325m (against a budget of £114.549m) and for the Housing Revenue Account of

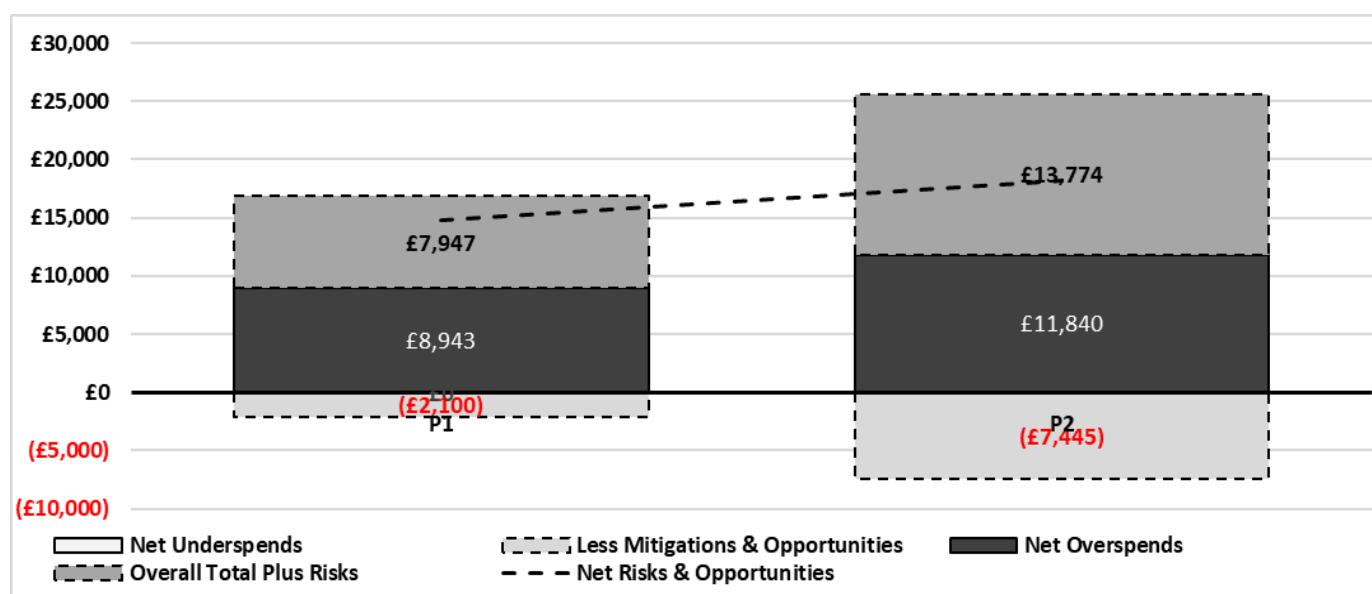
£0.246m (against a budget of £23.708m), with a projected forecast underspend of £6.782m variance for the General Fund and underspend of £1.625m for the Housing Revenue Account.

- 1.25 Note, the above figures are predicated on forecasts from Month 2 to the year end and therefore could be subject to change as forecasts are made based on the best available information at this time.
- 1.26 Note, the Council continues to operate with internal spending controls to ensure the financial control, oversight and strong financial culture continues to be embedded and practiced across the organisation.

5. EXECUTIVE SUMMARY

- 5.1. The Financial Performance Report (FPR) is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the GF, HRA and Capital Programme. The FPR ensures there is transparency in our financial position, enables scrutiny by both Members and the public, and offers reassurance in regard to the commitment by Chief Officers to more effective financial management and disciplines.
- 5.2. The GF revenue projected outturn forecast for Month 2 is a forecast overspend position of £11.839m.
- 5.3. There are a further set of risks and opportunities, which indicate a net risk of £6.279m (risks £13.724m and opportunities of £7.445m), but they are not yet sufficiently developed to be included in the outturn forecast. Should these materialise, they will have a further negative impact on the projected outturn forecast. These are outlined in detail in Section 3 of this report.
- 5.4. The chart below illustrates the trend in the monthly monitoring reports for this financial year and shows both the forecast as well as quantum of risks and opportunities together with the impact should all risks and opportunities fully materialise (dashed line)

Monthly Forecast, Risk & Opportunity Tracker



- 5.5. The Housing Revenue Account is forecasting an overspend of £0.049m (an increase of £0.049m on the Month 1 forecast). This unfavourable projected variance will be either be met by new in-year savings or be met from HRA reserves.
- 5.6. The Capital Programme for both the GF and HRA is reporting a total expenditure to date of £2.571m of which £2.325m is within GF and £0.246m for the HRA. The overall capital spend is projected to be £129.850m against a budget of £138.257m. This will result in a £8.407m underspend to budget at which a point a review will be done to reprofile the budget or save depending on stage of each corresponding project.
- 5.7. The 2022/23 outturn forecast includes the use of a £25m agreed capitalisation direction, which is currently used to balance the Council's budget.
- 5.8. This report forms part of the reporting framework on the delivery of the Croydon Renewal Plan by ensuring the delivery of the council's budget is reported monthly and transparently. Month 1 of this financial year reported in full the detail of Mayor Perry's Opening the Books initiative and provided a narrative update on the financial position. This report provides both narrative and tabular updates for Members. The format of this report will continue to evolve over this financial year. It will be important for the Council to be able to identify the additional pressures that the global economic crisis is causing in inflation and the impact on supplies and services the Council provides.
- 5.9. The Council continues to build on the improvements that were made over the past year however there is a considerable amount yet to do, which is fully recognised within the organisation. The Council's financial recovery is outlined within the three-year MTFS. The second year of that strategy has always been recognised as the toughest of the three to deliver.
- 5.10. In addition, and as this report identifies, the Council continues to face significant financial pressures. The outturn forecast identifies a serious overspend that the Council will need to mitigate, and this report flags a number of other risks that could

be realised and be declared in the outturn forecast which would further worsen the position.

- 5.11. Over the last financial year, a monthly budget assurance process and independent challenge of expenditure by the Improvement and Assurance Panel took place. This is in addition to Member scrutiny. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the assurance meetings is to provide the Section 151 Officer and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings are delivered and income targets are met and overall ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.
- 5.12. This report provides a Month 2 position, which is still at an early stage of the financial year and therefore gives the Council opportunity to ensure the significant pressures are mitigated. The macroeconomic climate is causing further pressures on the Council particularly from a very tight labour market and the significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale input costs. The Council has budgeted a 5% inflationary uplift on all its contracts costs which is a prudent level compared to historic standards. However current inflation rates are significantly higher than this which poses an added challenge. The Council cannot absorb all inflationary costs and will need to find ways to ensure the burden of these costs is fairly shared with our suppliers.
- 5.13. In addition, the Council is continuing to work closely with the external auditors on finalising the 2019/2020 and 2020/2021 audit of accounts and is in the process of completing the accounts for 2021/22.

6. FINANCIAL POSITION

- 6.1. The FPR shows that the Council is forecast to have a GF net overspend variance of £11.839m as at Month 2.
- 6.2. Directorate teams and Finance colleagues meet monthly to review the forecast position for each area, including risks of overspending and identify further options to mitigate these. A table of risks and opportunities are provided within this section where applicable.
- 6.3. The forecast outturn position of the General Fund is shown below in Table 1.

Table 1 – Month 2 Projection per Directorate

	Month 2				
	Forecast Variance		Change from previous month	Savings Non-Delivery	Other Pressures / (Mitigations)
	(£,000's)		(£,000's)	(£,000's)	(£,000's)
Children, Young People and Education	(421)		(421)	0	(421)
Adult Social Care and Health	(158)		(538)	380	(538)
Housing	661		661	50	611
Sustainable Communities Regen & Economic Recovery	15,820		2,888	6,448	9,372
Resources	9,298		4,298	0	9,298
Assistant Chief Executive	9		9	112	(103)
Departmental Total	25,208		6,897	6,990	18,219
Corporate Items & Funding	(13,369)		(4,000)	0	(13,369)
Total General Fund	11,839		2,897	6,990	4,850

6.4. Net overspends and underspends within the service budgets are presented as forecast variance (as per Table 1) and are additionally classified as either non-delivery of agreed in year savings or other pressures which were not foreseen. Explanations of any variances are provided within Section 4 of this report.

6.5. The main areas of movement from Month 1 are as follows:

- Adult Social Care and Health £0.538m **favourable** movement due to an underspend in staff due to vacancies.
- Sustainable Communities, Regeneration and Economic Recovery **adverse** movement of £2.888m due to reported lower than expected income from various Parking services and projected additional pressures in relation to Street lighting energy costs which are above the 5% Council wide inflation allocation.
- Resources £4.298m **adverse** movement, principally related the shortfall in Housing Benefit subsidy claimable and a overspend in relation to utility costs due to an increase in energy prices which are above the 5% Council wide inflation allocation.
- Housing is indicating a £0.661m **adverse** movement due to an increase in Temporary Accommodation spend.
- Children Young People and Education indicating an overall £0.421m **favourable** movement due to underspends from holding vacancies and reduced children

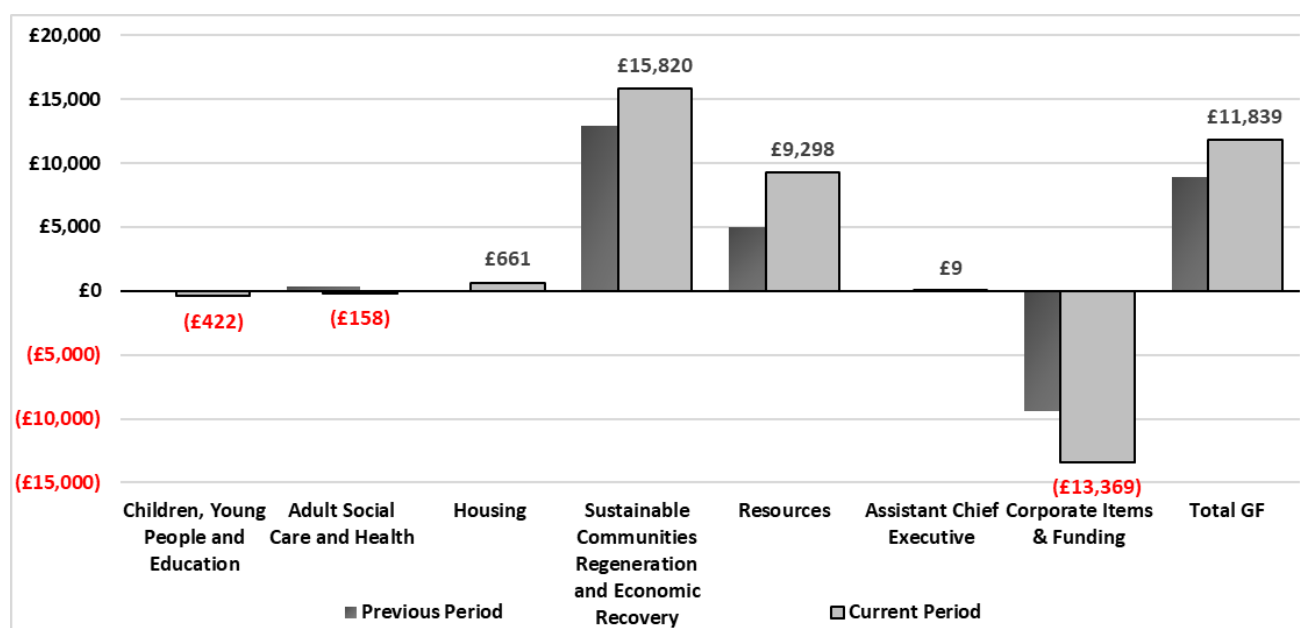
numbers in care which is resulting in projected lower placement costs with providers.

- Corporate Budget has released £5.00m of its contingency pot along with £4m of contract inflation budget to support some of the in year inflationary pressures that the services are experiencing.

Further details for each Directorate can be found in section 4 of this report.

6.6. The chart below shows the forecast by Directorate for both the current and previous month:

Forecast as at Month 2



Risks and Risk mitigations

- 6.7. The outturn forecast has been reported excluding further potential risks and risk mitigations. Risks and risk mitigations are split into quantified and unquantified items.
- 6.8. As with the outturn forecast set out in Table 1 risks are separately reported for those elements that relate to potential under-delivery of approved savings, as agreed by Full Council in March 2022, and those that are new and not directly related to agreed savings plans. The Council is encouraged to be transparent in flagging its risks that could potentially result in a change to the outturn forecast. This allows the Council to act and support these challenges before they become realised.
- 6.9. Table 2a below provides for details of MTFs savings that have not been delivered with a brief commentary of the projects that are not delivering the expected savings and Table 2b provides a list of quantified and unquantified other risks, which are in addition to the savings risks.

6.10. These meetings identify savings at risk and mitigations for both the current and future years. Where risks are quantified currently, these are based on high level information and directorate experiences of the service.

Table 2a – Month 2 MTFS Savings Risk

MTFS Savings Ref	MTFS Savings Description	Savings at risk Month 2	Savings at risk Month 1	Change From Prior Month
		(£,000's)	(£,000's)	(£,000's)
22/23 O/S Form 02	Review Children's Centres Delivery Model	790	0	790
CFE Sav 06	Review Support for Young People where Appeal Rights Exhausted	140	0	140
CFE Sav 07	Improve Practice System Efficiency	290	0	290
Children, Young People and Education Total		1,220	0	1,220
HWA Sav 06	Baseline Savings - Disabilities Operational Budget	833	0	833
HWA Sav 09	Baseline Savings - Mental Health Operational Budget	83	0	83
HWA Sav 19	Baseline Savings - Older People Operational Budget	194	0	194
Adult Social Care and Health Total		1,110	0	1,110
22/23 HSG SAV 11	Procurement of Emergency Accommodation Contracts	125	125	0
22/23 HSG SAV 12	Staffing Review	113	113	0
22/23 HSG SAV 13	Income Maximisation - Rent Collection	168	168	0
22/23 HSG SAV 14	Housing Benefit Maximisation	60	60	0
Housing Total		466	466	0
22/23 COR SAV 13x	Contract Savings - Pay and Display Machines	300	0	300
22/23 PLA SAV 03	Review and reduction of the Neighbourhood Operations (NSO team) 22/23 £950k 23/24 £150k	260	0	260
22/23 PLA SAV 04	Private Sector Environmental Enforcement	63	0	63
22/23 PLA SAV 28	New gym in Monks Hill Leisure Centre	90	0	90
22/23 PLA SAV 31	Merger of Management Functions	100	0	100

PLA Sav 07	Reduce Spatial Planning (Local Plan Team and Place Making Team)	484	0	484
PLA Sav 12	Revised Landlord Licensing scheme	150	0	150
Transfer 02	Fees And Charges	58	0	58
22/23 O/S Form 20	Increase in fees and charges	292		292
Sustainable Communities Regen & Economic Recovery Total		1,797	0	1,847
22/23 RES SAV 01	Council wide legal services review	130	0	130
Transfer 02	Fees and Charges	26	0	26
22/23 O/S Form 20	Increase in fees and charges	143	0	143
Resources Total		299	0	299
Corporate Items & Funding Total		0	0	0
22/23 COR SAV 09	Rationalisation of software applications and contracts	750	0	750
Assistant Chief Executive Total		750	0	750
Total Savings at Risk		5,641	466	5,226

Table 2b – Other quantifiable and unquantifiable risks

Quantified Risks	Month 2 £'000	Month 1 £'000	Details of Risk
Children, Young People and Education	3,734	4,200	Education and Health Care Coordinators staffing cost that will need to be funded by the Council. (£1.00m) This represents additional staffing resources more likely to be required to meet the SEND Strategy
			Capitalisation income (£0.784m) This is a historic income budget that was added to Children's Social Care. This amount was funded from capital receipts until 2020/21 and the directorate will need to find alternative sources. .
			Public Health savings (£0.400m) Work previously supported by the Public Health grant by the service cannot be recharged to Public Health and so the service will need to find alternative funding sources.

			<p>CLA Cost of Living (£1.500m) There is an expectation that children in care providers will increase placement costs as cost of living rises</p> <p>Delayed implementation of Children Centre (£0.050m) In House project Expected savings from project at risk due to delayed implementation - savings at risk.</p>
Adult Social Care and Health	-	-	None
Housing	-	-	None
Sustainable Communities Regen & Economic Recovery	3,082	3,281	<p>Energy cost pressure in Leisure Contract – (£0.500m) This may need renegotiation with the Leisure provider and therefore cannot be fully quantified at this time.</p> <p>Risk of Additional Street Lighting Energy Costs (£0.195m) Projections give a higher and lower projection and this is if the higher projection comes to fruition.</p> <p>Additional RISK in SEN Transport (£1.00m) Due to continuing increase in the number of SEN Users and passenger rote number variances due to COVID pressures.</p> <p>Waste Guaranteed Income Risk (£0.812m) Risk Identified by SLWP in connection with Veolia Claim for reduction in Guaranteed Income Payable to Council due the continued effect on Commercial Income Due to Covid. This is being disputed by the South London Waste Partnership</p> <p>Delay in closure of NSO service Pressure (£0.450m) - due to internal review of the process to close NSO service following internal review. This is being reconsidered and the risk maybe mitigated and will be reported in P3.</p> <p>Additional pressure due to internal review of the process of closure of NSO service (£0.125m). The outsourcing of Environmental Enforcement Team earmarked in MTFS for 22/23 was based on the closure of the NSO Service which has been delayed due to an further review.</p>
Resources	640	-	<p>Masts Income (£0.200m) Income from masts stationed on various Housing buildings will need to be charged to the HRA rather than the GF.</p> <p>Additional Fees and Charges pressure in addition to Savings Target (£0.143m)</p> <p>Vacant Commercial Units which are proving difficult to rent out (£0.297m)</p>
Assistant Chief Executive	627	-	<p>Green Lawn Memorial Park (£0.127m) Risk based upon the current reduced death rate and the lack of available graves for sale until the cemetery extension opens.</p>

			<p>Crematorium (£0.300m) Death rate currently decreasing, increased competition from neighbouring facilities</p> <p>Registrars (£0.200m) Future demand particularly around weddings is difficult to predict but current recorded income is well behind target.</p>
Total Quantified Risks	8,083	7,481	

Un-Quantified Risks	Month 2 £'000	Month 1 £'000	Details of Risk
Children, Families and Education			None
Adults, Health and Social Care			<p>Latent Demand Potential post Covid-19 pandemic latent demand working through the population resulting in additional care packages placements.</p> <p>Rising Provider Costs Inflation, rising fuel and food costs significant expenditure for care providers - may result in claims for increased fees or face financial instability</p>
Housing			<p>New Housing Structure (temporary) We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers, approx £100k Transformation Funding has been requested to resource these additional positions.</p>
Sustainable Communities Regen & Economic Recovery			None
Resources			<p>Core Savings and Fees & Charges Review Budgeted savings on fees & charges (£312,000) and contracts (£350,000) will be difficult to achieve. Costs in these areas for this service are contract based and are not easily varied in the short term. It is intended to mitigate this in year.</p>
			<p>Legal Trading Model The legal trading services model is under review. Until this review is completed officers are flagging this area as a risk. Last year Legal Services were overspent by £306,000.</p>
			<p>Permanent Establishment Shortfall There is a permanent shortfall in the establishment budget of £527,000. Last year this was mitigated by vacancy savings and court cost recovery. Vacancies have been identified as savings in 2022/23 and it is expected that court cost recovery levels will reduce once backlogs caused by the pandemic, are managed down. It is intended to mitigate this in year</p>
Assistant Chief Executive			The service is exploring options for achieving the £750k savings, but until they are assured they can be achieved this is flagged as a risk.

			The ACE department needs to review fees and charges budgets. Until the exercise is completed this saving is at risk if not being achieved.
Corporate Items & Funding			None
Total Un-Quantified Risks			

6.11. Table 3 provides a list of quantified and unquantified risk mitigations or opportunities. These are potential risk mitigations that will require further assurance to be included within the forecast. Service managers have identified these as potential mitigations to the risks identified Tables 2a and 2b.

Table 3 - Quantifiable and unquantifiable opportunities

Quantified Opportunities	Month 2 £'000	Month 1 £'000	Details of Opportunities
Children, Young People and Education	(1,000)	(2,100)	Staying Put Grant (£1.00m) Increasing the income budget in 2022/23 in line with the actual grant
Adult Social Care and Health	-	-	None
Housing	-	-	None
Sustainable Communities Regen & Economic Recovery	-	-	None
Resources	(2,445)	-	Additional Interest Charge budget in Property
Assistant Chief Executive	-	-	None
Corporate Items & Funding	(4,000)		Call on Corporate Earmarked One-off contingency reserves to fund additional inflationary pressures across the Council.
Total Quantified Opportunities	(7,445)	(2,100)	
Un-Quantified Opportunities	Month 2 £'000	Month 1 £'000	Details of Opportunities
Children, Young People and Education	-	-	Legal This is being reviewed by Resources as part of the legal recharges and the service are also looking to reduce legal costs.
Adult Social Care and Health	-	-	None
Housing	-		New Housing Structure (temporary) We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers, approx £100k. Transformation Funding has been requested to resource these additional positions.

	-	-	Corporate Inflation Reserve to Cover Inflation on Waste Disposal Contract Bid still to be made for corporate inflation reserve funding (awaiting Waste Disposal Contract Inflation to be agreed before putting directorate bid In.
Sustainable Communities Regen & Economic Recovery	-	-	Fees and Charges Allocations against Statutory Charges Fees and Charges increases have been allocated to budget which have now been identified as not deliverable. However, a one-off corporate funding is expected to support.
	-	-	Salary Savings Further salary underspends likely through holding vacancies and managing recruitment of staff needs.
Resources	-	-	None
Assistant Chief Executive	-	-	None
Corporate Items & Funding	-	-	None
Total Un-Quantified Opportunities			

7. SERVICE VARIANCE DETAIL

7.1. Children, Young People and Education (CYPE)

At Month 2 a £0.421m **underspend** has been forecast, with £1.2m of MTFS savings at risk of non-delivery together with £3.73m of other risks against £1.0m of opportunities.

The forecast is a combination of a projected underspend within Children Social Care service of £0.65m and an overspend of £0.225m within non-DSG Education services. The Children Social Care team is projecting underspends within placement costs for both under 18 and 18+ children looked after.

The Directorate has identified £3.73m of other risks which if realised could have a material impact on the CYPE forecast. The risks as indicated within Table 2b relate to costs pressures such inflationary pressures above and beyond Council budgets and loss of income and contribution from the Council's partners. However, the Directorate has identified a potential opportunity as well from the allocation of one-off grant funding that could be used to support costs that the Council is currently paying for. The terms of this grant are being evaluated and once confirmed this will be adjusted within the Forecast.

7.2. Adult Social Care and Health Social Care (ASCH)

At Month 2 an **underspend** of £0.158m is forecast with £1.110m MTFs savings at risk of non-delivery.

The underspend forecast is a net position of a projected overspend within the Adult Social Directorate of £0.380m and a projected underspend of £0.536m within Adult Social Care Operations.

The overspend within Directorate relates to Public Health income, which was allocated to Adults but, due to service changes, there is now insufficient expenditure that meets Public Health outcomes and so the income cannot be achieved. Further work is being undertaken to ascertain where this funding can be utilised.

The underspend within Adult Social Care Operations relates to vacancies which are expected to be filled over the coming months.

However, whilst the current forecast projects an underspend there is a risk that some savings may not be achieved. This is, in part, due to the levels of vacancies within Social Care Operations. The total risk indicated is £1.110m.

In addition, there are unquantified risks due to potential post Covid-19 latent demand resulting in additional care requirements and the rising inflation for care providers which may result in increased costs for existing care.

7.3. **Housing**

At Month 2 Housing is forecasting a £0.661m **overspend** in relation to temporary accommodation with risks around the non-delivery of £0.466m of savings and a potential unquantified opportunity in relation to the funding for the current interim structure in tenancy services.

7.4. **Sustainable Communities, Regeneration & Economic Recovery (SCRER)**

The SCRER directorate is forecasting a net **overspend** of £15.820m, the main area of overspend relates to £10.5m shortfall in parking income, £0.950m relating to streetlighting energy costs and £0.5m SEN transport costs.

There are also £3.00m risks identified and £1.847m savings at risk, at this early stage no quantified opportunities have been identified by the SCRER directorate.

The key service areas that are experiencing these overspend are within the Sustainable Communities division and particularly parking teams. Demand for parking services has not reached pre-pandemic levels and this is affecting all areas of parking which includes, ANPR income shortfall, pay and display shortfall and on-street parking. The division is also expecting delays in obtaining a License to run the Selective Licensing scheme is further adding pressures.

Further pressures are experienced within Planning and Sustainable Regeneration Services particularly in relation to Building Control Income and income from Planning services.

7.5. **Resources**

At Month 2 there is a £9.298m **overspend** forecasted, which is largely relating to loss in housing benefit subsidy and projected increases in energy costs across the Council's corporate estates. The £5m HB pressures is being reviewed and further work is being done to review the pressure and steps are being taken to mitigate this. An updated position will be reflected in Month 3.

In addition, there are savings at risk of £0.299m and £0.640m of other risks in relation to fees and charges but these can be offset against a potential opportunity of £2.4m in relation to a budget held for covering costs of interest for commercial properties financed using borrowing.

7.6. **Assistant Chief Executive**

At Month 2 £0.009m **overspend** is being projected with further savings risk of £0.750m being at risk of delivery. In addition, the service has identified £0.627m of other risks within bereavement and registrars however no mitigations or opportunities have been identified.

At this early-stage further work is still being carried out to review fees and charges and the rationalisation of software applications to ensure that the savings delivery risks are mitigated.

7.7. **Corporate**

At Month 2, the Corporate position is projecting an underspend of **£13.369m**. The Corporate budget holds key funding and financing streams such as Council Tax, Business Rates income share and General Revenue Support grant income. The Corporate budget also allocates Council wide risk contingency, inflation growth budgets and budgets to fund corporate debt and interest charges.

As part of the Month 2 position, the Council has determined that it would be fair to allocate the General Risk Provision of **£6.415m** to support service-related pressures that have arisen in the Month 2 monitor. Furthermore, the Council set aside **£2.954m** as part of the 2022/23 Budget to support the need for additional responsibilities Croydon has towards Unaccompanied Asylum-Seeking children (UASC). Based on the outturn for 2021/22 and a better management of these costs, with support from external partners and Government, it is prudent to release this budget and use this to support the pressures currently being experienced within services.

Furthermore, some services have projected inflationary increases within their forecasts. The Council had budgeted 5% towards contract inflation costs and as some services have factored these costs within their forecast the corporate allocation has been released to support those increases which account for **£4.00m**. A detailed inflation allocation exercise will be carried out in Month 3 and Month 4 as more information is gathered from conversations with suppliers along with contractual assessments have been done.

Corporate Finance have also identified a further £4.0m of reserve drawdown in 2021/22 to support the in year inflationary pressures that the Council is facing as a result of macroeconomic factors which are largely not in the Council's control.

7.8. Table 4 below summaries the overall position:

Table 4 – Summary – Month 2 with Month 1 Comparator

	Month 2	Month 1	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	11,839	8,943	2,897
Table 2a - MTFS Savings Risk	5,641	466	5,226
Table 2b - Quantifiable Risks	8,083	7,481	602
Table 3 - Quantifiable Opportunities	(7,445)	(2,100)	(1,345)
Total	18,118	14,789	7,379

8. Housing Revenue Account (HRA)

8.1. The HRA is currently forecasting a £0.049m variance against budget.

Table 5 – Housing Revenue Month 2 forecast

SERVICES	Projected Variance for Month	Variance For Previous Month	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs and Safety	(7)	0	(7)	
Asset Planning and Capital Delivery	0	0	0	
Allocations Lettings and Income Collection	(0)	0	(0)	
Tenancy and Resident Engagement	6	0	6	
Homelessness and Assessments	50	0	50	Overspend on costs based on 21/22 outturn in relation to Concord, Sycamore and Windsor
Directorate & Centralised costs	(0)	0	(0)	
	49	0	49	

8.2. The variance at Month 2 is relatively small and the service will continue to ensure it delivers the HRA within allocated budget. Nonetheless, the HRA has sufficient ring-fenced reserves to meet the £0.049m overspend currently projected if in year mitigations can't be found.

9. Capital Programme as Month 2

9.1. The GF and HRA capital programme have currently spent a gross £2.571m to the end of Month 2 against approved budgets of £138.257m. Forecast spend is £129.850m resulting in a forecast variance of £8.407m.

9.2. The table below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2.

Table 6 – Capital Programme as Month 2

Department	Approved Budget 2022/23	Actuals 2022/23 as at Month 2	Forecasts 2022/23 as at Month 2	Variance
	£'000	£'000	£'000	£'000
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	276	7,714	(8,250)
ADULT SOCIAL CARE AND HEALTH	1,707	0	1,707	0
HOUSING	3,493	78	3,493	0
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	45,064	1,618	45,757	693
RESOURCES	4,631	112	4,631	0
ASSISTANT CHIEF EXECUTIVE	14,028	241	14,803	775
CORPORATE ITEMS & FUNDING	29,662	0	29,662	0
General Fund Total	114,549	2,325	107,767	(6,782)
HOUSING REVENUE ACCOUNT	23,708	246	22,083	(1,625)
LBC CAPITAL PROGRAMME TOTAL	138,257	2,571	129,850	(8,407)

9.3. At this early stage no underspends have been identified, but as we continue through the year any variances projected will be considered to be slipped into the new financial year, subject to Mayoral approval at year end and further due diligence on the state of the projects and their future delivery needs and prospects.

10. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.9 Finance comments have been provided throughout this report.

(Approved: Matt Davis – Interim Director of Finance)

11. LEGAL CONSIDERATIONS

5.10 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance and Monitoring Officer that the Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

5.11 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.

5.12 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report also complies with that legal duty.

(To Be Approved by: Doutimi Aseh - Interim Director of Legal Services & Deputy Monitoring Officer)

12. HUMAN RESOURCES IMPACT

5.13 There are no immediate workforce implications as a result of the recommendations in this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation on budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and where necessary consultation with recognised trade unions.

Approved by: Dean Shoesmith, Chief People Officer

13. EQUALITIES IMPACT

5.14 There are no specific equalities issues set out in this report.

5.15 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

- (g) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (h) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- (i) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

5.16 In setting the Council's budget for 2021/2022, all savings proposals were required to complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts.

5.17 The Council's core priority is to tackle ingrained inequality and poverty and tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. The budget should take due regard to this objective in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, and disabled people and families is key to this regard.

5.18 The proposal to increase parking charges is likely to have an adverse impact on poverty and a socio-economic impact on residents. Deprivation in borough is largely focused in the north and the east where most ethnic residents reside. Any increase in parking is likely to impact further on communities already suffering from poverty and the impact of Covid 19 and job losses because of this

5.19 The full impacts of Covid 19 and long Covid on the Adult Social Care Service may not be apparent at this time and could possibly lead to more adults experiencing disabilities

and additional pressure on Adult Social Care. There may also be a subsequent impact on disabled children along with their parents. It is essential to ensure that both groups receive an appropriate standard of care despite the pressure on services to reduce costs. Subsequently young people transitioning from Children's social care to Adults Social Care could impact heavily on budget dependent on the needs of individuals identified.

5.20 The impact on poverty and inequality may be increased for those residents who were economically affected by Covid 19 and are currently in rent arrears. The rent increase may exasperate this, and mitigation has already been identified to this regard. However, rent increases could potentially increase the number of homeless people and families.

5.21 Departments should ensure that they pay due regard to all protected characteristics regarding potential mitigation to proposals.

(To be Approved by: Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance)

14 ENVIRONMENTAL IMPACT

There are no specific environmental impacts set out in this report

15 CRIME AND DISORDER REDUCTION IMPACT

There are no specific crime and disorder impacts set out in this report

16 DATA PROTECTION IMPLICATIONS

WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO, as the report contains no sensitive/personal data

APPENDIX 1 – SERVICE BUDGETS AND FORECASTS MONTH 2

	Approved Budget	Current Actuals	(%age)	Full-Yr Forecast	Projected Variance
	(£,000's)	(£,000's)	(%age)	(£,000's)	(£,000's)
C1410E : ADULT SOCIAL CARE OPERATIONS	107,125	17,416	0	106,589	(538)
C1405E : TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	2,683	(1,691)	(1)	3,063	380
C1420E : ADULT SOCIAL CARE POLICY AND IMPROVEMENT	4,407	626	0	4,407	-
TOTAL ADULTS	114,215	16,351	0	114,059	(158)
C1305E : RESIDENT ENGAGEMENT AND ALLOCATIONS	7,962	(1,344)	1	8,623	661
C1310E : ESTATES AND IMPROVEMENT	66	48	0	66	0
TOTAL HOUSING	8,028	4,146	1	8,689	661
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTORATE SUMMARY	(286)	141	(0)	(286)	(0)
C1120E : SUSTAINABLE COMMUNITIES	21,710	4,205	0	36,524	14,814
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	4,652	546	0	5,018	366
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	391	1,331	3	1,031	640
TOTAL SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	26,467	6,224	0	42,287	15,820
C1605E : RESOURCES DIRECTORATE SUMMARY	(7,511)	78	(0)	(7,510)	1
C1610E : DIRECTOR OF FINANCE	8,838	26,833	3	13,838	5,000
C1620E : PENSIONS DIVISION	315	206	1	315	(0)
C1625E : MONITORING OFFICER	2,078	323	0	2,066	(12)
C1630E : INSURANCE, ANTI-FRAUD AND RISK	994	491	0	987	(7)
C1640E : LEGAL SERVICES DIVISION	(1,713)	(247)	0	(1,322)	391
C1650E : INTERNAL AUDIT SERVICE	595	88	0	639	44
C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	21,191	(3,447)	(0)	25,072	3,881
TOTAL RESOURCES	24,787	24,324	1	34,085	9,298

	Approved Budget	Current Actuals	(%age)	Full-Yr Forecast	Projected Variance
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	574	81	0	574	-
C1210E : CHILDREN'S SOCIAL CARE	72,014	7,776	0	71,368	(646)
UNACCOMPANIED ASYLUM SEEKING CHILDREN (UASC) AND CARE LEAVERS	(4,630)	2,072	(0)	(4,630)	(0)
C1220E : EDUCATION DIVISION - exc DSG	7,257	12,109	2	7,482	225
C1230E : QUALITY, POLICY AND PERFORMANCE IMPROVEMENT	4,468	742	0	4,468	-
TOTAL CHILDRENS, FAMILIES AND EDUCATION	79,683	22,780	0	78,702	(421)
C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	(104)	153	(1)	130	234
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	22,887	3,687	0	22,807	(80)
C1520E : CHIEF PEOPLE OFFICER DIVISION	3,689	536	0	3,755	66
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	6,006	2,597	0	5,794	(212)
C1540E : PUBLIC HEALTH	-	(7,650)	-	0	(0)
TOTAL ASSISTANT CHIEF EXECUTIVE	32,478	(677)	(0)	32,487	9

Appendix 2 – Capital Programme Month 2

Scheme Name	Approved Budget 2022/2023 £'000	Actual to Date as at Period 2 £'000	Forecast for year end 2022/2023 £'000	Variance to Date 2022/2023 £'000
Disabled Facilities Grant	2,993	78	2,993	0
Empty Homes Grants	500	0	500	0
HOUSING	£3,493	£78	£3,493	£0
Adults ICT	110	0	110	0
Provider Services - Extra Care	500	0	500	0
Sheltered Housing	938	0	938	0
Capital investment in Garden Centre for People with social care needs	159	0	159	0
ADULT SOCIAL CARE AND HEALTH	£1,707	£0	£1,707	£0
Bereavement Services	1,000	2	1,775	775
Finance and HR system	500	0	500	0
ICT Refresh & Transformation	8,955	33	8,955	0
People ICT	3,000	206	3,000	0
Members Enquiries Transformation Bid	43	0	43	0
Core Contract Procurement Transformation	530	0	530	0
ASSISTANT CHIEF EXECUTIVE	£14,028	£241	£14,803	£775
Education – Fire Safety Works	902	0	902	0
Education - Fixed Term Expansions	3,243	2	1,243	(2,000)
Education - Major Maintenance	9,549	94	4,049	(5,500)
Kenley School Modular Replacement Works	0	7	134	134
Education - Permanent Expansion	44	0	319	275
Education - Secondary Estate	0	41	41	41
Education - SEN	2,226	132	1,026	(1,200)
CHILDREN, YOUNG PEOPLE AND EDUCATION	£15,964	£276	£7,714	(£8,250)
Allotments	200	0	200	0
Brick by Brick programme	6,203	0	6,203	0
Fairfield Halls Refurb	1,000	1,274	2,300	1,300
Fixtures & Fittings FFH	0	571	571	571
CALAT Transformation	390	0	390	0
Electric Vehicle Charging Points	500	0	500	0
Capitalised Feasibility Fund	330	0	330	0
Growth Zone	4,000	(25)	4,000	0
Grounds Maintenance Insourced Equipment	200	0	200	0
Highways - maintenance programme	8,618	0	8,618	0
Highways – flood water management	435	0	435	0
Highways – bridges and highways structures	3,403	57	3,403	0
Highways - Tree works	56	(33)	56	0
Mitigate unauthorised access to parks and open spaces	73	0	73	0
Leisure centres equipment upgrade	70	56	206	136
Libraries Investment - General	1,614	63	300	(1,314)

Libraries investment – South Norwood library	412		412	0
Museum Archives	75		75	0
Parking	2,141	63	2,141	0
Play Equipment	380	0	380	0
Safety - digital upgrade of CCTV	1,539	(8)	1,539	0
Section 106 Schemes	0	1	0	0
Signage	137	0	137	0
South Norwood Regeneration	1,032	(377)	1,032	0
Connected Kenley	425	0	425	0
Sustainability Programme	565	0	565	0
TFL - LIP	9,266	0	9,266	0
Waste and Recycling Investment	1,000	0	1,000	0
Waste and Recycling – Don't Mess with Croydon	1,000	7	1,000	0
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	£45,064	£1,618	£45,757	£693
Asset Strategy - Stubbs Mead	700	0	700	0
Asset Strategy Programme	225	0	225	0
Asset Acquisition Fund	390	0	390	0
Clocktower Chillers	412	0	412	0
Corporate Property Programme	2,500	112	2,500	0
Croydon Healthy Homes	404	0	404	0
RESOURCES	£4,631	£112	£4,631	£0
Capitalisation Direction	25,000	0	25,000	0
Transformation Spend (Flexible Capital Receipts)	4,662	0	4,662	0
CORPORATE	£29,662	£0	£29,662	£0
NET GENERAL FUND TOTAL	£114,549	£2,325	£107,767	(£6,782)
Fire safety (Sprinkler) programme		(28)		0
Major Repairs and Improvements Programme	23,708	274	22,083	(1,625)
HOUSING REVENUE ACCOUNT	£23,708	£246	£22,083	(£1,625)
	£138,257	£2,571	£129,850	(£8,407)

REPORT TO:	Cabinet 12th October 2022
SUBJECT:	Financial Performance Report – Month 5 (August 2022)
LEAD OFFICER:	Jane West, Corporate Director of Resources (Section 151)
CABINET MEMBER:	Councillor Jason Cummings Cabinet Member for Finance

SUMMARY OF REPORT:

This report provides the Council's annual forecast as at Month 5 (August 2022) for the Council's General Fund (GF), Housing Revenue Account (HRA) and the Capital Programme (CP). The report forms part of the Council's financial management process for publicly reporting financial performance against its budgets on a monthly basis.

FINANCIAL IMPACT

	Forecast Month 5	Forecast Month 4	Movement
	£m	£m	£m
General Fund over/(underspend)	10.5	9.5	1.0
Housing Revenue Account over/(underspend)	3.2	3.1	0.1

	Original Approved Budget 2022/2023	Actual to Date as at 31/08/22	Forecast for year end 2022/2023	Forecast Variance for year end 2022/2023
	£m	£m	£m	£m
Capital Programme	134.152	12.622	123.387	(10.765)

The Month 5 position for the General Fund shows a worsening of **£1.064m** in the forecast outturn for 2022/23 since Month 4, mainly due to the Housing service seeing an increase in demand for temporary accommodation and rising rental costs.

The Month 5 end of year projection for the General Fund is indicating a net overspend of **£10.547m** against the budget.

There are a further set of risks and opportunities, which indicate a net opportunity of **£1.838m** (risks **£10.769m** and opportunities of **£12.607m**) most of which are not yet sufficiently developed to be included in the outturn forecast.

Should all these risks materialise, and none of the mitigations be effective, the Council could overspend by **£21.316m**. However, if none of the risks materialise and all the opportunities are delivered, the Council could underspend by **£2.060m**.

It should be noted that the overall financial position of the Council suggests it is highly unlikely that it will be possible to use the existing £6.887m corporate budget to top up the Council's reserves in 2022/23. This budget is currently included as an opportunity in this month's report but from next month will be moved into the end of year projected outturn. Had this been actioned this month, the projected overspend this month would have been £3.6m. This is reflected at 2.18 which sets out the current projection for reserves at the end of the year.

Work is continuing to look at measures to mitigate the forecast overspend and avert any further adverse impacts on the forecast. Early mitigating actions are reported as opportunities in this report. The impact of the in-year position is also being considered as part of the planning for 2023/24.

Paragraph 2.15 includes a Deficit Recovery Plan which sets out the actions the Council is taking to mitigate the projected overspend, which together with minimising risks and maximising opportunities is designed to eliminate the overspend by the end of the financial year.

Section 3 details these risks and the risk mitigations that have been identified at this stage.

The Housing Revenue Account is forecasting a **£3.210m** overspend variance against budget at the end of the year, an adverse movement by **£0.063m** mainly due to inflation in energy costs.

The Capital Programme has spent **£12.622m** against a **£134.152m** budget in the fifth month. The end of year position is forecast to be an underspend of **£10.765m**.

The Executive Mayor in Cabinet is recommended to:

- 1.1 Note the General Fund is projecting a net overspend of £10.547m as at Month 5, or £3.6m assuming the budgeted contribution to reserves is moved from opportunities into the projected outturn. Service directorates are indicating a £25.316m overspend with a £14.769m underspend corporately.
- 1.2 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change. These indicate a net opportunity of £1.838m (risks £10.769m and opportunities of £12.607m) and are reported within Section 3 of this report. Should all these risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £21.316m. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £2.060m.
- 1.3 Note the further actions being taken, through development of the Deficit Recovery plan, to mitigate the projected overspend with a view to eliminating it by the end of the financial year. Further details are in paragraph 2.15.
- 1.4 To approve the non-delivery of the MTFS savings as indicated within Table 2b.
- 1.5 Note the Housing Revenue Account (HRA) is projecting an end of year position of a £3.210m overspend, mainly due to inflation in energy costs.
- 1.6 Note the Capital Programme spend to date for the General Fund of £7.644m (against a budget of £112.069m) with a projected forecast underspend of £7.715m for the end of the year.
- 1.7 Note the Housing Revenue Account Capital Programme spend to date of £4.978m (against a budget of £22.083m), with a projected forecast underspend of £3.050m for the end of the year.
- 1.8 Note, the above figures are predicated on forecasts from Month 5 to the year end and therefore could be subject to change as forecasts are made based on the best available information at this time.
- 1.9 Note, the Council continues to operate a Spend Control Panel to ensure that tight financial control and assurance oversight are maintained. A new financial management culture is being implemented across the organisation through increased scrutiny, such as the Assurance meetings, improved communication and budget manager training from CIPFA.

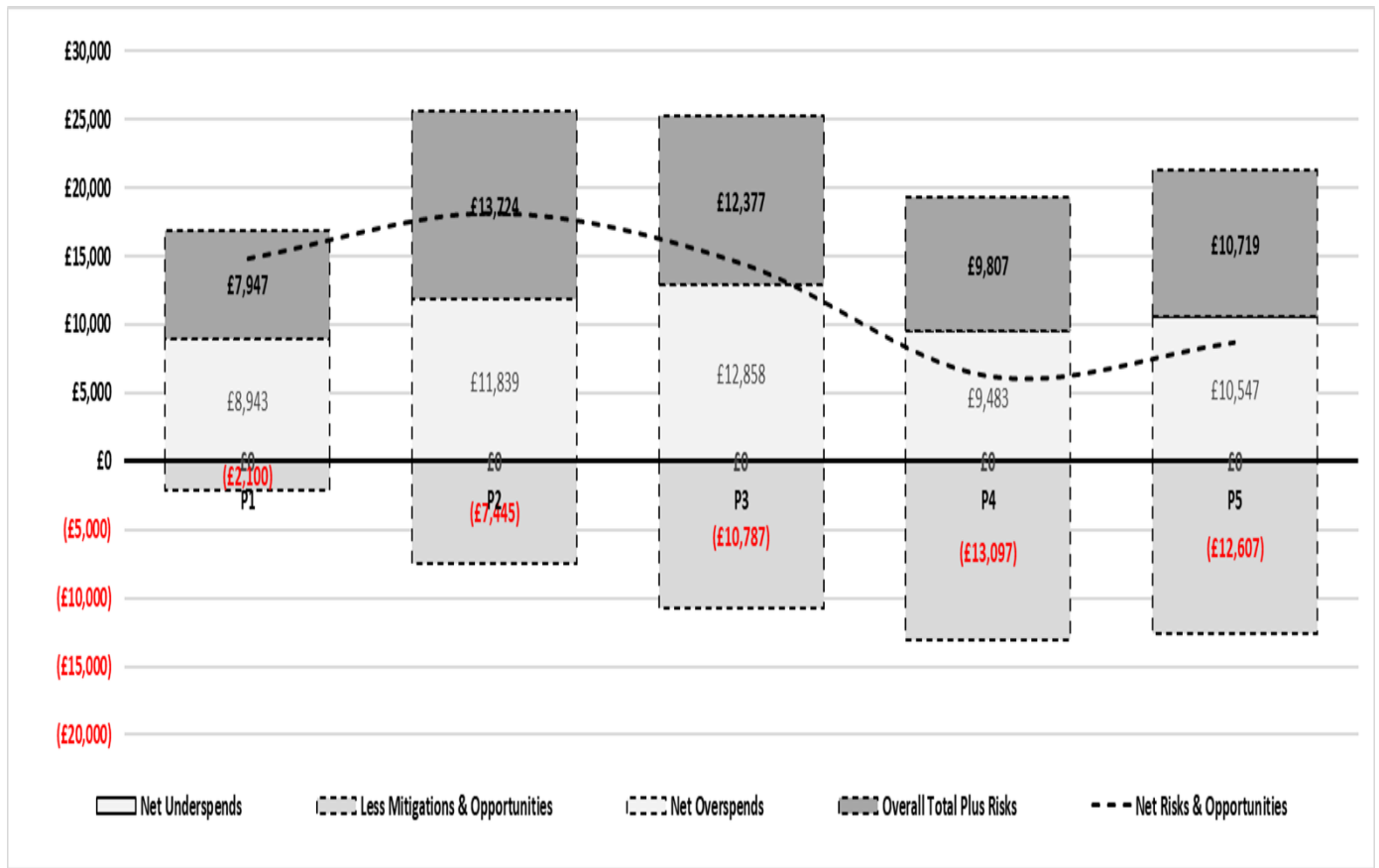
2. EXECUTIVE SUMMARY

- 2.1. The Financial Performance Report (FPR) is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and the in-year challenges it faces. It covers the General Fund, Housing Revenue Account and Capital Programme. The FPR ensures there is transparency in the financial position, and

enables scrutiny by the Executive Mayor, Cabinet, Scrutiny, and the public. It offers reassurance regarding the commitment by Chief Officers to more effective financial management and discipline.

- 2.2. The General Fund revenue forecast outturn for Month 5 is an overspend of £10.547m. This is an adverse movement of £1.064m from Month 4.
- 2.3. There are a further set of risks and opportunities, which indicate a net opportunity of £1.838m (risks £10.769m and opportunities of £12.607m). The risks are not yet sufficiently developed to be included in the outturn forecast. Depending on how the risks and opportunities materialise, they may have a further negative impact on the projected outturn forecast. Should all the risks materialise, and none of the mitigations be effective, the Council is forecast to overspend by £21.316m. Key drivers of the projected overspend are non-delivery of savings agreed at Full Council in March 2022 and other new pressures previously not anticipated. However, if none of the risks materialise and all the opportunities are delivered, the Council will underspend by £2.060m. These are outlined in detail in Section 3 of this report.
- 2.4. The chart below illustrates the trend in the monthly monitoring reports for this financial year and shows both the forecast as well as the quantum of risks and opportunities, together with the impact should all risks and opportunities fully materialise (dashed line).

Chart 1 – Monthly financial movements on Monthly Forecast, Risk & Opportunity



- 2.5. Further work continues to bring the pressures down and find new mitigations so that the Council ensures that it stays within budget. Early mitigating actions for the projected overspend are reported within the opportunities contained in this report. The impact of the in-year position is also being considered as part of the planning for 2023/24.
- 2.6. The Housing Revenue Account is forecasting an overspend of £3.210m (an increase of £0.063m on the Month 4 forecast).
- 2.7. The Capital Programme for both the GF and HRA is reporting a total expenditure to date of £12.622m of which £7.644m is within GF and £4.978m for the HRA. The overall capital spend is projected to be £123.387m against a budget of £134.152m. This will result in a £10.765m underspend to budget. A review is currently underway of the Capital Programme with a view to further reducing spend in 2022/23.
- 2.8. The 2022/23 General Fund forecast includes the use of a £25m agreed capitalisation direction, to balance the Council's revenue budget. The capitalisation direction was approved (minded to) by the Department of Levelling Up, Housing and Communities (DLUHC) in March 2022 subject to regular positive reports from the Improvement and Assurance Panel and the Budget was approved at Full Council on 7th March 2022.
- 2.9. This report forms part of the reporting framework on the delivery of the Croydon Renewal Plan by ensuring the delivery of the Council's budget is reported monthly and transparently.
- 2.10. The format of this report will continue to evolve and expand as it will be important for the Council to be able to identify the additional pressures that the global economic crisis is causing in inflation and the impact on supplies and services the Council provides.
- 2.11. The Council continues to build on the improvements in financial management that were made over the past year however there is a considerable amount yet to do, which is fully recognised within the organisation. The Council's financial recovery is outlined within the current three-year MTFS. The second year of that strategy has always been recognised as the toughest of the three to deliver as the Council steps down from its reliance on capitalisation directions that allow it to meet revenue costs from capital funding.
- 2.12. The Opening the Books Project is underway to further assure the Council's financial position, the full results of which will be available by January 2023. The project is examining the last three years of the Council's accounts as potential errors have been identified in areas such as the accounting for Croydon Affordable Homes, the calculation of capital charges and the allocation of charges between capital, the Housing Revenue Account and the General Fund. These findings are delaying the completion of the Council's outturn position for 2021/22. The project is also examining the accuracy of budgets and the methodology and process for setting them. As an

example, overspends totalling £19m have arisen from mistakes in setting three specific budgets:

- Parking income – the reduction in demand for parking in the borough following the pandemic should have been better reflected in the assumptions for projected activity in 2022/23
- New traffic income projections were included with insufficient contingency built in to reflect the operational challenges of implementing new traffic schemes
- A deficit in the Housing Benefit budget for 2021/22 should have been recognised earlier. It was only picked up at the very end of the year and therefore has not been built into the 2022/23 budget.

2.13. In addition, and as this report identifies, the Council continues to face significant financial pressures. The delivery of Year 1 of the MTFs / financial recovery plan (2021/22) was aided by covid depressed demand for Council services that enabled the monthly expenditure to be reported as an underspend in many areas. Demand has begun to pick up for some Council services which is removing that underspend. There are also early signs of demand increasing for some services due to the cost-of-living pressures. In addition, some resident behaviour has changed since covid and this is having an impact on revenue. The inflationary pressures reflected in the forecast outturn are significant and further detailed at 2.20.

2.14. The outturn forecast identifies an overspend that the Council will need to mitigate. This report flags a number of other risks that could be realised and be declared in the outturn forecast during the year which would further worsen the position.

2.15. Over the last financial year, a monthly budget assurance process and independent challenge of expenditure by the Improvement and Assurance Panel took place. This is in addition to Cabinet, and Scrutiny and Overview review. The monthly budget assurance process has been reviewed and strengthened based on the learning from last year. The aim of the officer assurance meetings is to provide the Corporate Director of Resources (Section 151 Officer) and the Chief Executive with an opportunity to scrutinise and challenge the forecast outturn, review risks and opportunities to mitigate, challenge the use of accruals and provisions, ensure savings are delivered and income targets are met. Overall, the meetings ensure the Council is doing all it can to reduce overspends and deliver a balanced budget.

Deficit Recovery Plan

2.16. Each Directorate has been asked to identify mitigations and in year cost reductions to ensure that the Council brings its expenditure within budget to avoid any call on reserves. The following table sets out the mitigations proposed to date. Where the proposals are confirmed, their impact is already included in the projected outturn for the year. Where there is further work to be done to confirm them, they are included in this report as opportunities.

	£m	Allocation with P5
Delivery Plans in Forecast		

	£m	Allocation with P5
Duplication of interest costs budget in Resources	2.400	Included within Resources forecast.
Increased Court Costs Income	0.700	Included within Resources forecast.
Council Tax Support Scheme	1.100	Included within Resources forecast.
Reduction in loan non-repayment provision	1.400	The Council plans to release a £1.4m provision previously set aside to support potential risks to commercial loans. The loan is now likely to be repaid in full.
Election Account	0.241	Included within Assistant Chief Executive
Forecast Total	5.840	
Delivery Plans as Opportunities		
Public Health	1,000	Cross department reallocations of budgets, detailed in opportunities.
Housing Benefits	0.815	Included within Resources opportunities
Staff changes	0.100	Included within Resources opportunities
Children's Services Legal Costs	0.570	Included within Children's opportunities
External Grants in Children's Services	0.800	Included within Children's opportunities
Children Operational savings	0.500	Included within Children's opportunities
CIL substitution for General Fund expenditure	0.500	Included within SCRER's Opportunities
Delays in the capital programme	0.605	Reduced amount of £605k included within Corporate as opportunities
Opportunities Total	4.890	
Total	10.730	

2.17. In addition, the Council may not need to use the budgeted addition to its reserves of £6.9m in 2022/23. The financial year 2021/22 is still subject to further work, but the early indications are that reserves will be sufficient and that a further contribution may not be required. Should it not be necessary to transfer the full £6.9m into reserves, the Council's net expenditure would decrease by £6.9m.

2.18. The table below gives details of the general fund balances position as set out in the February 2022 budget report. Note that given a number of years accounts are still open the first 1st April 2022 opening balance may change.

2.19. The current financial position of the Council suggests it is highly unlikely that it will be possible to use an existing £6.887m corporate budget to top up the Council's reserves in 2022/23. This budget is currently included as an opportunity in this month's report but from next month will be moved into the end of year projected outturn. Had this been actioned this month, the projected overspend this month would have been £3.6m. This is what is set out in the table below.

General Fund Balances	£M
1st April 2022	27.5
Planned Contributions to/(from) Reserves	6.9
Underspend against the Planned Contributions budget	-6.9
Projected overspend	-3.6
Forecast 31st March 2023	23.9

2.20. Further work will be undertaken to add to the Deficit Recovery Plan. Without this Deficit Recovery Plan the Council's pressures would have been considerably higher. The macroeconomic climate is causing further pressure on the Council particularly from a very tight labour market and significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale costs. The Council is mindful of the Chancellor's announcement with regards to Energy Bill Relief Scheme which will help towards some of these costs. Further review will need to be done on this however, this proposal will allow the Council to apply for discounts on its energy bills, which will be provided by the energy supplier. The energy supplier will then be able to claim the funds from Government. The key calculation in regard to usage the current rates paid will need to be made and assessed against the support criteria.

2.21. The macroeconomic climate is causing further pressure on the Council particularly from a very tight labour market and significant inflationary pressures. Energy expenditure will increase considerably as the UK sees significant increases in wholesale costs. The Council has budgeted a 5% inflationary uplift on all its contracts costs which is a prudent level compared to historic standards. However current inflation rates, which are around 10% and therefore significantly higher than budgeted, pose an added challenge that the Council does not have full control over. The Council cannot absorb all inflationary costs itself and will need to find ways to ensure the burden of these costs is fairly shared with our suppliers and customers.

2.22. The Council's overall financial position is still subject to a number of unresolved issues. The Opening the Books project is currently underway reviewing many aspects of the Council's accounts, the results of which will be reported by January 2023. The Council is continuing to work closely with the external auditors on finalising the 2019/2020 and 2020/2021 audit of accounts and is in the process of completing the accounts for 2021/22. The 2019/20 accounts require a resolution in relation to the accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures which, as previously reported, may have a c£70m impact on the Council's available reserves. Work is ongoing in this area in collaboration with Grant Thornton, the Council's External Auditors. All these areas of work may have implications for this year's budget.

3. COST OF LIVING CONSIDERATIONS

- 3.1. This report focuses on the Council's budget forecast. It highlights that there are a number of inflationary pressures that the Council, like all local authorities, is managing. The inflation level is at the highest level for 40 years. This impact goes beyond the Council – cost of living is affecting all households and businesses.
- 3.2. These macro-economic factors are impacted by international events, and therefore well beyond the controls of Croydon Council. Despite the limitations, the Council is seeking to support households wherever possible.
- 3.3. A dedicated cost of living information hub has been established on the Council's website. This provides a single source of information, informing residents of the financial support available and signposting to further support, advice and guidance. This information is continually reviewed, updated and improved.
- 3.4. At a national level, household support has been announced in the form of a revised energy price guarantee, designed to limit the inflation on household energy bills. Households with a domestic energy connection are eligible for a £400 discount this winter. Residents on means-tested benefits will receive a £650 cost of living payment from Government. Further announcements expected on 23 September.
- 3.5. The Council provides a wide range of support for residents that may be struggling due to the cost of living pressures. These include:
 - Discretionary support fund for residents in financial hardship
 - Council Tax support – For residents on a low income or in receipt of benefits, Council Tax bills could be reduced by up to 100%
 - Benefits calculator, to ensure residents receive all the support they are entitled to
 - Energy advice, including heating and money saving options, through our Croydon Healthy Homes service
 - Free holiday activity clubs with healthy meals for children
 - Croydon Works to help residents into employment or get training to get them in to work
- 3.6. The cost of living information hub also signposts residents to a range of support provided by other organisations in Croydon, including:
 - NHS Healthy start vouchers for families
 - Free school meals
 - Support from voluntary, community and faith sector organisations
 - Support for businesses through the London Business Hub and the British Business Bank
 - CroydonPlus credit union offers affordable ways to manage money, including savings accounts and loans

4. FINANCIAL POSITION

- 4.1. The overspend of £10.547m is driven by two underlying factors, which are £9.545m non-delivery of savings and £1.002m other pressures which are expanded in section 4 of this report. Work is underway to further improve the budget setting process and the Opening the Books project is examining this area in order to identify further improvements that can be made.
- 4.2. Directorate teams and Finance colleagues meet monthly to review the forecast position for each area, including risks of overspending and identify further options to mitigate these. A table of risks and opportunities are provided within this section where applicable.
- 4.3. The forecast outturn for the General Fund is shown below in Table 1.

Table 1 – Month 5 Forecast per Directorate

	Forecast Variance as at Current Month 5	Forecast Variance as at Prior Month 4	Change From Month 5 To 4	Savings Non-Delivery as at Month 5	Other Pressures as at Month 5
	(£,000's)	(£,000's)	(£,000's)	(£,000's)	(£,000's)
Children, Young People and Education	(408)	(133)	(275)	300	(708)
Adult Social Care and Health	(505)	(217)	(289)	1,213	(1,718)
Housing	2,582	847	1,735	1,705	877
Sustainable Communities Regen & Economic Recovery	15,641	15,140	501	5,743	9,898
Resources	9,210	9,135	75	172	9,038
Assistant Chief Executive	(1,204)	(520)	(683)	412	(1,616)
Departmental Total	25,316	24,252	1,064	9,545	15,771
Corporate Items & Funding	(14,769)	(14,769)	-	-	(14,769)
Total General Fund	10,547	9,483	1,064	9,545	1,002

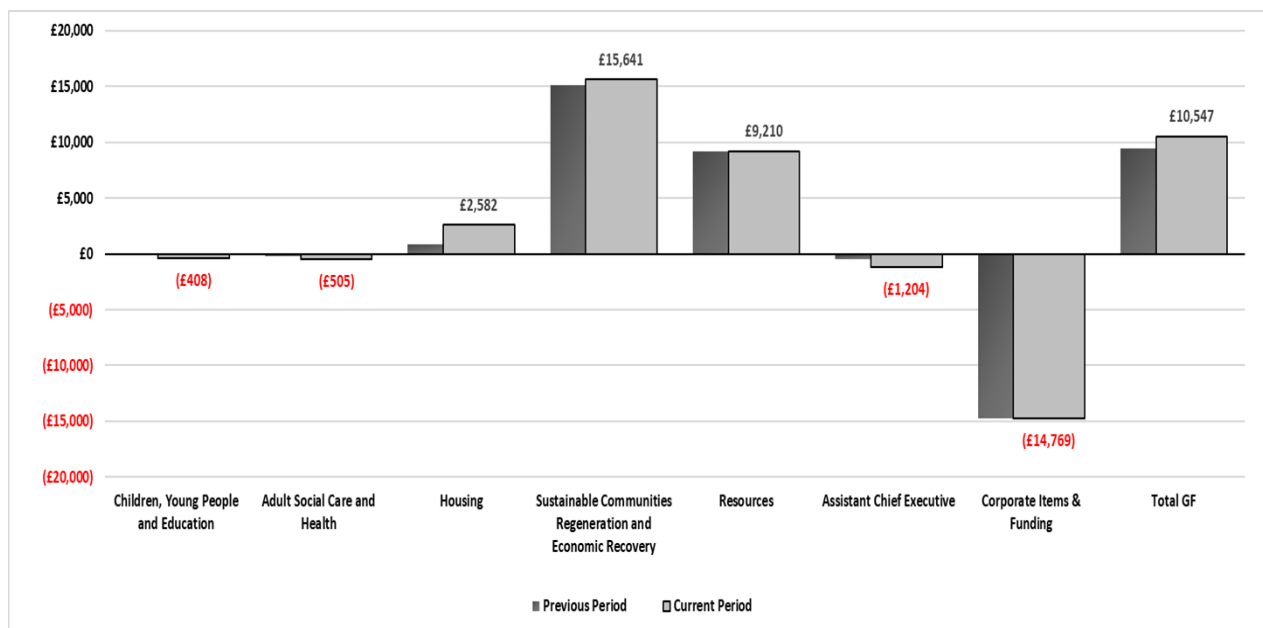
- 4.4. Net overspends and underspends within the service budgets are presented as a forecast variance (as per Table 1) and are additionally classified as either non-delivery of agreed in year savings or other pressures which were not foreseen or quantifiable at the time of setting the budget.
- 4.5. The main areas of movement from Month 5 are as follows:

- Adult Social Care and Health Directorate’s £0.289m **favourable** movement is due in the main to a staffing underspend particularly within provider services and the assessments team.
- Sustainable Communities, Regeneration and Economic Recovery Directorate’s **adverse** movement of £0.501m is mainly due to staffing pressures within the planning and development team
- Resources Directorate has moved £0.075m **adversely** from Month 4, which is largely as a result of one-off costs in relation to costs of the 2020-21 audit.
- Assistant Chief Executive has moved **favourably** by £0.683m mainly in relation to income projections and a review of the election account
- Housing Directorate is indicating a £1.735m **adverse** movement due to rising demand and costs for emergency accommodation.
- Children, Young People and Education Directorate is reporting a £0.275m **favourable** movement from Month 4 relates to staffing underspends.
- Corporate Budget has remained unchanged from Month 4.

Further details for each Directorate can be found in section 4 of this report.

4.6. The chart below shows the forecast by Directorate for both the current and previous month:

Chart 2: Forecast per Directorate as at Month 5



Risks and Risk mitigations

- 4.7. The outturn forecast has been reported excluding further potential risks and risk mitigations. Risks are split in to MTFS savings risks and other risks. Savings risks relate to savings proposals that were approved at Full Council in March 2022 to deliver a balanced budget. Other risks are risks that have risen from other operational challenges but not related to the delivery of savings. Risk mitigations are proposals that the services have identified that would mitigate their risks and help bring spend back within budget.
- 4.8. Savings are at various stages in their delivery, and it is important that the Council transparently reports the progress on these. Savings which are not deliverable are included within the forecast as overspends, however other MTFS savings which are at risk of non-delivery are reported in Table 2c, with Table 2b identifying savings not delivered. Table 2a below provides a summary of progress per directorate on delivery of their savings targets.

Table 2a – Progress on MTFS Savings

Division	Target Value £'000s	Balance Not Delivered (In Forecast) £'000s	On Track Value £'000s	Delivered Value £'000s	Current Month At Risk Value £'000s
Children, Young People and Education	(9,564)	300	7,046	1,077	1,141
Adult Social Care and Health	(16,500)	1,213	8,315	6,453	519
Housing	(2,841)	1,705	875	0	262
Sustainable Communities Regen & Economic Recovery	(12,396)	5,743	2,969	967	2,718
Resources	(3,029)	172	2,857	0	0
Assistant Chief Executive	(9,543)	412	8,281	250	600
TOTAL FOR MTFS	(53,873)	9,545	30,342	8,747	5,239

Table 2b – MTFS savings not delivered

Directorate & Saving Description	Target Value £000	Savings not Delivered £000
Adult Social Care and Health		
Refocusing Public Health funding	(380)	380
Baseline Savings - Disabilities Operational Budget	(4,371)	833
Assistant Chief Executive		
Fees And Charges	(19)	19
Increase in fees and charges	(93)	93
Rationalisation of software applications and contracts	(300)	300
Children, Young People and Education		
Refocusing Public Health funding	(300)	300
Housing		
Impact of maximising homelessness prevention	(578)	578
Impact of increasing speed of homelessness decisions	(101)	101
Increase use of LA Stock for EA/TA	(163)	163
Ending EA/TA where the council has no duty	(193)	193
Housing supply pipeline maximisation	(80)	80
Contract Reviews	(250)	250
Income Maximisation - Rent Collection	(240)	240
Resident Engagement & Tenancy Services £100,000 saving in 22/23	(100)	100
Resources		
Fees And Charges	(44)	28
Increase in fees and charges	(218)	144
Sustainable Communities Regen & Economic Recovery		
ANPR camera enforcement	(3,180)	2,040
Bus Re-Tender Contract Savings	(120)	40
Increase in Pre-Planning Applications	(66)	66
Independent travel optimisation	(20)	20
Introduction of a variable lighting policy	(417)	417
Parking charges increase	(650)	285
Private Sector Environmental Enforcement	(250)	125
Review and reduction of the Neighbourhood Operations (NSO team)	(950)	450
Revised Landlord Licensing scheme	(2,300)	2,300
Grand Total		9,545

- 4.9. Other risks and risk mitigations are split into quantified and unquantified items.
- 4.10. As with the outturn forecast set out in Table 1, risks are separately reported for those elements that relate to potential non or under-delivery of approved savings, as agreed by Full Council in March 2022, and those that are new and not directly related to agreed savings plans.
- 4.11. The Council is being transparent in flagging its risks that could potentially result in a change to the outturn forecast. This allows the Council to act and support these challenges before they become realised.
- 4.12. Table 2c below provides for details of MTFs savings that are at risk of non-delivery and Table 2d provides a list of quantified and unquantified other risks, which are in addition to the savings risks.
- 4.13. The report identifies savings at risk and mitigations for both the current and future years. Where risks are quantified currently, these are based on high level information and directorate experience of the service.

Table 2c – Month 5 MTFs Savings At Risk

MTFS Savings Ref	MTFS Savings Description	Savings at risk as at Month 5 (£,000's)	Savings at risk as at Month 4 (£,000's)	Change from Month 5 to Month 4 (£,000's)
21/22 CYPE 05	Review Support for Young People where Appeal Rights Exhausted	61	225	(164)
21/22 CYPE 06	Improve Practice System Efficiency	290	290	0
22/23 CYPE 07a and 7b	NHS Funding	790	790	0
Children, Young People and Education Total		1,141	1,305	(164)
21/22 ASCH 01	Baseline Savings - Disabilities Operational Budget	0	833	(833)
21/22 ASCH 05	Baseline Savings - Mental Health Operational Budget	83	83	0
21/22 ASCH 08	Baseline Savings - Older People Operational Budget	194	194	0
21/22 ASCH 04	Review of Contracts – Outcome Based Commissioning, Working Age Adults Commissioning and Public Health commissioning	132	132	0
21/22 RES 06	Contract savings	110	110	0
Adult Social Care and Health Total		519	1,352	(833)
22/23 HOUS 11	Procurement of Emergency Accommodation Contracts	0	100	(100)
22/23 HOUS 13	Income Maximisation - Rent Collection	0	101	(101)
22/23 HOUS 04	Repurpose under-utilised sheltered housing stock	158	158	0

22/23 HOUS 07	Ending Emergency Accommodation/Temporary Accommodation (EA/TA) where the Council has no duty	0	97	(97)
22/23 HOUS 09	Incentivising temporary accommodation leasing schemes	104	104	0
22/23 HOUS 01	Impact of maximising homelessness prevention	0	214	(214)
22/23 HOUS 02	Impact of increasing speed of homelessness decisions	0	40	(40)
22/23 HOUS 14	Resident Engagement & Tenancy Services £100,000 saving in 22/23	0	60	(60)
22/23 HOUS 03	Increase use of Council Stock for EA/TA	0	56	(50)
Housing Total		262	929	(667)
Various	Fees And Charges	350	350	0
22/23 SCRER 06	Review and reduction of the Neighbourhood Operations (NSO team)	260	260	0
22/23 SCRER 12	Contract Savings - Pay and Display Machines	300	300	0
22/23 SCRER 16	Private Sector Environmental Enforcement	63	63	0
22/23 SCRER 19	New gym in Monks Hill Leisure Centre	90	90	0
22/23 SCRER 20	Non-capital and contract impact of Purley Leisure Centre closure	50	50	0
22/23 SCRER 28	Merger of Management Functions in Place	100	100	0
22/23 SCRER 17	Parking charges increase	365	365	0
21/22 SCRER 11	ANPR camera enforcement	1,140	1,140	0
Sustainable Communities Regen & Economic Recovery Total		2,718	2,718	0
22/23 COR SAV 09	Rationalisation of software applications and contracts	0	300	(300)
22/23 ACE 18	Contract Savings - Managed Service Provider for Temporary Agency Resources £600K saving in 22/23	600	600	0
Assistant Chief Executive Total		600	900	(300)
Total Savings at Risk		5,239	7,204	(1,964)

Table 2d – Other quantifiable and unquantifiable risks

Quantified Risks	P5 £'000	P4 £'000	Details of Risk
Children, Young People and Education	2,284	2,284	<p>Capitalisation income This is a historic income budget that was added to Children's Social Care. This amount was funded from capital receipts until 2020/21</p>
			<p>CLA Cost of Living There is an expectation that children in care providers will increase placement costs as cost of living rises</p>
Adult Social Care and Health	-	-	None
Housing	2,000	-	<p>Emergency Accommodation (EA) Bad Debt Provision The workings behind the forecast for the bad debt provision need reviewing as the model is suggesting increases in the forecast whilst collection rates have improved</p>
			<p>Emergency Accommodation Activity levels Targeted changes to service operation have been made to reduce the number of people supported by the EA service. These changes are embedded at August 2022 but the financial ledger and other reporting do not reflect lower numbers in the service but instead suggest that numbers are increasing. Investigatory work is about to commence to better understand the activity drivers and the links to the financial results and ensure a more accurate forecast can be brought in future months.</p>
Sustainable Communities Regen & Economic Recovery	646	319	<p>NSO (£125k) The service is dependent on the closure of the NSO Team and any delays in implementation of the proposal will have an impact on delivery of the saving.</p>
			<p>Planning Income (£325k) There is a £352k risk to planning income between now and the end of the year down to two reasons. A) Number of and income from major applications is down considerably from last year. 22/23 Period 5 £99k income as opposed to 21/22 Period 5 £300k income</p>
			<p>B) Income at risk from planning applications exceeding the 8(minor)13 (major) week statutory timeframes which can result in reimbursement of fees if not met. This has started to increase and therefore there is a risk that more will be refunded and therefore increase the pressure on the service. It should be noted that the reason for increased</p>

Quantified Risks	P5 £'000	P4 £'000	Details of Risk
			<p>expenditure on staff for Period 5 has been to try and mitigate this.</p> <p>Capital Staff Recharges (£169k) As there is no TfL capital funding thus far this year, this is creating a risk of not being able to recharge staff time to capital at the level anticipated in the budget.</p>
Resources	-	-	None
Assistant Chief Executive	-	-	None
Corporate Items & Funding	600		NJC pay Award for 2022/23 - the current budget held corporately for the pay award may not be sufficient to cover the current pay offer of a flat rate of £1,925 per employee
Total Quantified Risks	5,530	2,603	

Un-Quantified Risks	P5 £'000	P4 £'000	Details of Risk
Children, Families and Education	-	-	None
Adults, Health and Social Care			Potential post Covid-19 pandemic latent demand working through the population resulting in additional care packages placements.
			Inflation , rising fuel and food costs significant expenditure for care providers - may result in claims for increased fees or face financial instability
			High vacancy rate is caused by significant challenges in recruitment across the Directorate. This means staff are focussed on statutory delivery, rather than transformation. This is a national issue.
			There is Hospital discharge pressure as the current system risk is running at winter levels due to Covid and backlog despite being summer. Work is being done on a deep dive, as the numbers of placements and equipment cost are rising.

Housing			New Housing Structure (temporary) There remains a temporary structure within Housing, including an Interim Director of Tenancy Services. A change programme is being developed and a bid for Transformation Funding to resource it has been submitted.
Sustainable Communities Regen & Economic Recovery			Highways and Parking Although unknown at this stage there is a potential risk to New Roads and Street Works Act Income due to delays and disputes with Utility Companies. Further work is being undertaken to quantify these risks and where possible mitigate the effect.
Resources			Legal Trading Model The legal trading services model is under review. Until this review is completed officers are flagging this area as a risk. Last year Legal Services were overspent by £306,000.
Assistant Chief Executive			Risk based upon the lack of available graves for sale until the cemetery extension opens
			Increased competition from neighbouring facilities, perceived increase in direct cremations, viewed as the cheaper option for families as inflation starts to take effect
Corporate Items & Funding	-	-	None
Total Un-Quantified Risks			

4.14. Table 3 provides a list of quantified and unquantified risk mitigations or opportunities. These are potential risk mitigations that will require further assurance to be included within the forecast. Service managers have identified these as potential mitigations to the risks identified Tables 2a, 2c and 2d.

Table 3 - Quantifiable and unquantifiable opportunities

Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Children, Young People and Education	(2,170)	(2,170)	External grants (£0.800m) Increasing the income budget in 2022/23 in line with the actual grants
			Children Service legal costs (£0.570m) Review on operations to mitigate legal costs arising from challenges from service users. The aim is to improve the operations and process to ensure all aspects of support is carefully provided

Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
			<p>Operational Efficiency Savings in Children Social Care (£0.500m) Sustained impact of hybrid working has reduced use of workplace supplies and services across CYPE.</p> <p>Public Health (£0.300m) Ongoing Internal Review of Public Health Funding towards related expenses</p>
Adult Social Care and Health	(380)	(380)	Public Health (£0.380m) Ongoing Internal Review of Public Health Funding towards related expenses
Housing	-	(790)	None
Sustainable Communities Regen & Economic Recovery	(730)	(730)	<p>Community Infrastructure Levy Review (£0.500m) Further use of CIL monies to support revenue expenditure where the conditions met being reviewed.</p> <p>Streetlighting review (£0.230m) Current pilot is being evaluated.</p>
Resources	(915)	(915)	<p>Measures to reduce Housing Benefit subsidy loss (£0.815m) Measures to reduce Housing Benefit subsidy loss</p> <p>Staffing Review (£0.100m) Staff reviews that may lead to further savings in salary costs</p>
Assistant Chief Executive	(320)	(620)	Public Health (£0.320m) Ongoing Internal Review of Public Health Funding towards related expenses.
Corporate Items & Funding	(8,092)	(7,492)	<p>Reduced borrowing need (£0.605m) Potential saving as a result of a review of borrowing costs to fund the capital programme.</p> <p>Release of Corporate Reserve Top Up (£6.887m) The Council will consider if this top up is required. If not, it will represent an underspend which will contribute to the Deficit Recovery Plan.</p> <p>Reversal of National Insurance Increase (£0.600m) The government has announced that the National Insurance increase of 1.25% for employers and employees will be reversed from 6 November 2022</p>
Total Quantified Opportunities	(12,607)	(13,097)	

Un-Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Children, Young People and Education	-	-	None
Adult Social Care and Health	-	-	None

Un-Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Housing			New Housing Structure (temporary) We have a new temporary structure within Housing, including an Interim Director of Tenancy Services and three Change Managers, approx £100k. We have bid for Transformation Funding to resources these additional positions.
Sustainable Communities Regen & Economic Recovery	-	-	None
Resources		-	Recovery of utilities debt from schools still owed from when bills were paid by the council and recharged to schools rather than been billed direct
Assistant Chief Executive	-	-	None
Corporate Items & Funding	-	-	None
Total Un-Quantified Opportunities			

DIRECTORATE VARIANCES

4.15. Children, Young People and Education (CYPE)

At Month 5 a **£0.408m underspend** has been forecast alongside £1.141m of MTFs savings at risk of non-delivery together with £2.284m of other risks against £2.170m of opportunities. This is a favourable movement from Period 4 of £0.275m.

The £0.408m underspend is net position of £0.300m of non-delivery of the MTFs saving related to Public Health funding offset with a net benefit of £0.708m through underspends in Children's Social Care of £0.560m and £0.148m in non-DSG Education services.

The Directorate has also identified £2.284m of other risks in Table 2(b) which if realised could have a material impact on the CYPE forecast. These relate to cost pressures such as inflationary pressures above and beyond Council budgets and loss of income or contribution from the Council's partners.

However, the Directorate has identified potential opportunities of £2.170m from re-purposing grants and reducing legal costs substantially due to a reduction in age related assessment challenges.

4.16. Adult Social Care and Health (ASCH)

At month 5 an **underspend of £0.505m** is forecast with £0.519m MTFs savings at risk of non-delivery. The risk of savings non-delivery has reduced by £0.723m.

However, this is due to £0.833m risk being realised and is now reflected in the outturn forecast. In addition, following the transfer of the Commissioning function from Resources to ASCH, there is a £0.110m additional risk for contact savings. Quantified opportunities remain the same as Month 4.

The forecast underspend of £0.505m is a net position, the key items being:

- £1.497m underspend in staffing which, in return, is a barrier to achieving savings. There is a national shortage of both social workers and occupational therapists.
- £1.002m underspend following the detailed review of 21/22 accruals for disputed care costs which have been settled at a lower level than was accrued, and for planned care costs. It is usual that care is delivered at a lower level than planned for many reasons including delayed hospital discharge, temporarily staying with family etc. However, this year is slightly higher than normal which is believed to be Covid related.
- £0.833m overspend relating to the unachieved savings which had previously been shown as at risk.
- £0.725m overspend in care for 18-25 year old Transitions clients which remains the same as period 4 monitoring.

Unquantified Risks present continued concerns as to their impact upon the Directorate budget over the remainder of the financial year:

- Potential post COVID-19 latent demand working through the population resulting in additional care package placements and community equipment.
- Inflation, rising fuel costs will result in significant expenditure for ASC Providers – may result in claims for increased fees and/or financial instability with potential for ‘handing back’ contracts.
- Hospital discharge pressure as current system risk is running at winter activity levels due to COVID-19.
- High vacancy rate is caused by significant challenges in recruitment across the Directorate. This means staff are focused on statutory delivery, rather than transformation. This is a national issue.

Continued detailed analysis of demand and cost will take place each month up to the end of the financial year to enable, where possible, an estimate of the value of these current Unquantified Risks as listed.

There are also opportunities of £0.380m identified in relation to public health.

Finance continues to work closely with the service providing deep dive analysis of the budgets in Transitions, Disability Services, Older Peoples Services and Mental Health to support additional quality assurance.

4.17. Housing

At Month 5, Housing is forecasting a **£2.582m overspend** in relation to temporary accommodation activity in particular overnight paid accommodation, with key risks related to non-delivery of £0.262m of savings, and £1m of other quantifiable risks

having been identified that relate to emergency accommodation activity levels and the provisions for bad debts. However, the Directorate is looking to draw down £0.790m of housing reserves to support in year pressures and have identified this as an opportunity subject to further review. This will only be released once all other in-year mitigations have been exhausted.

The service is seeing an increase in demand for temporary accommodation and is also facing rising rental costs as the Council struggles to find viable accommodation.

4.18. Sustainable Communities, Regeneration & Economic Recovery (SCRER)

In Month 5, SCRER is forecasting a net **overspend of £15.641m**.

The main area of overspend relates to £10.5m shortfall in parking income, £0.950m relating to streetlighting energy costs and £0.5m SEN transport costs. This position has moved adversely from Month 4 by £0.501m.

There are also £0.646m other risks identified and £2.718m of MTFs savings at risk. However, the service has identified £0.730m of opportunities which will need to be worked through to confirm their achievability.

The service areas that are experiencing these overspends are within the Sustainable Communities division and particularly in the parking teams. Demand for parking services has not returned to pre-pandemic levels and this is affecting all areas of parking which includes, ANPR, pay and display and on-street parking. The division is also expecting delays in obtaining a license from government to run the Selective Licensing scheme which is further adding pressure of £1.580m.

The Council applied to renew its Landlord Licensing scheme in 2021/22 to the Department of Levelling Up, Housing and Communities (DLUHC). The Council budgeted for £1.5m of income that would be achievable from the scheme in this financial year. However, the scheme was rejected by the Secretary of State for DLUHC due to the lack of a Housing Strategy, one of the requirements for the scheme. The development of the Housing Strategy is being progressed but has not yet been completed due to the many other pressures on the Housing Service and the focus on the delivery of the Housing Improvement Plan. It also requires a review of the Council's policy for Landlord Licensing. It is expected that this will not be completed within the next 12 months and therefore for prudence the service is forecasting the non-delivery of the £1.5m income target.

Further pressures are experienced within Planning and Sustainable Regeneration Services particularly in relation to Building Control income and income from Planning.

4.19. Resources

At Month 5, there is a **£9.210m overspend** projected which is an adverse movement from Month 4 of £0.075m.

The overspend is largely related to loss in housing benefit (HB) subsidy and projected increases in energy costs across the Council's corporate estates. The £7.685m

overspend on HB is due to the difference between the value of HB expenditure and funding received from DWP on support exempt and temporary accommodation. A cross council working group is currently working to mitigate this over the next few years.

A further pressure of £4.223m is due to increased energy costs on utilities for the Council estate. £3.5m will be drawn down from the corporate inflation provision to mitigate part of this overspend. The pressures on Estates, Asset Management & Facilities are being netted off against a net saving of £1.551m. This relates to an historic budget for interest costs which is already covered within a corporate budget, offset by MTFs savings targets that are unachievable. Currently there is a predicted overspend of £0.279m in Corporate Finance & Treasury. This relates to higher than budgeted spend on specialist finance work and agency costs pending a restructure of the department.

There are no additional savings at risk and no further risks are reported at this point. Unquantifiable opportunities of £0.915m have been identified to try and mitigate the HB subsidy loss in year and reduce staffing costs.

4.20. Assistant Chief Executive

At Month 5, a **£1.204m underspend** is being projected, which is a favourable movement of £0.683m from month 4. Continued review on the income projections related to registrars and bereavement services has indicated a further improvement to Month 4. Reconciliation of the position regarding the Election account has realised a £241k favourable in month movement. This was highlighted as an opportunity at P4. Further planned staffing reviews have achieved savings of approximately £300k across the Directorate.

At this early-stage work is still being carried out to review fees and charges which were devolved to the service without consideration of demand. The council wide exercise that is taking place will enable the services within ACE to more accurately forecast income and until such time that this is completed, the pressure of £205k is factored within the forecast. The rationalisation of software applications project has identified £450k of mitigations, which have been included within the forecast, and further work is being carried out to focus on the remaining £300k.

For 2022/23 the remaining £300k can be met within budget underspends elsewhere in the department. Ongoing work will aim to ensure this in year saving is converted to a permanent budget saving from 2023/24.

4.21. Corporate

At Month 5, the corporate position is projecting an **underspend of £14.769m**. The corporate budget holds funding and financing streams such as Council Tax, Business Rates income share and General Revenue Support Grant income. The corporate budget also allocates Council wide risk contingency, inflation growth budgets and budgets to fund corporate debt and interest charges.

There has been no movement from Month 4 in the corporate projection. The projected underspends against contingency budgets and risk provisions will offset the projected overall overspend. A provision of £1.400m has been released and relates to risks to a key commercial loan which is now expected to be fully paid back in full. The total risk and provision underspends are £10.769m.

Corporate Finance have also identified a further one-off £4.0m of reserve drawdown in 2021/22 to support the in year inflationary pressures that the Council is facing as a result of macroeconomic factors which are largely not in the Council's control. A further opportunity has been identified due to the reversal of the 1.25% National insurance increase which has now been reversed.

A risk of £0.6m has been identified relating to the NJC staff pay award for 2022/23. The budget held corporately may not be sufficient to cover the current pay offer of £1,925 per employee.

Table 4 below summaries the overall position:

Table 4 – Summary – Month 5 with Month 4 Comparator

	Month 5	Month 4	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	10,547	9,483	1,064
Table2b - MTFs Savings - At Risk	5,189	7,204	(2,015)
Table2d - Other Quantifiable Risks	5,530	2,603	2,927
Table 3 - Quantifiable Opportunities	(12,607)	(13,097)	490
Total	8,659	6,193	2,466

5 Housing Revenue Account (HRA)

5.1 The **forecast overspend** across the HRA is **£3.210m** as at Month 5. This is made up of an additional £1.8m of inflationary pressure on utilities bills. There is additional inflationary pressure on the repairs service of £0.7m, and disrepair costs of £0.8m. Other variances include increased costs of managing the estates, £0.5m, and underspends from vacancies across the service (£0.6m). There is ongoing review of all budgets and recharges across the HRA to mitigate the existing pressures. Nonetheless, the HRA has sufficient ring-fenced reserves to meet the £3.210m overspend currently projected if in year mitigations can't be found.

Table 5 – Housing Revenue Month 5 forecast

SERVICES	Variance For Month 5	Variance For Month 4	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs and Safety	904	893	11	Of the variance £700k is a result of inflationary increases on the repairs programme contracts. Disrepair claims and fees of £787k. With vacant posts of £583k offsetting the listed pressures
Asset Planning and Capital Delivery	(158)	(15)	(143)	There are a number of vacancies within this service area
Allocations Lettings and Income Collection	432	337	95	The projected void losses are based on P5 performance. A programme is in place to address this. This pressure also includes garage rental voids
Tenancy and Resident Engagement	2,557	2,382	175	The forecast overspend is made up of an additional £1.8m pressure on utilities. Additional grounds maintenance costs; legal fees and legacy water charges are also included in the pressure.
Homelessness and Assessments	(0)	50	(50)	This is a recharge to the general fund for the provision of this statutory service through a HRA owned property.
Directorate & Centralised costs	(500)	(500)	(0)	There are vacancies within the centralised budgets. There is also a review underway to ensure charges have been correctly posted to other service areas within the HRA
	3,210	3,147	63	

6 Capital Programme

5.1 The General Fund and Housing Revenue Account capital programmes have currently spent £12.622m to the end of Month 5 against approved budgets of £134.152m. **Forecast spend is £123.387m** resulting in a forecast underspend of £10.765m.

5.2 Table 6 below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2. Table 7 gives details of how the capital programme is financed.

Table 6 – Capital Programme as at Month 5

Department	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/08/22 £'000	Forecast for year end 2022/2023 £'000	Forecast variance for year end 2022/2023 £'000
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	889	7,021	(8,943)
ADULT SOCIAL CARE AND HEALTH	1,707	0	1,707	0
HOUSING	3,493	587	3,554	61
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	36,971	3,419	37,207	236
RESOURCES	11,430	1,574	13,586	2,156
ASSISTANT CHIEF EXECUTIVE	13,455	1,175	12,230	(1,225)
CORPORATE ITEMS & FUNDING	29,049	0	29,049	0
General Fund Total	112,069	7,644	104,354	(7,715)
HOUSING REVENUE ACCOUNT	22,083	4,978	19,033	(3,050)
CAPITAL PROGRAMME TOTAL	134,152	12,622	123,387	(10,765)

Table 7 – Capital Programme Financing as at Month 5

	Approved Budget 2022/23 £'000	Forecast as at P5 2022/23 £'000	Variance 2022/23 £'000
General Fund Capital Financing			
CIL	7,427	7,427	-
s106	2,461	2,441	(20)
Grants & Other Contributions	33,447	19,946	(13,801)
Capital Receipts	4,049	4,049	0
Reserves	70	70	0
Borrowing	64,615	70,721	6,106
Total Financing – General Fund	112,069	104,354	(7,715)
Housing Revenue Account Capital Financing			
Major Repairs Reserve	12,336	12,336	0
Reserves	9,747	6,697	(3,050)
Total Financing - HRA	22,083	19,033	(3,050)
TOTAL PROGRAMME FINANCING	134,152	123,387	(10,765)

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 Finance comments have been provided throughout this report.
- 5.2 The Council continues to operate with internal spending controls to ensure that tight financial control and assurance oversight are maintained, and a new financial management culture is being implemented across the organisation through increased communication on financial issues and training for budget managers.
- 5.3 In-year savings are being sought across the Council to mitigate the projected overspend. Early actions are reported in the opportunities contained within this report. The impact of the in-year position is also being considered as part of the early planning for 2023/24.
- 5.4 The Council currently has a General Fund Reserve of £27.50m which serves as a further cushion should not all the overspend be eliminated by the end of 2022/23. However, any use of these reserves would have to be reinstated in later financial years as it's a one off support and not a permanent solution.

(Approved: Jane West – Corporate Director of Resources & S151 Officer)

8.0 LEGAL CONSIDERATIONS

- 8.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.
- 8.2 Section 28 of the Local Government Act 2003 provides that the Council is under a statutory duty to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This could include action to reduce spending, income generation or other measures to bring budget pressures under control for the rest of the year. The Council must act reasonably and in accordance with its statutory duties and responsibilities when taking the necessary action to reduce the overspend.
- 8.3 In addition, the Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.
- 8.4 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report is published in accordance with that legal duty.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer)

8 HUMAN RESOURCES IMPACT

- 5.1 There are no immediate workforce implications as a result of the content of this report, albeit there is potential for a number of the proposals to have an impact on staffing. Any mitigation on budget implications that may have direct effect on staffing will be managed in accordance with relevant human resources policies and where necessary consultation with recognised trade unions.
- 5.2 The Council is aware that many staff may also be impacted by the increase in cost of living. Many staff are also Croydon residents and may seek support from the Council including via the cost of living hub on the intranet. The Council offers support through the Employee Assistant Programme (EAP) and staff may seek help via and be signposted to the EAP and other appropriate sources of assistance and advice on the Council's intranet.

Approved by: (Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on half of Dean Shoemith, Chief People Officer)

9 EQUALITIES IMPACT

- 10.1 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 10.2 In setting the Council's budget for 2022/2023, all savings proposals must complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts. If any impacts arise, officers will offer mitigation to minimise any unintended impact.
- 10.3 The core priority of the Equality Strategy 2020-2024 is to tackle ingrained inequality and poverty and tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. The budget should take due regard to this objective in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, disabled people and their families along with adults utilising social care provision is key to this regard. Though families and single parents are not classed as a protected characteristic under Equality Act 2010, the strategy commits to tackling inequality and tackling socio economic inequality so may also consider the impact on families.

- 10.4 The cost-of-living increase has impacted heavily on the most economically vulnerable in society. Energy increases have led to some vulnerable groups having to make a choice between heating and eating. Despite proposed increases in fees and charges being below the rate of inflation they may still have a detrimental impact on residents from our most vulnerable groups. This could potentially have an adverse impact on poverty and inequality and a socio-economic impact on residents. Deprivation in borough is largely focused in the north and the east where most ethnic residents from the African, African Caribbean and Asian communities reside.
- a. In setting this budget the Council has sought to mitigate the impact on all residents who may be economically affected at this time. Research states that the protected characteristics that are likely to be most impacted by fee rises and the cost of living increase are: young people, African and African Caribbean people, Disabled people and some pregnant women. There is also an intersectional aspect to the impact on equality, such as a higher impact on female mixed race disabled individuals and young Asian and African/African Caribbean young people been more affected. The Council have undertaken a wide range of initiatives to mitigate the affects for those in most need. The measures include: a cost-of-living hub, a range of financial support and advice including discretionary support and additional support payments, Council tax support, energy advice and a benefit calculator. Residents are also signposted to support from community partners in the delivery of initiatives to support residents such as healthy Schools Clubs. These packages are available to all eligible residents irrespective of equality characteristics and are targeted at those residents who are in the most need.
 - b. The full impacts of Covid 19 and long Covid on the Adult Social Care Service may not be apparent at this time. Evidence suggests that the impact of Covid 19 has resulted in an increase in care packages from Adult Social Care which places additional pressure on the service to deliver and meet the needs of vulnerable residents. There may also be a subsequent impact on disabled children along with their parents. It is essential to ensure that both groups receive an appropriate standard of care despite the pressure on services to reduce costs. Subsequently young people transitioning from Children's social care to Adults Social Care could impact heavily on budget dependent on the needs of individuals identified.
 - c. The impact on poverty and inequality may be increased for those residents who were economically affected by Covid 19 and are currently in rent arrears, have debt to energy companies or elsewhere.

(Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance)

11 ENVIRONMENTAL IMPACT

- 5.1 There are no specific environmental impacts set out in this report

6 CRIME AND DISORDER REDUCTION IMPACT

- 5.1 There are no specific crime and disorder impacts set out in this report

6 DATA PROTECTION IMPLICATIONS

13.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

NO

13.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

NO, as the report contains no sensitive/personal data

Approved by Nish Popat – Interim Head of Corporate Finance

APPENDIX 1 – SERVICE BUDGETS AND FORECASTS MONTH 5

	Approved Budget (£,000's)	Current Actuals (£,000's)	Full-Yr Forecast (£,000's)	Projected Variance (£,000's)
C1410E : ADULT SOCIAL CARE OPERATIONS	111,275	52,002	110,831	(444)
C1405E : TOTAL ADULT SOCIAL CARE AND HEALTH DIRECTORATE SUMMARY	1,175	(1,372)	1,555	380
C1420E : ADULT SOCIAL CARE POLICY AND IMPROVEMENT	11,375	5,130	10,934	(441)
TOTAL ADULTS	123,825	55,761	123,320	(505)
C1305E : RESIDENT ENGAGEMENT AND ALLOCATIONS	8,175	377	10,784	2,610
C1310E : ESTATES AND IMPROVEMENT	82	144	54	(28)
TOTAL HOUSING	8,257	522	10,838	2,582
C1110E : SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY DIRECTORATE SUMMARY	(262)	325	(1,435)	(1,173)
C1120E : SUSTAINABLE COMMUNITIES	22,479	790	37,808	15,329
C1130E : CULTURE AND COMMUNITY SAFETY DIVISION	4,543	2,519	4,776	233
C1140E : PLANNING AND SUSTAINABLE REGENERATION DIVISION	696	1,941	1,948	1,252
TOTAL SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	27,456	5,575	43,097	15,641
C1605E : RESOURCES DIRECTORATE SUMMARY	(6,901)	200	(6,910)	(9)
C1610E : DIRECTOR OF FINANCE	9,114	70,768	16,046	6,932
C1620E : PENSIONS DIVISION	343	556	261	(82)
C1625E : MONITORING OFFICER	2,094	851	2,097	3
C1630E : INSURANCE, ANTI-FRAUD AND RISK	1,018	1,158	821	(197)
C1640E : LEGAL SERVICES DIVISION	(1,644)	114	(1,378)	266
C1650E : INTERNAL AUDIT SERVICE	597	559	801	204
C1690E : COMMERCIAL INVESTMENT AND CAPITAL DIVISION	11,707	5,510	13,800	2,093
TOTAL RESOURCES	16,328	79,715	25,538	9,210
C1205E : CHILDREN, YOUNG PEOPLE AND EDUCATION	584	208	584	-

	Approved Budget	Current Actuals	Full-Yr Forecast	Projected Variance
	(£,000's)	(£,000's)	(£,000's)	(£,000's)
C1210E : CHILDREN'S SOCIAL CARE	72,417	21,839	71,857	(560)
UNACCOMPANIED ASYLUM SEEKING CHILDREN (UASC) AND CARE LEAVERS	(4,630)	1,433	(4,630)	-
C1220E : EDUCATION DIVISION - exc DSG	7,425	17,489	7,277	(148)
C1230E : QUALITY, POLICY AND PERFORMANCE IMPROVEMENT	5,978	841	6,278	300
TOTAL CHILDRENS, FAMILIES AND EDUCATION	81,774	41,811	81,366	(408)
C1505E : ASSISTANT CHIEF EXECUTIVE DIRECTORATE SUMMARY	(90)	361	22	112
C1510E : CROYDON DIGITAL AND RESIDENT ACCESS	23,149	10,303	22,664	(485)
C1520E : CHIEF PEOPLE OFFICER DIVISION	3,192	1,431	2,896	(296)
C1530E : POLICY, PROGRAMMES AND PERFORMANCE	6,111	5,468	5,576	(535)
C1540E : PUBLIC HEALTH	-	(10,752)	0	0
C1550E : SERVICE QUALITY, IMPROVEMENT AND INCLUSION	-	-	-	-
TOTAL ASSISTANT CHIEF EXECUTIVE	32,362	6,811	31,158	(1,204)

Appendix 2 – Capital Programme Month 5

Scheme Name	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/08/22 £'000	Forecast for year end 2022/2023 £'000	Variance to Date 2022/2023 £'000
Disabled Facilities Grant	2,993	512	2,993	-
Empty Homes Grants	500	15	500	-
HOUSING	3,493	527	3,493	-
Adults ICT	110		110	-
Provider Services - Extra Care	500	-	500	-
Sheltered Housing	938		938	-
Capital investment in Garden Centre	159		159	-
ADULT SOCIAL CARE AND HEALTH	1,707	-	1,707	-
Bereavement Services	1,000	520	1,775	775
Finance and HR system	500		500	-
ICT	8,955	320	6,955	(2,000)
People ICT	3,000	335	3,000	-
ASSISTANT CHIEF EXECUTIVE	13,455	1,175	12,230	(1,225)
Education – Fire Safety Works	902		902	-
Education - Fixed Term Expansions	3,243	28	550	(2,693)
Education - Major Maintenance	9,549	485	4,049	(5,500)
Education - Miscellaneous	-	125	134	134
Education - Permanent Expansion	44	22	319	275
Education - Secondary Estate	-	41	41	41
Education - SEN	2,226	188	1,026	(1,200)
CHILDREN, YOUNG PEOPLE AND EDUCATION	15,964	889	7,021	(8,943)
Allotments	200	177	200	-
Fixtures & Fittings FFH	-	571	571	571
Capitalised Feasibility Fund	330		330	-
Growth Zone	4,000	(19)	4,000	-
Grounds Maintenance Insourced Equipment	200		200	-
Highways - maintenance programme	8,618	1,376	13,290	4,672
Highways – flood water management	435	175	895	460
Highways - bridges and highways structures	3,403	1,102	3,403	-
Highways - Tree works	56	35	56	-
Mitigate unauthorised access to parks and open spaces	73		73	-
Leisure Equipment Upgrade	70	56	206	136
Libraries Investment - General	1,614	106	300	(1,314)
Libraries investment – South Norwood library	412		412	-
Museum Archives	75		75	-
Parking	2,141	63	2,141	-
Play Equipment	380	53	380	-

Scheme Name	Original Approved Budget 2022/2023 £'000	Actual to Date as at 31/08/22 £'000	Forecast for year end 2022/2023 £'000	Variance to Date 2022/2023 £'000
Safety - digital upgrade of CCTV	1,539		1,539	-
Section 106 Schemes	-	3	3	3
Signage	137		274	137
South Norwood Good Growth	1,032	(339)	1,208	176
Kenley Good Growth	425	292	760	335
Sustainability Programme	565		565	-
TFL - LIP	9,266	(238)	4,326	(4,940)
Unsuitable Housing Fund	-	60	61	61
Waste and Recycling Investment	1,000		1,000	-
Waste and Recycling - Don't Mess with Croydon	1,000	6	1,000	-
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC DVLPT	36,971	3,479	37,268	297
Asset Strategy - Stubbs Mead	700		300	(400)
Asset Strategy Programme	225		225	-
Asset Acquisition Fund	390		250	(140)
Clocktower Chillers	412		412	-
Corporate Property Maintenance Programme	2,500	299	2,500	-
Brick by Brick programme	6,203		6,203	-
Fairfield	1,000	1,275	3,448	2,448
Fieldway Cluster (Timebridge Community Centre)	-		248	248
RESOURCES	11,430	1,574	13,586	2,156
Capitalisation Direction	25,000		25,000	-
Transformation Spend (Flexible Capital Receipts)	4,049		4,049	-
CORPORATE	29,049	-	29,049	-
TOTAL GENERAL FUND PROGRAMME	112,069	7,644	104,354	(7,715)
Asset management ICT database	-	87	155	155
Fire safety programme	-	396	396	396
Major Repairs and Improvements Programme	22,083	4,479	18,482	(3,601)
Affordable Housing	-	16		-
HOUSING REVENUE ACCOUNT	22,083	4,978	19,033	(3,050)
TOTAL CAPITAL PROGRAMME	134,152	12,622	123,387	(10,765)

Croydon Council

REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE 15 September 2022
SUBJECT:	Head of Internal Audit Annual Report 2021/22
LEAD OFFICER:	Dave Phillips, Interim Head of Internal Audit
CABINET MEMBER	N/A
WARDS:	ALL
CORPORATE PRIORITY/POLICY	
Internal Audit's work helps the Council to improve its corporate capacity through sound and robust governance structures, financial management and risk management within the organisation. Strengthening corporate capacity is critical in improving the Council's ability to deliver services helping the Council achieve its vision and aims for the community as a whole.	
FINANCIAL SUMMARY:	
The Internal Audit contract for 2021/22 was a fixed price contract of £372k and appropriate provision was made within the budget for 2021/22.	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note the Head of Internal Audit Report 2021/22 (Appendix 1) and the overall Limited level of assurance of the Council's systems of internal control.

2 EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit in 2021/22 and the overall level of assurance for the Council's internal control environment to support the Annual Governance Statement (AGS). The AGS is included on the agenda for this committee and will be published on the Council's website in due course alongside the final accounts.

2.2 From the Internal Audit work undertaken in 2021/22, it is the Interim Head of Internal Audit's opinion that Internal Audit can provide only **Limited Assurance** in relation to the system of internal control, and that the internal controls within financial and non-financial systems operating throughout the year were unsatisfactory in some cases.

2.3 Control weaknesses have been identified and highlighted in relation to:

- Internal audit continues to identify general compliance issues in basic areas of governance and control.
- Internal audit work during the year again identified a number of issues with contract letting, monitoring and management across the organisation.
- Internal audit continues to identify a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose.
- Internal audits have identified issues over the setting and monitoring of savings plans and over the process of service budget monitoring.
- Internal audits have identified issues in the area of temporary accommodation, including arrangements for repairs and maintenance.*

*Please note that Internal Audit is aware of wider repair and maintenance issues, but as Internal Audit work on this area is still ongoing and no audit reports on this yet issued, it is not included in the issues above.

2.4 This report covers a period of unprecedented change within the organisation brought on by (a) the continuing COVID pandemic which has required a massive change to working practices as well as additional support to the community; and (b) the changes flowing from the Reports in the Public Interest issued by the Council's external auditor and the complete change at the top of the organisation, amongst both politicians and officers.

2.5 There has been a good start made on the job of changing the organisation's culture, but this will not be an overnight task and will take some time to embed. In particular, the Corporate Management Team (CMT) are much more focussed on governance issues, with monthly Internal Audit updates being reported to CMT and with monthly audit focus group meetings, where deep dives on key and outstanding audit issues are conducted. Work is still ongoing to embed good governance throughout the organisation, and includes mandatory training on key processes and increased compliance checks.

3 DETAIL

3.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare an independent annual written report to members that includes:

- an opinion on the overall effectiveness of the organisation’s framework for governance, risk management and control;
- disclosure of any qualifications on that opinion; and
- any issues the Head of Internal Audit judges relevant to the preparation of the Annual Governance Statement.

3.2 Appendix 1 details the annual report for the period 2021/22. From the work undertaken, the Head of Internal Audit is giving a **Limited Assurance** in that the Council’s framework for governance, risk management and control does not accord with proper practice in several cases.

3.3 The Limited level of assurance reflects that **54%** of individual audits received either No or Limited assurance levels. This is in line with the previous year; however, it should also be noted that at the time of writing there are still a number reports in draft. There will be an update on these outstanding reports at the next meeting of this committee. The most significant control weaknesses identified are set out in paragraph 3.8.

3.4 The assurance levels of internal audits issued since the last annual report can be broken down as follows:

	Full	Substantial	Limited	No	Total
Key Financial Systems	0% (0)	25% (2)	75% (6)	0% (0)	8
ICT Systems	0% (0)	0% (0)	0% (0)	100% (1)	1
Operational and Departmental Systems	10% (4)	33% (13)	49% (19)	8% (3)	39
Schools	0% (0)	80% (8)	20% (2)	0% (0)	10
Total	7% (4)	39% (23)	47% (27)	7% (4)	58

3.5 Internal audit has identified issues and risks and service managers have identified actions to mitigate those risks. The Council now needs to ensure that the action is taken to implement audit recommendations particularly in relation to priority one issues. The actions to address the most significant issues are set out in paragraph 3.8 below.

Implementation of Audit recommendations

3.6 The Council has set targets for the implementation of audit recommendations. Implementation is assessed at the time of follow-up audits. The targets are 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations. The table below shows achievement against these targets for the follow-up audits carried out to date.

Implementation of agreed recommendations

Performance Objective	Target	Performance 2017/18 (to date*)	Performance 2018/19 (to date*)	Performance 2019/20 (to date*)	Performance 2020/21 (to date*)	Performance 2021/22 (to date*)
Percentage of priority one recommendations implemented at the time of the	90%	100%	98%	93%	71%	100%

follow up audit						
Percentage of all recommendations implemented at the time of the follow up audit	80%	91%	91%	90%	78%	77%

* Audits are still being followed up for 2017/18, 2018/19, 2019/20 and 2021/22 and therefore the percentage is likely to change.

- 3.7 Internal Audit continues to work with departments to help improve implementation timescales. This includes monthly reports to the CMT highlighting where recommendations are not being implemented and agreeing the way forward.

Significant Control Weaknesses

- 3.8 Internal Audit is required to form an opinion on the quality of the framework for governance, risk management and control, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2021/22, 5 key issues were identified (detailed in paragraph 2.3 above). All 5 of these items have been carried forward to the Annual Governance Statement (AGS) and responses sought from relevant management.
- 3.9 Actions have been agreed to address these weaknesses and internal audit will be involved in further audit work in these areas.
- 3.10 In addition, to raise the profile of issues raised by internal audit and to address them earlier:
- All action plans to address individual audit findings are signed off by the relevant Corporate Director who is responsible for ensuring implementation.
 - Internal audit attends CMT meetings to monthly report on outstanding audit reports and overdue follow up actions. These are discussed further at monthly CMT audit focus group meetings.

4 CONSULTATION

- 4.1 The outcome of all audit work is discussed and agreed with the lead service managers. The CMT receives monthly reports from internal audit and consider progress on audit recommendations.

5 FINANCIAL AND RISK CONSIDERATIONS

- 5.1 The fixed price for the Internal Audit Contract was £372K for 2021/22 and there was adequate provision within the budget. There are no additional financial considerations relating to this report.
- 5.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk register processes and ensure the integration with the risk management framework.

- 5.3 Since the start of the financial year further strengthening of financial internal controls has taken place. A key improvement has been the formalisation of the assurance meetings, which are chaired by the S151 Officer and CEO. This allows for a detailed scrutiny in relation to in year budget delivery along progress made with regards to MTFS Savings proposals.
- 5.4 Financial systems have improved over the past two years and further work is ongoing to further strengthen these. The Council has embarked on Financial System improvement programme and has recently secured a 2 year extension with its main Financial System provider to ensure a sustainability and further development opportunities to better utilise the Finance system to improve internal controls.
- 5.5 The financial constraints that the Council is experiencing and the consequent savings that need to be achieved, will continue to make it challenging to maintain a robust system of internal control. Internal audit will need to maintain some flexibility in its work plan to accommodate new or increasing areas of risk.

(Approved by: Nish Popat, Interim Head of Finance Place and Resources)

6 LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Council should take steps to improve the Assurance level within the Council.
- 6.2 There are various obligations upon the Council regarding ensuring that its business is conducted in accordance with the law and proper standards. This includes the duty (under the Local Government Act 1999) to make arrangements to secure continuous improvement, to have an Annual Government Statement and to undertake a review of the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards and guidance (Accounts and Audit Regulations 2015). The Committee should note that the Council is under a duty (s3(1) Local Government Act 1999) as a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 6.3 Further the Council's Financial Regulations, as part of the Constitution, require the preparation of an annual Head of Audit Report and an Annual Governance Statement.
- 6.4 It is noted that the terms of reference of the Audit and Governance Committee enables it to consider the annual report of the Head of Internal Audit and make recommendations as appropriate to Cabinet and/or Full Council.
- 6.5 In considering the recommendation in this report the Committee should have regard to the Council's overall governance and financial position. The Head of Internal Audit Report should also be carefully considered. In particular that there is a LIMITED level of assurance provided regarding the systems of internal control.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of

Legal Services and Monitoring Officer.)

7 HUMAN RESOURCES IMPACT

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

(Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives on behalf of Dean Shoemith, Chief People Officer)

8 CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, HUMAN RIGHTS & FREEDOM OF INFORMATION IMPACTS

- 8.1 Under the Public Sector Equality Duty of the Equality Act 2010, the Council must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others. These include areas in which internal audit provide assurance of the Council's systems and processes.

- 8.2 Section 149 of the Act requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

- 8.3 Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief.

- 8.4 This report has no direct equality implications. The limited assurance rating has not highlighted any specific concerns about the internal controls in relation to the Council's process for equality impact assessments. However, this approach is regularly reviewed and the Equality, Diversity & Inclusion Internal Control Board has been established to monitor and strengthen the Council's activities in relation to equalities.

Approved by Gavin Handford, Director of Policy, Programmes & Performance

9 DATA PROTECTION IMPLICATIONS

- 9.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No.

- 9.2 There are no immediate data protection issues arising from this report.

CONTACT OFFICER: Dave Phillips, Interim Head of Internal Audit

BACKGROUND DOCUMENTS: Individual finalised internal audit reports are posted on the council's website

APPENDICES: London Borough of Croydon Head of Internal Audit Report 2021-22

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London Borough of Croydon Internal Audit Annual Report for the year ended 31 March 2022

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 on the last page of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

The purpose of this report is to contribute to the Head of Internal Audit annual reporting requirements set out in the UK Public Sector Internal Audit Standards (PSIAS). The standards advise that the report must:

- a) include an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control;
- b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- d) draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets, and
- f) comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

Head of Internal Audit Opinion on the Effectiveness of Internal Control

This opinion statement is provided for the use of London Borough of Croydon (Council) in support of its Annual Governance Statement for the year ended 31 March 2022.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. Effectiveness of the system is also conveyed by executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports. In this context it should be noted that the external auditors on 23 October 2020 issued a Report in the Public Interest (RIPI) highlighted 'governance failings' and 'corporate blindness'. A subsequent second

RIPi was issued on 26 January 2022 following a review of the Council’s arrangements for the refurbishment of Fairfield Hall, where concerns had been raised over the historic governance of the project.

Head of Internal Audit Annual Opinion Statement

The Head of Internal Audit Annual Opinion (Opinion) is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2021/22, including our assessment of the Council’s corporate governance and risk management processes and information technology governance.

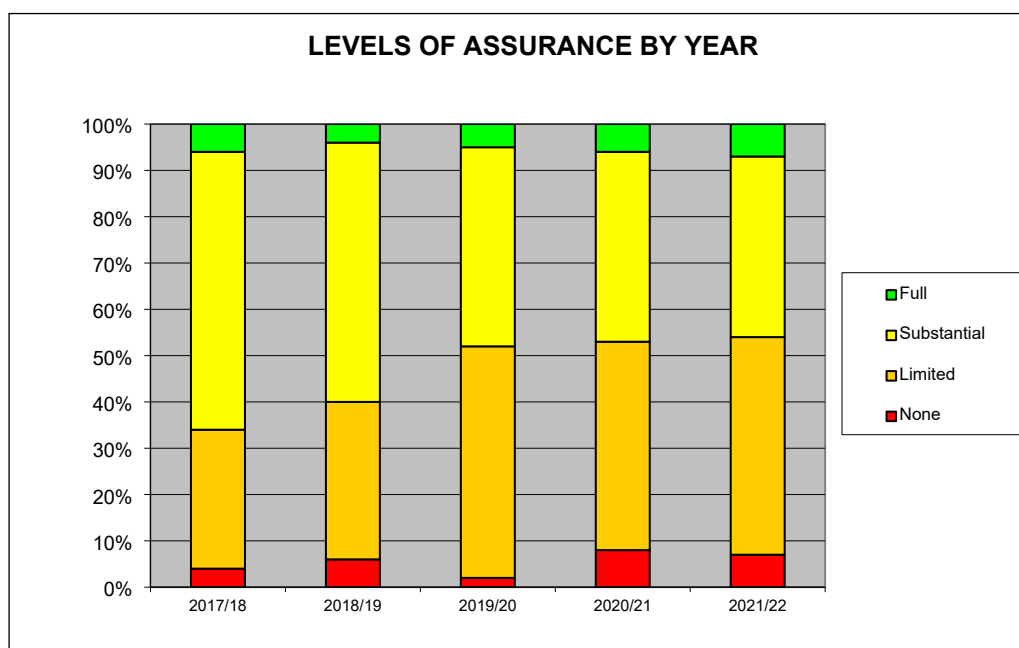
The internal audit plan for 2021/22 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within PSIAS and additionally from our Internal Audit’s own internal quality assurance systems.

Our Opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the organisation’s Assurance Framework, that are covered by Internal Audit’s programme.

Graph 1 – Assurance Levels

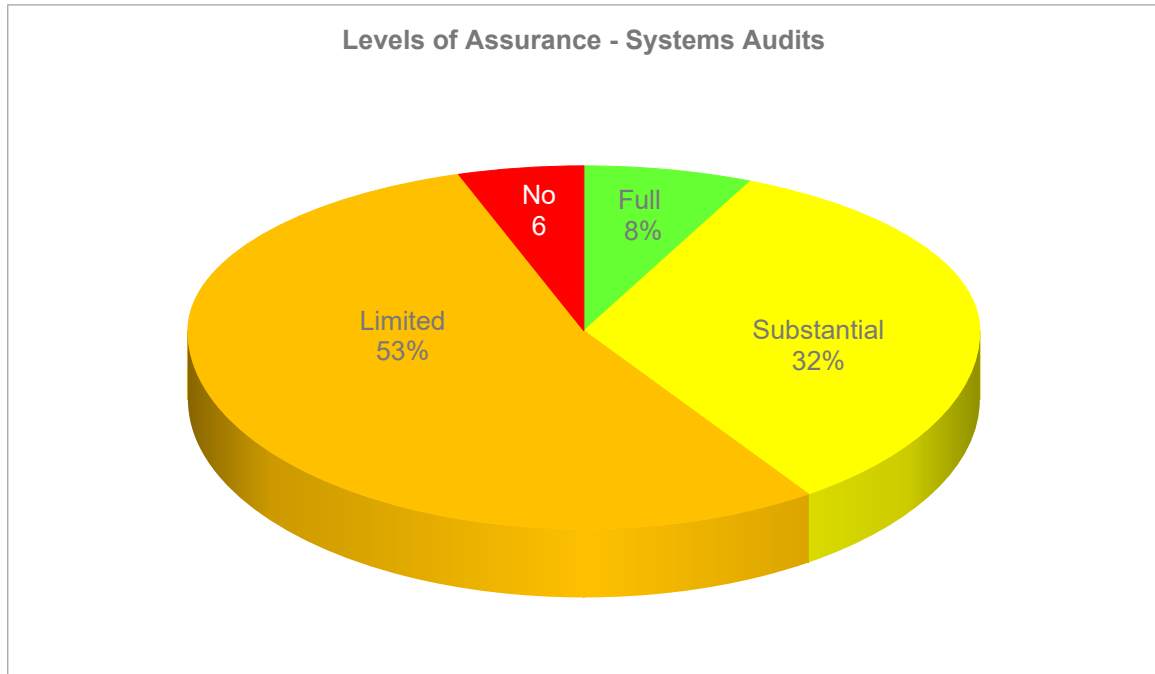


	2017/18	2018/19	2019/20	2020/21	2021/22*
Full Assurance	6%	4%	5%	6%	7%
Substantial Assurance	60%	56%	43%	42%	39%
Limited Assurance	30%	34%	50%	44%	47%
No Assurance	4%	6%	2%	8%	7%

* 2021/22 figures include any audit reports, regardless of audit plan year, issued during the 2021/22 year.

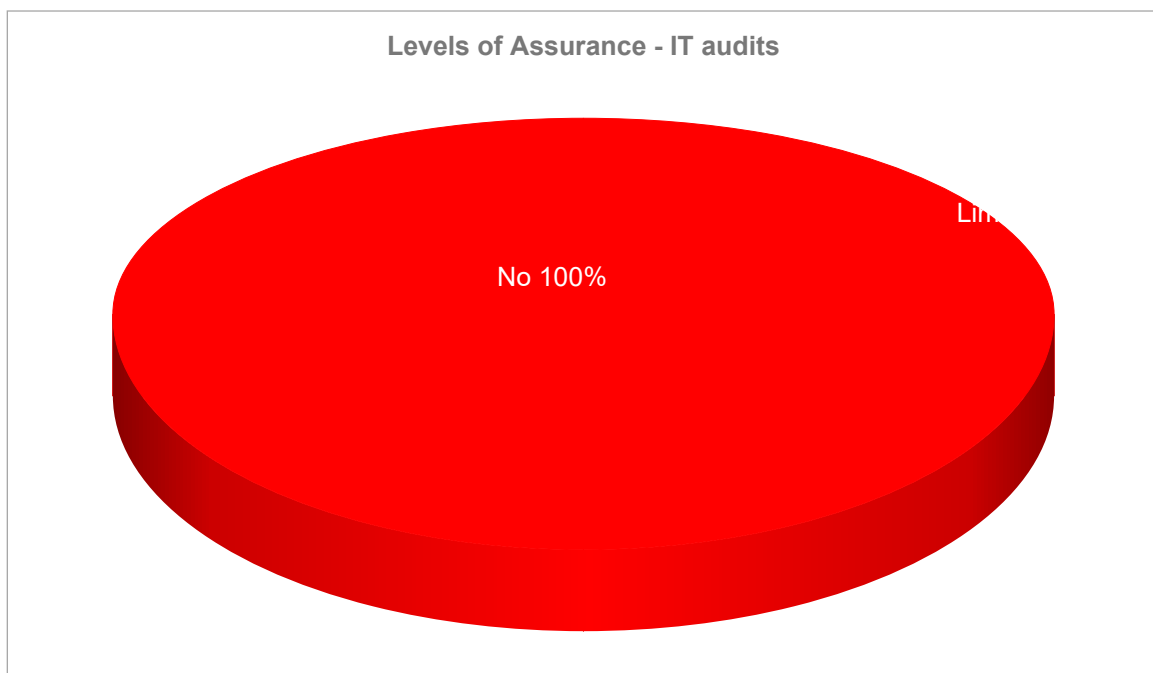
Graph 1 shows the percentage of final audit reports issued per level of assurance over the past five years. As can be seen there has been a steady year on year increase in the number of limited and no assurance audits since 2017/18, with the number of limited and no assurance reports in 2021/22 at 54%. As detailed in subsequent graphs, the impact of a high percentage of substantial assurance opinions for school audits helped reduce the Council's overall percentage of limited and no assurance reports.

Graph 2 – Levels of Assurance – Systems Audits



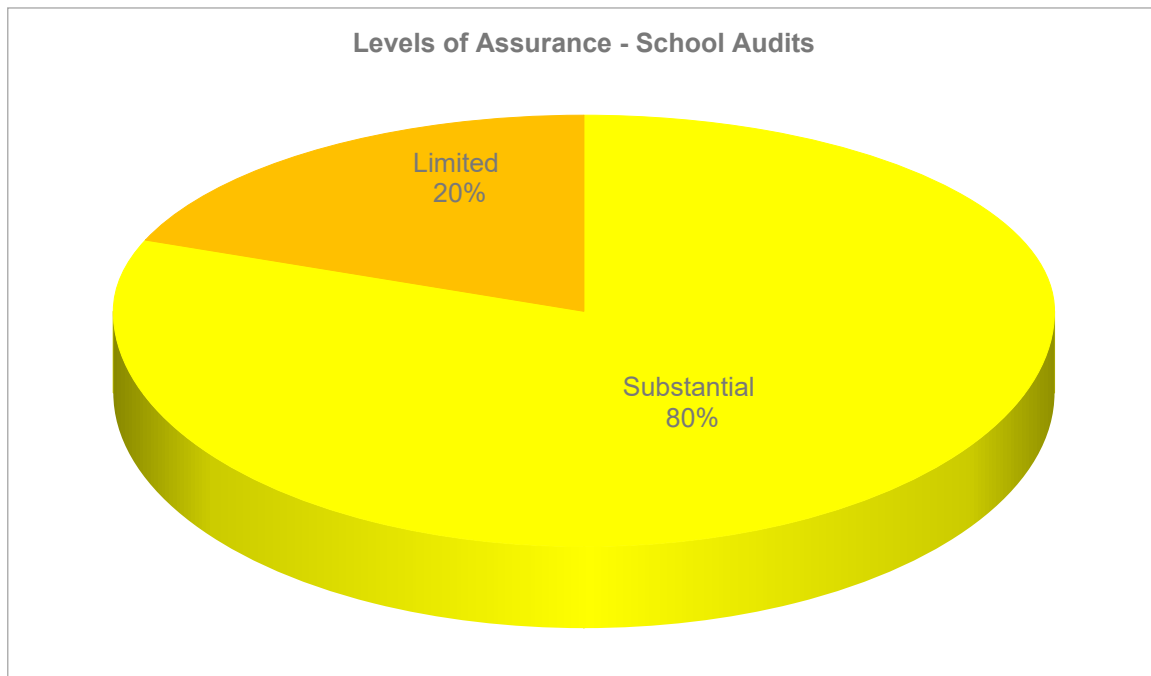
Graph 2 shows the percentage of final reports issued per level of assurance achieved on all the full systems audited. This shows that only 40% of the systems audited, including the core Council financial systems, achieved an assurance level of Substantial or Full. This is an improvement in performance on 2020/21 which was 31%.

Graph 3 – Levels of Assurance – IT Audits

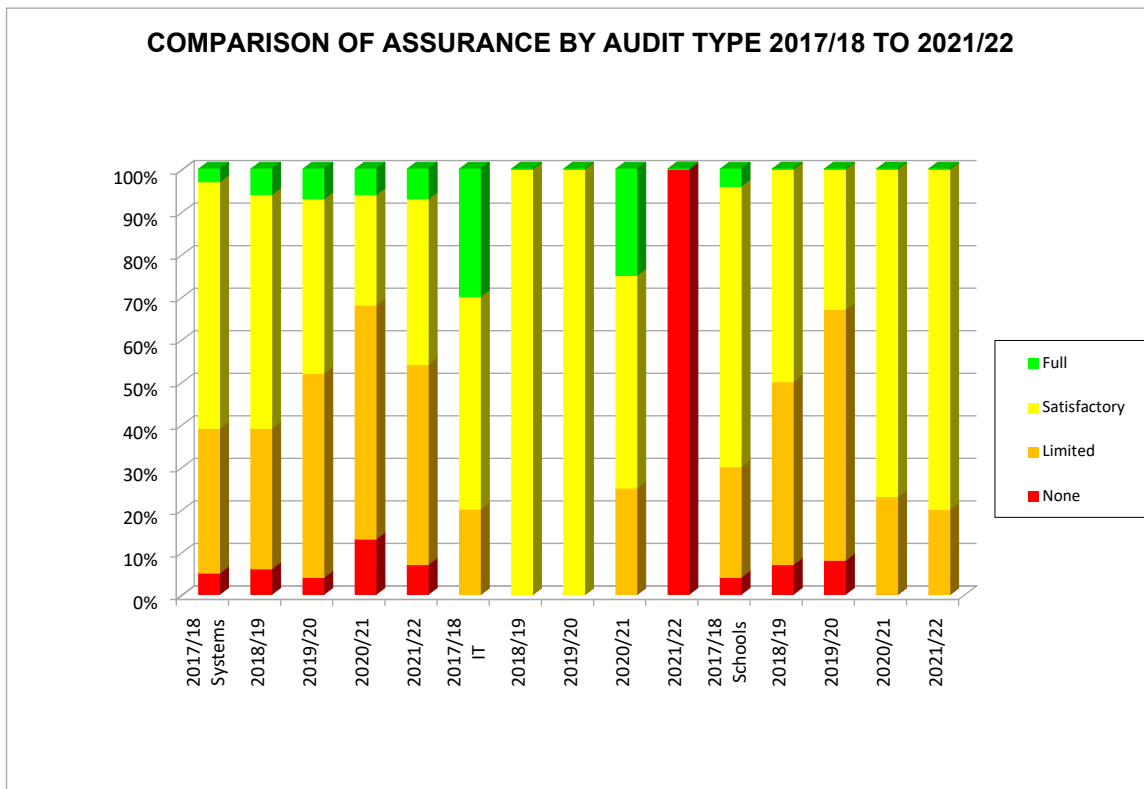


Graph 3 shows the percentage of final audit reports issued per level of assurance for the IT audit programme of work. This shows that 100% (one audit) of the computer audits achieved an assurance level of No. This is a decrease in assurance on 2020/21 (two audits) which was 100% Substantial. (Please note the comments under the heading 'Qualifications to the opinion' below regarding the difficulties in progress computer audits.)

Graph 4 – Levels of Assurance – School Audits



Graph 4 shows the results of the school's audit programme. A total of 20% of all locations visited resulted in a Limited Assurance. This is a slight improvement on the performance in 2020/21 which was 23%. Whilst the number of schools audited is similar year on year, the work also resulted in fewer recommendations year on year.



2021/22 Year Opinion

Internal Control

From the Internal Audit work undertaken in 2021/22, it is our opinion that we can provide **Limited Assurance** that the system of internal control that has been in place at London Borough of Croydon for the year ended 31 March 2022 accords with proper practice. Details of significant internal control issues are documented in the detailed report.

The assurance can be further broken down between financial and non-financial systems, as follows:



In reaching this opinion, the following factors were taken into particular consideration:

- The results of the internal audit work performed during the year, where 54% of the overall audits undertaken were 'Limited' or 'No' assurance. From a systems audit sub-category, 59% of internal audits were 'Limited' or 'No' assurance and for the computer audit sub-category, the only audit issued was a 'No' assurance.
- The two 'Reports In the Public Interest' by Grant Thornton dated 23 October 2020 and 26 January 2022, which highlighted governance failings and corporate blindness.
- The Ministry of Housing, Communities and Local Government rapid non-statutory review in October 2020 and the subsequent review titled 'One Year On' dated 21 November 2021, which highlighted the progress made, while still saying that there was some way still to go.
- The progress the Council has made in regard to achieving the recommendations set out by external auditor in the Report in the Public Interest October 2020 with 65 out of 99 actions being reported as complete at the Cabinet meeting held on 24 January 2022.
- The Executive Director Resources (Section 151 Officer's) review of the effectiveness of the internal audit function submitted to the General Purposes and Audit Committee on 7 October 2020.
- A peer review by another London Borough's Head of Internal Audit which was conducted during the course of 2015/16 to assess the extent to which the Council's internal audit service complied with the PSIAS. This showed that the Council's Internal Audit service 'Generally Conforms to the standards'.

Corporate Governance

In our opinion the corporate governance framework does not comply with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- The 'Report in the Public Interest' by Grant Thornton dated 23 October 2020, which highlighted governance failings and corporate blindness, summarising that, '*The missed opportunities represent deficiencies in financial planning, financial management, risk assessment, communication between officers and Members and challenge from Members before approving the strategies and plans that have led the Council needing in-year external financial support. Action must be taken to restore the Council to a sound financial position supported by effective governance.*'

- The 'Report in the Public Interest' by Grant Thornton dated 26 January 2022, which highlighted historic failings in the council's financial, governance and legal arrangements for the Fairfield Halls refurbishment, with the auditors finding weakness in the procurement and contract management of the project.
- The 'Croydon Finance Review – Phase 1 Report' presented to the General Purposes and Audit Committee on 7 October 2020, which detailed that, '*The council's financial governance is currently inadequate in relation to some areas of financial planning, budget setting and budget monitoring.*'
- Our annual audit plan of work, which included governance related audits and identified general compliance issues in basic areas of governance and control, where more than 50% of the audits were limited or no assurance.

Risk Management

In our opinion, we consider the risk management processes are effective and provide regular information on key risks and issues to the Council's Management and Executive Teams and through to Members. The assessment, evaluation and documentation of risks and controls were continued during the year so that risk registers are revised and updated for all Departments.

This is based on:

- Our 2019/20 audit (issued in October 2019) of the Risk Management process, for which a Substantial assurance was provided, and
- Our on-going audits of the departmental risk registers as considered as part of internal audits conducted across departments within the plan.

Information Technology

We are not able to provide assurance that the information technology of the Council supports the organisation's strategies and objectives, as the only computer audit that has being reported on in the period was a 'No' assurance and the remaining planned two audits have not yet been completed due to ongoing difficulties with Council staff in progressing these.

Acknowledgement

We would like to take this opportunity to formally record our thanks for the cooperation and support we have received from the management and staff during the year, and we look forward to this continuing over the coming years.

HEAD OF INTERNAL AUDIT

Dave Phillips (Interim Head of Internal Audit, London Borough of Croydon)

September 2022

DETAILED REPORT

Introduction

This section is a report from Internal Audit detailing:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit.
- Any qualifications to the Head of Audit opinion on the Authority's system of internal control, with the reasons for each qualification.
- The identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate its opinion.
- The management processes adopted to deliver risk management and governance requirements.
- Comparison of the work undertaken during the 2021/22 year against the original Internal Audit plans.
- A brief summary of the audit service performance against agreed performance measures.

Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise.

During the financial year 2021/22 the following key issues were identified across our work:

- Internal audit continued to identify general compliance issues in basic areas of governance and control.
- Internal audit work during the year again identified a number of issues with contract letting, monitoring and management across the organisation.
- Internal audit continued to identify a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose.
- Internal audits identified issues over the setting and monitoring of savings plans and over the process of service budget monitoring.
- Internal audits identified issues in the area of temporary accommodation, including arrangements for repairs and maintenance.*

*Please note that Internal Audit is aware of wider repair and maintenance issues, but as Internal Audit work on this area is still ongoing and no audit reports on this yet issued, it is not included in the issues above.

The Council has action plans to address these issues and Internal Audit will be involved in further audits of these areas.

Qualifications to the opinion

Internal Audit had unfettered access to all areas and systems across the authority and in the main received appropriate co-operation from officers and Members. The exceptions were the computer audits and the Capital Budgeting and Treasury Management audit where there was either a lack of engagement or limited engagement with the audit process.

Our Internal Audit plans were based on an assessment of risk, including using the Council's risk register and were supported by the members of the Executive and Corporate Leadership Teams individually for their departments and divisions. Based on the work we have undertaken plus our knowledge of the Council, we have no other qualifications to raise as a result of our work programme.

Work in delivering the plan was completed during the government measures put in place in response to COVID-19. While our audits were performed remotely, we were able to obtain all relevant documents required to complete these, although this did add delays to the process and the responses to our audit queries.

Other assurance bodies

In formulating the overall opinion on internal control, the Head of Internal Audit also took into account the work conducted by Ofsted as considered through our School audits, the MCHLG rapid non statutory reviews and the external auditor.

Governance Processes

The key features of the framework for Corporate Governance within the Council are outlined below:

- Challenge and review by the Audit and Governance Committee (AGC).
- Monthly internal audit updates to the CMT (Corporate Management Team) and monthly CMT internal audit focus group meetings.
- Quarterly Statutory Officer meetings.
- Corporate objectives and targets have been established and are monitored.
- Implemented structures and processes.
- Standards of conduct and a Code of Conduct are in place for Members and officers.
- The Constitution, which was adopted by the Council on 21 May 2012 and subsequently amended in July and October 2012, January and July 2014, May 2015, January, May and September 2016 January, June and September 2017, May, July, November and December 2018, February, April and August 2019, January, March, April and June 2020 and February, March August and September 2021 and May 2022.
- The Council's Tenders and Contract Regulations, which form part 4.1 of the Constitution of the London Borough of Croydon and were adopted by the Council on 23 March 2022.
- Financial Regulations are reviewed and revised on an annual basis under delegated authority (by the Corporate Director of Resources and S151 Officer). The current version of the Financial Regulations was issued during June 2020 and last amended on 13 December 2021. Day to day guidance is provided via the Financial Procedures maintained by the Governance Team.
- Mandatory training on key processes at prescribed intervals, including that information management, good governance awareness and cyber security.

Risk Management Process

The principal features of the risk management process are described below:

Members: The AGC receives regular reports on risk issues including 'deep dives' on specific risk entries and 'Red rated' Strategic, Governance and Operational Corporate Risks are formally reviewed on a quarterly basis by AGC. All Cabinet members are briefed on risks by the respective Corporate Directors. All major risks are aligned to specific categories of risk to enable further analysis for example risks related to Technology, Human Resources, Finance etc.

Corporate Management Team: Regular risk updates are provided to CMT by the Head of Insurance, Anti-Fraud and Risk.

Departmental Leadership Team: All risks appear on DLT (Departmental Leadership Team) meeting agendas on a quarterly basis facilitated by a member of the Risk team.

Head of Insurance, Anti-Fraud and Risk: Responsibility for developing, introducing and maintaining Risk Management rests with the Head of Insurance, Anti-Fraud and Risk. He has taken the lead on developing and introducing risk registers, defining processes, documentation and standards, and providing the drive for its implementation. The JCAD Risk computer system is used to facilitate this process.

This includes:

- Quarterly risk challenge through Departmental Leadership Teams is provided, supported by the Risk function,
- Support for self-service on the JCAD Risk computer system provided to Directors/Corporate Directors and their Executive Support Officers to embed risk management in the organisation and ensure on-going review and updating and dynamic usage.

- The running of risk workshops by agreement with Project and internal control Boards and at Departmental Team Meetings to support robust Programme and Project Management standards.

A Risk Management toolkit is available on the intranet providing an information source for all Council staff.

Internal Audit Plan

The Internal Audit Plan for 2021/22 was compiled using the Council's Risk Registers as the key drivers in developing audit coverage, as well as detailed discussions with CMT members and departmental management teams. The 2021/22 plan was presented to the General Purposes and Audit Committee on 17 March 2021.

Due to the knock-on impact following the Covid-19 lockdown restrictions, the nature of remote auditing and our reliance on Council staff providing information, some incomplete and/or deferred 2020/21 internal audits (21 audits) were still being completed in 2021/22. In order to minimise the impact on the delivery of the 2021/22 internal audit plan (and subsequent years), the audit plans were critically reviewed during quarter 4 to formally defer these (three audits) to the 2022/23 Internal Audit plan or to remove any audits not yet commenced where there was scope overlap with recently completed audits (two audits) or where due to organisational and other changes the audits were no longer appropriate (15 audits).

Table 1 below summarises the changes to the internal audit plan.

Table 1

	Original 2021/22 approved plan	Amended 2021/22 plan
Key financial systems	7	5
Corporate risk audits	7	6
Departmental risk audits	30	20
Computer audits	5	2
Contract audits	2	1
School audits	14	11
Total	65	45

There were no material scope impairments or restrictions on internal audit in 2021/22, except for with the computer audits and the Capital Budgeting and Treasury Management audit where there was either a lack of engagement or limited engagement with the audit process.

The amended 2021/22 Internal Audit plan is provided in Appendix 1 for information. The schedule shows the number of recommendations raised in each audit during 2021/22 where a report has been issued, as well as the details of the 2020/21 audits reported during the year. (Please note that the names of the departments have been abbreviated in the schedules as follows: ACE – ACE; SCRER – SCRER; Children Young People and Education – CYP&E; Health Wellbeing & Adults – HW&A.)

Internal Audit Performance

Table 2 below sets out the pre-agreed performance criteria for the Internal Audit service. The table shows the actual performance achieved against any targets that were set.

Table 2

Performance Measure	Target	Actual
Percentage of the 2021/22 Internal Audit Plan completed	100%	83%
Percentage of staff with full qualifications used to deliver the service	40%	40%
% of draft reports issued within 2 weeks of exit meeting with the Client	85%	86%
Number of 2021/22 draft reports	45	37

The Council's internal and external auditors co-operate and liaise where possible to aid greater harmonisation of internal and external audit work, with a view to external audit placing reliance on the work of internal audit.

Council's Performance with respect to Internal Audit

Under the internal audit follow-up protocol, follow-up audits are undertaken to establish whether the issues identified have been successfully resolved according to the action plans agreed with the service managers. The Council's minimum target for audit issues resolved at the time of the follow-up audit is 90% for priority 1 issues and 80% for all priority 2 & 3 issues.





Table 3 sets out the performance for the Council's response to Internal Audits. The table shows the actual performance achieved against any targets that were set in advance.

Table 3

Performance Objective	Target	Performance 2017-18 (to date*)	Performance 2018/19 (to date*)	Performance 2019/20 (to date*)	Performance 2020/21 (to date*)	Performance 2021/22 (to date*)
Percentage of priority one issues resolved at the time of the follow up audit	90%	100%	98%	93%	71%	100%
Percentage of all issues resolved at the time of the follow up audit	80%	91%	91%	90%	78%	77%

* The results of those 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22 audits that have been followed up are included in Appendices 3, 4, 5, 6 and 7, respectively.

The progress of each of the follow ups in the appendices has been RAG rated as follows:

-  - Follow up target achieved and no further follow up action planned
-  - Good progress has been made and is ongoing to resolve issues
-  - Limited progress has been made, but actions are ongoing to resolve issues
-  - No or inadequate progress has been made

Quality and Compliance with the Public Sector Internal Audit Standards

Internal Audit has comprehensive quality control and assurance processes in place and operates in accordance with the PSIAS. This provides an independent assurance of the performance, quality and effectiveness at both the individual audit level and the internal audit service as a whole.

The statement of compliance with the PSIAS is detailed in the covering report by the Interim Head of Internal Audit.

Appendix 1 – Summary of Internal Audit reports for 2021/22

2021/22 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
KEY FINANCIALS/ IAS 315 REVIEWS						
Business Rates (and Business Rates Grants)	Resources	Substantial	0	1	0	1
Parking Enforcement: Pay and Display	Resources	Limited	1	2	1	4
Payments to Schools (Include licensed deficit process) (Draft)	Resources	Limited	2	2	2	6
Continuous auditing Q1 and Q2	Resources	Limited	7	4	0	11
Continuous auditing Q3 and Q4	Resources	Limited	7	11	0	18
Total Issues Raised			17	20	3	40

CORPORATE RISK AUDITS						
Service Based Budget Monitoring: Across the Organisation	Corporate (Lead Dept. – Resources)	Limited	2	3	0	5
Standard Operating Procedures: DLTs, DMTs and Departmental Communications (Draft)	Corporate (Lead Dept. – ACE)	Limited	1	2	1	4
Sundry Expenditure: Compliance Checks (Draft)	Corporate (Lead Dept. – Resources)	Substantial	0	2	0	2
Savings Plans - Formulation and Monitoring (Draft)	Corporate (Lead Dept. – Resources)	Limited	0	6	0	6
Fees and Charges (Draft)	Corporate (Lead Dept. – Resources)	Limited	2	4	0	6
Staff Expenses – Compliance checks (Draft)	Corporate (Lead Dept. – ACE)	Limited	2	6	0	8
Total Issues Raised			7	23	1	31

DEPARTMENTAL RISK REGISTER AUDITS						
Early Years and Parenting (Draft)	CYP&E	Substantial	0	3	0	3
UASC - Value for Money (Draft)	CYP&E	Substantial	0	3	1	4
In-House Foster Carer Recruitment	CYP&E	Audit in progress				
Youth Offending	CYP&E	Substantial	0	0	3	3
Children with Disabilities – Placement Costs and Spend Review (Draft)	CYP&E	Substantial	0	1	2	3
Housing Forecasting and Allocations	Housing	Audit in progress				
CALAT - Income generation and controls	SCRER	Substantial	0	1	2	3
Traffic Management	SCRER	Substantial	0	1	1	2
Food Safety (Draft)	SCRER	Limited	1	1	0	2
Fire Safety	Housing	Audit in progress				
PMO – Structures and Processes (Draft)	ACE	Limited	3	2	0	5
Community Fund: Contracts	ACE	Limited	1	2	1	4
My Resources – HR Modules (Draft)	ACE	Limited	1	3	0	4

2021/22 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
Pension Improvement Plan	Resources	Substantial	0	1	0	1
Community Equipment Service - Governance	HW&A	Full	0	0	0	0
Information Management	ACE	Limited	1	1	1	3
Capital Budgeting and Treasury Management	Resources	No	Lack of engagement prevented audit from progressing			
Capitalisation Funding, Capital Receipts and Revenue funding of Capital	Resources	Audit in progress				
Reserves: General and Earmarked	Resources	Audit in progress				
HRA – Accounting (Housing Revenue Account) (Draft)	Resources	Limited	2	1	2	5
Total Issues Raised			10	20	13	43

COMPUTER AUDITS						
IT Asset Management	ACE	Audit in progress				
Cyber Security	ACE	Audit in progress				

CONTRACT AUDIT						
Alternate Education	CYP&E	Audit in progress				

SCHOOLS AUDITS						
Purley Nursery (Draft)	CYP&E	Limited	2	3	1	6
Beaumont Primary	CYP&E	Substantial	0	1	2	3
Downsview Primary School	CYP&E	Substantial	0	2	0	2
Elmwood Junior School	CYP&E	Substantial	0	1	2	3
Gresham Primary School	CYP&E	Substantial	0	4	3	7
Howard Primary School	CYP&E	Substantial	0	1	1	2
Norbury Manor Primary (Draft)	CYP&E	Limited	3	10	3	16
Rockmount Primary School	CYP&E	Substantial	0	3	0	3
St John's C of E School	CYP&E	Substantial	0	2	1	3
Thomas More Catholic School	CYP&E	Audit in progress				
Saffron Valley (Draft)	CYP&E	Substantial	0	1	0	1
Total Recommendations			5	28	13	46

Appendix 2 – Summary of Internal Audit reports for 2020/21

2020/21 Audit Plan	Department	Assurance	Issues			Total Raised
			Priority			
			1	2	3	
KEY FINANCIALS/ IAS 315 REVIEWS						
Business Rates	Resources	Substantial	0	1	0	1
Adults Social Care Payment Process (Draft)	HW&A	Limited	4	5	0	9
Children's Social Care Payment Processes (Draft)	CYP&E	Limited	1	3	0	4
Total Issues Raised			5	9	0	14
DEPARTMENTAL RISK REGISTER AUDITS						
End to end Placement process (including disabilities)	CYP&E	Substantial	0	1	1	2
'Ordinary Residents'	HW&A	Substantial	0	1	1	2
Out of Borough Adult Social Care Placements	HW&A	Limited	1	4	0	5
Transforming Care	HW&A	Full	0	0	0	0
Placement Deposits	CYP&E	Limited	1	3	1	5
Croydon Affordable Homes: Contract Management	Resources	Limited	4	2	0	6
Emissions Based Parking Charges (Draft)	SCRER	Limited	2	0	1	3
SLWP – Payments and Recharging Processes (Draft)	SCRER	Limited	2	1	0	3
Long Term Sick and Maternity Sick leave	ACE	Limited	1	3	0	4
New Supplier Set up	Resources	Limited	1	4	1	6
Supplier relief under covid-19 (Draft)	Resources	No	2	0	0	2
Total Issues Raised			14	19	5	38
COMPUTER AUDIT						
CDS (IT) Contract Management (Draft)	ACE	No	1	0	0	1
Total Issues Raised			1	0	0	1
CONTRACT AUDITS						
CCTV Procurement	SCRER	Full	0	0	0	0
Telephony Procurement (Pre-tender processes)	ACE	Full	0	0	0	0
Emergency and Temporary Accommodation (Phase 3) (Draft)	Housing	Substantial	0	1	0	1
Contract Management – Facilities Management Hard Surfaces (Draft)	Resources	Limited	1	0	0	1
GLL Leisure Contracts Management	SCRER	Substantial	0	0	1	1
Contract Management – Health and Work Programme	SCRER	Substantial	0	1	0	1
Total Issues Raised			1	2	1	4

Appendix 3 - Follow-up of 2017/18 audits (Incomplete only)

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2017/18	Admitted Bodies	Resources	Substantial (10 th follow up in progress)	4	3	75%
Recommendations and implementation from audits that have had responses				431	391	91%
Priority 1 Recommendations from audits that have had responses				46	46	100%

Appendix 4 - Follow-up of 2018/19 audits (incomplete only)

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2018/19	Energy Recharges	Resources	No (2 nd follow up in progress)	7	4	57%
2018/19	Air Quality Strategy, Implementation and Review	SCRER	Limited (6 th follow up in progress)	8	6	75%
2018/19	Council Investment and Operational Properties – Income Maximisation	Resources	Substantial (7 th follow up in progress)	4	3	75%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				222	198	88%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				32	31	97%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				150	143	95%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				19	19	100%
Recommendations and implementation from audits that have had responses				372	340	91%
Priority 1 Recommendations from audits that have had responses				51	50	98%

Appendix 5 - Follow-up of 2019/20 audits

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2019/20	Housing Rent	Housing	Limited (No further follow up)	3	3	100%
2019/20	Staff Debt	ACE	Limited (No further follow up)	8	7	87%
2019/20	Age Assessment Judicial Review	HW&A	Limited (No further follow up)	6	6	100%
2019/20	Alternative School Provisioning	CYP&E	Limited (No further follow up)	6	6	100%
2019/20	Special Educational Needs and Disability (SEND)	CYP&E	Limited (No further follow up)	2	2	100%
2019/20	Lettings Allocations and Assessments	Housing	Limited (3 rd follow up in progress)	3	1	33%
2019/20	Placements in Private Housing Accommodation	Housing	Limited (5 th follow up in progress)	4	2	50%
2019/20	Adult Social Care (ASC) Waiting List	HW&A	Limited (No further follow up)	4	4	100%
2019/20	Care Market Failure	HW&A	Limited (No further follow up)	10	10	100%
2019/20	Financial Planning and Forecasting Adult's Services	HW&A	Limited (No further follow up)	5	4	80%
2019/20	Occupational Therapy	HW&A	Limited (10 th follow up in progress)	4	3	75%
2019/20	Bringing Services In-House – Parks Service	SCRER	Limited (No further follow up)	8	8	100%
2019/20	External funding	SCRER	Limited (No further follow up)	3	3	100%
2019/20	Food Safety – Data Quality	SCRER	Limited (No further follow up)	5	4	80%
2019/20	Parks Health and Safety	SCRER	Limited (No further follow up)	8	8	100%
2019/20	Brick by Brick Governance	Resources	Limited (No further follow up)	2	2	100%
2019/20	Community Equipment Service (Wheelchair Service)	HW&A	Limited (4 th follow up in progress)	3	2	66%
2019/20	Fairfield Halls Delivery (BxB Management)	Resources	Limited (No further follow up)	3	3	100%
2019/20	Freedom of Information and Subject Access Requests	ACE	Limited (4 th follow up in progress)	3	2	66%
2019/20	Staff Debt	ACE	Limited (No further follow up)	8	7	87%
2019/20	Enforcement Agents - Procurement	Resources	Limited (6 th follow up in progress)	6	3	50%
2019/20	Business Rates	Resources	Substantial (No further follow up)	1	1	100%

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2019/20	Debtors	Resources	Substantial (No further follow up)	10	9	90%
2019/20	Housing Benefit	Resources	Substantial (No further follow up)	2	2	100%
2019/20	Pensions	Resources	Substantial (No further follow up)	2	2	100%
2019/20	Pay and Display Meter Maintenance and Income	SCRER	Substantial (No further follow up)	4	4	100%
2019/20	Section 17 Payments	CYP&E	Substantial (No further follow up)	5	5	100%
2019/20	Sheltered Accommodation (Extra Care Service)	HW&A	Substantial (No further follow up)	3	3	100%
2019/20	Growth Zone – Performance Management	SCRER	Substantial (No further follow up)	4	4	100%
2019/20	Highways Contract Management	SCRER	Substantial (No further follow up)	4	4	100%
2019/20	Debt Recovery – In house	Resources	Substantial (No further follow up)	1	1	100%
2019/20	Enforcement Agents	Resources	Substantial (No further follow up)	3	3	100%
2019/20	Risk Management	Resources	Substantial (No further follow up)	4	4	100%
2019/20	Staff Code of Contact	ACE	Substantial (No further follow up)	5	4	80%
2019/20	IT Policies Review	ACE	Substantial (3 rd follow up in progress)	5	0	0%
2019/20	Uniform IT Application	ACE	Substantial (8 th follow up in progress)	4	2	50%
2019/20	Northgate iWorld Application	ACE	Substantial (No further follow up)	1	1	100%
2019/20	Microsoft Direct Access Operating System	ACE	Substantial (No further follow up)	4	4	100%
2019/20	Peoples ICT Application	ACE	Substantial (3 rd follow up in progress)	7	4	57%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				173	147	85%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				38	33	87%
School Audits						
2019/20	Winterbourne Nursery and Infants	CYP&E	No (No further follow up)	22	22	100%
2019/20	Beulah Junior School	CYP&E	Limited (No further follow up)	14	13	92%
2019/20	Kenley Primary School	CYP&E	Limited (No further follow up)	11	10	91%

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2019/20	Margaret Roper Catholic Primary School	CYP&E	Limited (No further follow up)	11	10	91%
2019/20	Minster Infant School	CYP&E	Limited (No further follow up)	16	13	81%
2019/20	Norbury Manor Primary School	CYP&E	Limited (No further follow up)	13	13	100%
2019/20	St Joseph's Federation	CYP&E	Limited (No further follow up)	14	13	93%
2019/20	Virgo Fidelis Convent Senior School	CYP&E	Limited (No further follow up)	19	19	100%
2019/20	Crosfield Nursery and Selhurst Early Years	CYP&E	Substantial (No further follow up)	8	7	87%
2019/20	All Saints C of E Primary School	CYP&E	Substantial (No further follow up)	12	12	100%
2019/20	Elmwood Infant School	CYP&E	Substantial (No further follow up)	6	6	100%
2019/20	Heavers Farm School	CYP&E	Substantial (No further follow up)	13	13	100%
2019/20	Selsdon Primary School	CYP&E	Substantial (No further follow up)	3	3	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				162	154	95%
School Audits Sub Total: Priority 1 recommendations from audits that have had responses				31	31	100%
Recommendations and implementation from audits that have had responses				338	303	90%
Priority 1 Recommendations from audits that have had responses				69	64	93%

Appendix 6 - Follow-up of 2020/21 audits

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2020/21	Banking	Resources	Limited (2 nd follow up in progress)	4	3	75%
2020/21	Creditors – Procure to Pay	Resources	Limited (2 nd follow up in progress)	12	3	25%
2020/21	Main Accounting System	Resources	Limited (No further follow up)	2	2	100%
2020/21	Overtime Payments	ACE	Limited (No further follow up)	5	5	100%
2020/21	Clinical Governance	HW&A	Limited (4 th follow up in progress)	6	3	50%
2020/21	Disabled Facilities Grants	Housing	Limited (No further follow up)	4	4	100%
2020/21	Contracts Management – Sexual Health Services – Public Health	HW&A	Limited (No further follow up)	7	7	100%
2020/21	Temporary Accommodation: Standards in Private Sector	Resources	Limited (4 th follow up in progress)	6	1	17%
2020/21	Placement Deposits	CYP&E	Limited (No further follow up)	5	5	100%
2020/21	Overtime Payments – Parking Services	ACE	Limited (No further follow up)	6	5	83%
2020/21	SEN Transport - Safeguarding	SCRER	Limited (4 th follow up in progress)	4	3	75%
2020/21	New Supplier Set up	Resources	Limited (No further follow up)	6	6	100%
2020/21	Right to work checks	ACE	Limited (3 rd follow up in progress)	3	2	66%
2020/21	Cyber Security	ACE	Limited (3 rd follow up in progress)	9	2	28%
2020/21	Financial Assessments – Charging Policy	HW&A	Limited (No further follow up)	5	5	100%
2020/21	Freedom of Information and Subject Access	ACE	Limited (4 th follow up in progress)	3	2	66%
2020/21	SLWP/Veolia	SCRER	Substantial (No further follow up)	3	3	100%
2020/21	Ordinary Residents	HW&A	Substantial (No further follow up)	2	2	100%
2020/21	Blue Badges	ACE	Substantial (No further follow up)	4	4	100%
2020/21	Corporate Estate: Building Compliance	Resources	Substantial (4 th follow up in progress)	6	2	33%

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				106	69	65%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				26	18	69%
Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
School Audits						
2020/21	Tunstall Nursery	CYP&E	Substantial (No further follow up)	3	3	100%
2020/21	Thornton Heath Nursery	CYP&E	No (No further follow up)	14	13	93%
2020/21	Forestdale Primary School	CYP&E	Substantial (No further follow up)	11	11	100%
2020/21	Greenvale Primary School	CYP&E	Substantial (No further follow up)	10	8	80%
2020/21	Purley Oaks Primary School	CYP&E	Substantial (No further follow up))	9	9	100%
2020/21	Smitham Primary School	CYP&E	Substantial (No further follow up)	5	4	80%
2020/21	Winterbourne Nursery and Infants School	CYP&E	Substantial (No further follow up)	5	5	100%
2020/21	Archbishop Tenison's C of E High School	CYP&E	Limited (No further follow up)	11	10	91%
2020/21	Thomas More Catholic School	CYP&E	Limited (4 th follow up in progress)	14	13	93%
2020/21	St Giles	CYP&E	Substantial (No further follow up)	3	3	100%
2020/21	St Nicholas	CYP&E	Substantial (No further follow up)	7	6	86%
2020/21	Red Gates	CYP&E	Substantial (No further follow up)	5	5	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses				97	90	93%
School Audits Sub Total: Priority 1 recommendations from audits that have had responses				5	4	80%
Recommendations and implementation from audits that have had responses				203	159	78%
Priority 1 Recommendations from audits that have had responses				31	22	71%

Appendix 7- Follow-up of 2021/22 audits

Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Audits						
2021/22	Community Fund: Contracts	ACE	Limited (2 nd follow up in progress)	4	2	50%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses				4	2	50%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses				1	1	100%
School Audits						
Financial Year	Audit Followed-up	Department	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2021/22	Beaumont Primary School	CYP&E	Substantial (1 st follow up in progress)	3	-	-
2021/22	Downsview Primary School	CYP&E	Substantial (No further follow up)	2	2	100%
2021/22	Elmwood Junior School	CYP&E	Substantial (1 st follow up in progress)	3	-	-
2021/22	Gresham Primary School	CYP&E	Substantial (No further follow up)	7	6	86%
2021/22	Howard Primary School	CYP&E	Substantial (1 st follow up in progress)	2	-	-
2021/22	St John's C of E School	CYP&E	Substantial (1 st follow up in progress)	3	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses				9	8	89%
School Audits Sub Total: Priority 1 recommendations from audits that have had responses				0	0	0
Recommendations and implementation from audits that have had responses				13	10	77%
Priority 1 Recommendations from audits that have had responses				1	1	100%

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.

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Agenda Item 6

REPORT TO:	Audit & Governance Committee 15 th September 2022
SUBJECT:	London Borough of Croydon General Fund & Pension Fund Grant Thornton Audit Plan
LEAD OFFICER:	Jane West – Corporate Director of Resources & S151 Officer
CABINET MEMBER:	Cllr Jason Cummings - Cabinet Member for Finance
WARDS:	All
PUBLIC/EXEMPT:	Public

SUMMARY OF REPORT:

This report updates the Audit & Governance Committee on the Audit Plan in relation to Final Accounts for the financial year 2020/21. The Audit Plan is produced by the Council's external auditors Grant Thornton and details the areas that they will cover during their audit.

The audit of 2020/21 accounts, which were published in draft on 31st August 2021, has begun but is being done in parallel with the 2019/20 audit. A further report will be brought to the committee in regards the 2019/20 Audit and its progress.

COUNCIL PRIORITIES 2020-2024

The audit of Council's accounts provides Officers, Members and the Local Taxpayers an independent scrutiny and review of the Council's finances which includes the review of value for money. This will help meet Council's key aim of living within our means, balance the books and provide value for money for our residents.

FINANCIAL IMPACT:

The audit fees for 2020/21 for the Council's main audit will be £347,102 and this is significantly more than the fees agreed with the PSAA at £133,102. Grant Thornton have identified a number of areas for further work and therefore have applied an additional fee of £214,000 which is more than double the PSAA fee. Details of the fee proposal is provided within pages 30-32 of the audit plan in Appendix A.

The proposal for the Pension Fund Audit has a fee of £31,850 and this will be paid by the Pension Fund.

1. RECOMMENDATIONS:

1.1. Audit & Governance Committee is asked to note the 2020/21 Audit Plan Reports from Grant Thornton in relation to the Council's Main Accounts (Appendix A) and the Council's Pension Fund Accounts (Appendix B).

1.2. Note that the 2020/21 Audit will take place in parallel with the 2019/20 Audit.

1.3. Note that the fee request from Grant Thornton is not yet agreed and will be subject to negotiation with Grant Thornton and Public Sector Audit Appointments (PSAA).

2. Audit of 2020/21 Main and Pension Fund Accounts

- 2.1. The external audit of the Council's 2020/21 Accounts is to be undertaken by Grant Thornton LLP.
- 2.2. The full external audit plan is set out in Appendix A for the Main Audit and Appendix B for the Pension Fund audit. In summary, it covers several areas:
- Overview of the audit strategy;
 - Audit risks;
 - Value for money and associated risks;
 - Audit materiality;
 - Scope of the audit;
 - Interdependencies.
- 2.3. The plan also sets out the fees for the audit and the timescales for reporting back to the Council and the Audit and Governance Committee. This is further explained within section 3 of this cover report.
- 2.4. The audit of the 2020/21 Accounts will take place on the back of a challenging audit of the 2019/20 accounts and will include a significant amount of scrutiny for 2020/21. The audit will be conducted in parallel with the 2019/20 Audit which is in the process of being completed.
- 2.5. The key item outstanding relates to the lease classification in regard to the Croydon Affordable Homes and Croydon Affordable Tenures. The Council will provide a further update on this once a way forward has been agreed between the Council and Grant Thornton.
- 2.6. The audit of the 2020/21 Accounts reflects the year in which the Council issued its Section 114 notice and received a number of recommendations from external parties. This included the issuance of a Report in Public Interest by Grant Thornton which reflected a number of concerns in regard to Council's financial management and financial position. As a result, the audit of 2020/21 is likely to be a detailed scrutiny of the finances.

3. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 3.1. The audit fees for 2020/21 for the Council's main audit will be £347,102 and this is significantly more than the fees agreed with the PSAA at £133,102. Grant Thornton have identified a number of areas for further work and therefore have applied an additional fee of £214,000 which is more than double the PSAA fee. Details of the fee proposal is provided within pages 30-32 of the audit plan in Appendix A. The proposal will need to be considered by both the Council and PSAA before any agreement can be reached.

- 3.2. The Council has budgeted £133,102 within its financial plan as the additional figure was not made aware when the budget was set. As a result, if there is an additional cost of £214,000, it will need to be funded from Council wide underspends or, if necessary, from the Council's reserves.
- 3.3. The proposal for the Pension Fund Audit has a fee of £31,850 and this will be paid by the Pension Fund.

Approved by: Matthew Davis – Director of Finance & Deputy S151 Officer

4. LEGAL CONSIDERATIONS

- 4.1. The Head of Litigation & Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that by Section 4 of the Local Audit and Accountability Act 2014 the Council's accounts must be audited by a local auditor in accordance with that Act and the Accounts and Audit Regulations 2015, and the Council is under a duty to consider any recommendations.

Approved by: Sandra Herbert, Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer

5. HUMAN RESOURCES IMPACT

- 5.1. It is critical that all audits seek to assess the council's governance maturity and ensure improvement actions are being progressed. The council has sought to bring about policy and culture change improvements in the last year or so, including the implementation of new codes of conduct for both members and officers, as well as the launch of the new culture change programme, Crossing the Threshold, as well as other measures, such as financial training for all budget managers. It will be important for the audits to track progress against this framework for improvement

Approved by: Dean Shoesmith, Chief People Officer

6. EQUALITIES IMPACT

- 6.1. The council has an obligation under the Public sector equality duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics. No negative impacts have been identified amongst groups with protected characteristics in this report.

Approved by: Gavin Hanford, Director of Policy, Programmes & Performance

7. ENVIRONMENTAL IMPACT

7.1. No implications

8. CRIME AND DISORDER REDUCTION IMPACT

8.1. No implications

9. DATA PROTECTION IMPLICATIONS

9.1. **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

NO

9.2. **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO DPIA implications

Approved by: Nish Popat – Interim Head of Corporate Finance

CONTACT OFFICER: Nish Popat – Interim Head of Corporate Finance

APPENDICES TO THIS REPORT

Appendix A - DRAFT LB Croydon Audit Plan 2020/21

Appendix B – DRAFT LB Croydon Pension Fund Audit Plan 2020/21

BACKGROUND DOCUMENTS: None

London Borough of Croydon audit plan

Year ending 31 March 2021

London Borough of Croydon
15th September 2022



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Financial pressures

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For you, we are aware that 2020-21 has been dominated by the impact of Covid 19 on the Council's services and the worsening of the Council's financial position. However, the pandemic has only added to the pre-existing cost pressures of the Council. Prior to the pandemic, the Council was already challenged by year-on-year spending pressures within both children's and adult social care and low levels of reserves which created a significant financial challenge in 2019/20.

In fact, the Council has had an unsustainably low levels of reserves for some time now. We first raised our concerns via our value for money recommendations in 2017/18 and this was subsequently followed by an adverse value for money qualification in 2018/19. However, over the years the Council's financial resilience continued to deteriorate and since then, we have published two Public Interest Reports on 23 October 2020 and 26 January 2022 and the Council has issued two Section 114 notices on 11 November and 2 December 2020. These remained in place until MHCLG (now "DLUCH") approved a £70mil Capitalisation Direction which allowed you to balance your budget and to report a General Fund position of £27mil at the 2020/21 yearend.

Improvement programme

The issuance of S114 notices and the publication of the Public Interest Reports led to the establishment of a financial improvement programme for the Council. A Finance Review Panel was set up to carry out a Rapid Review led by MHCLG (now "DLUCH"). This review identified around 400 recommendations to be enacted and the outcome of this review now underpins the Croydon Renewal Improvement Plan whose main objective is to ensure the Council can deliver a financially sustainable MTFs by 2023/24.

The Renewal Plan helped the Council secure approval for the £70mil Capitalisation Direction and this in turn allowed the Council to fund financial gaps to balance its budget in 2020/21. However, the pre-existing conditions which led to the Council's deteriorating finances are still prevalent. In-year overspends, especially across children's and adult social care continue to challenge your finances. The Capitalisation Direction might have brought some form of temporary relief to spiralling costs pressures but if Croydon is to come out financially resilient, it will have to commit to a long-term strategy not only centred on financial sustainability but with a clear focus on robust governance.

Croydon Affordable Homes LLP

Croydon had previously transferred 96 non-HRA properties to Croydon Affordable Homes LLP (CAH) in return for Capital Receipts of £21.7mil. These receipts have been used flexibly to fund transformation expenditure across 2017-18 and 2019-21. However the appropriateness of the lease treatment is currently being challenged and depending on outcome of this discussion, these Capital Receipts may not have been available to utilise flexibly, and hence would generate additional gaps in the revenue position of the Council. As a result of this discussion still being ongoing, the 2019/20 audit cannot be completed.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will provide you with sector updates via our Audit Committee updates.

Key matters

Factors

Fraud Investigation

On 26 January 2022 we published a Public Interest report which focused on the Council's arrangements for the refurbishment of Fairfield Halls. The report highlighted historic failings in the council's financial, governance and legal arrangements for the Fairfield Halls refurbishment, along with identification of weaknesses in the procurement and contract management of the project. As a result of this publication, a fraud investigation was initiated in February 2022 and is expected to conclude in September. Clearly, the outcome of this investigation could potentially impact both the 2019/20 and the 2020/21 audits and as a result we are not yet able to conclude on our 2019/20 audit.

Recovery from Covid 19 pandemic

Covid -19 has had a significant impact on your finances. Financial pressures resulted not only from additional costs but also from loss of income from council tax and business rates collections in addition to unachieved budget saving initiatives. Right from the beginning, the pandemic has required you to divert resources to deliver some of the most urgent services to the most vulnerable in the community. This has resulted in less staff time being dedicated to some of the key efficiency deliveries that had been required.

Whilst MHCLG has made additional funding available in response to the additional financial pressures and loss of income incurred by Local Authorities, the funding provided was not enough to cover all Covid-related costs you have had to meet. The pandemic has created significant and ongoing uncertainty for the finances of Local Authorities as it casts doubt over future activity and public behaviour in terms of demand for services and in particular income from the use of facilities. Whilst it is still difficult to predict the inevitable long-term change the pandemic will have, this will need to be closely monitored by you across a range of services. A robust and effective risk management strategy is key to this initiative as this will not only ensure that risks are flagged early but also that sustainable and long-term solutions are identified as early as possible.

More recently, the borough has been challenged by the rising costs of fuel, food and other essentials. These are combining with existing disadvantage and vulnerability within communities to put many households at greater risk of both immediate hardship and reduced opportunity and wellbeing. The Council and its local partners will need to continue to do what they can to protect those on the lowest incomes against higher costs for food, transport and other essentials and target help to those facing the most complex challenges. To reduce the need for short-term crisis support, there needs to be a consensus on how to move forward and build resilience through the wider welfare system, which includes not just benefits but employment support, housing, health and financial inclusion.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will provide you with sector updates via our Audit Committee updates.

Key matters

Factors

Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets and requires these to be reported in the Balance Sheet at depreciated historical cost [i.e., historic cost less accumulated depreciation and impairment]. Nationally, this has become an area of regulator interest, with CIPFA and the NAO also reviewing this issue, as there is a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, they may not readily be able to identify the original assets being replaced or enhanced. This could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values where assets lives have not been assessed regularly and on an appropriate basis.

Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutory mechanism for spreading the charge to revenue for capital expenditure met from borrowing. Whilst the annual MRP charge might not be materially misstated on its own, there is a risk that MRP is cumulatively materially understated if the Authority has been understating its MRP charge over several years. As part of the ongoing 2019/20 audit, we are therefore required to perform additional procedures over the reasonableness of the historic MRP charge.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will provide you with sector updates via our Audit Committee updates.

Key matters

Factors

Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness;
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach; and
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8. As a minimum, we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the Council's valuer reported a material uncertainty regarding the valuations of properties due to the Covid-19 pandemic. In addition, there was a material uncertainty in relation to the valuation of the pooled property funds which impacted both the Council's and Pension Funds position. We will monitor the position for the 31 March 2021 valuations.

Our response

- We will continue to provide you with sector updates via our progress reports to Audit and Standards Committee.
- We will liaise with the Council's valuer and Pension Fund managers to clarify any potential material uncertainties in 2020/21

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the London Borough of Croydon ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the London Borough of Croydon. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Governance Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of the following organisation:

- Brick by Brick Croydon Limited

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Improper revenue recognition
- Completeness of operating expenditure
- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability
- Valuation of Investment Properties
- Accounting for Emergency Temporary Accommodation (ETA) Schemes

New significant risks in 2020/21

- Accounting for Group consolidations
- Accuracy of cash and cash equivalents
- Valuation, accuracy and existence of Brick by Brick loans
- Valuation of bad debt provision
- Senior Officers' remuneration

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

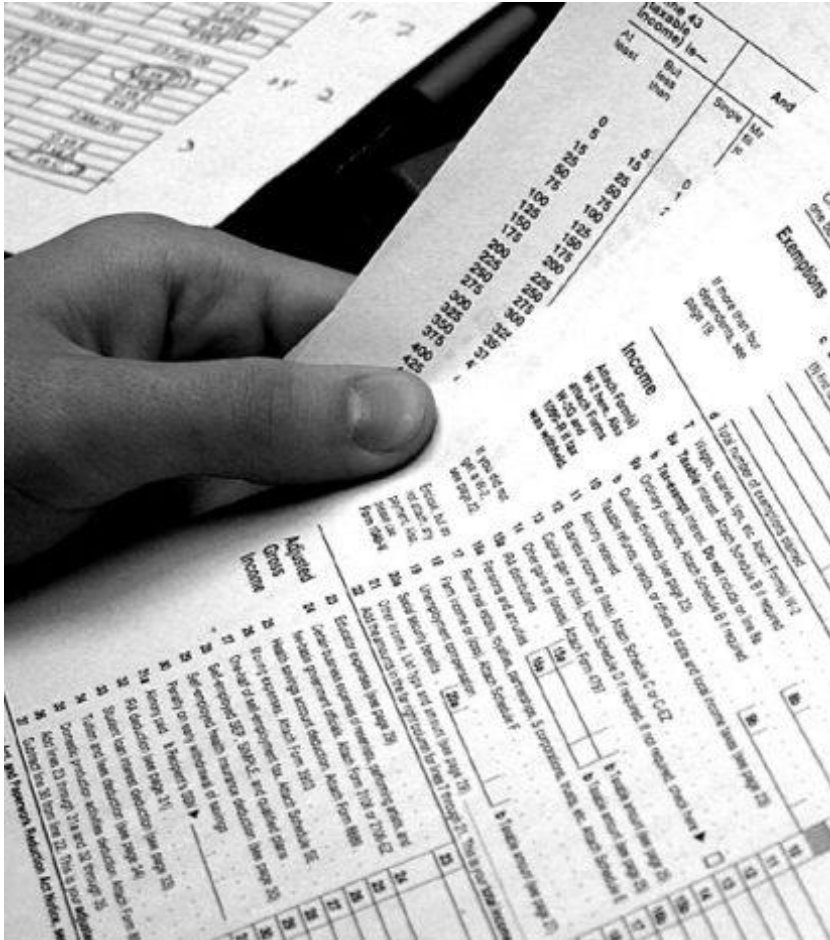
We have determined planning materiality to be £14m (PY £15m) for the group and £13m (PY £14m) for the Council, which equates to 1% of your gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.65m (PY £0.7m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- Governance of Finance and Group Structures (including the capacity of the finance function in 2020/21 and beyond)
- The Authority's Financial Sustainability

Introduction and headlines cont.



Audit logistics

Our interim visit will take place from August and our final visit is subject to the conclusion of the 2019/20 audit and expected to take place in December. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit will be £347k (PY: £TBC) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
London Borough of Croydon	Yes		<ul style="list-style-type: none"> See pages 11 - 18 	Full scope audit performed by Grant Thornton UK LLP
Brick by Brick Ltd	No		<p>We will perform specific procedures related to the following areas:</p> <ul style="list-style-type: none"> Risk of fraudulent revenue recognition Management override of controls Work in progress activity not valid (Valuation Gross) Work in progress impairment not accounted for properly (Valuation Net) Operating expenses understated or not recorded in the correct period (completeness) 	<p>We are not able to rely on the component auditor's work given we have identified independence issues related to the component auditor during our 2019/20 audit. We will therefore carry out specific scope procedures on balances that are significant to the group as a whole. Specific procedures will include the following:</p> <ul style="list-style-type: none"> agree, on a sample basis amounts recognised as income in the financial statements to invoices and cash in bank to gain assurance over the occurrence of income analyse all entries within the population using our data analytics software, Inflo, and generate journals exhibiting specific risk criteria. Each journal identified will then be agreed to supporting documentation to confirm the accuracy of amounts posted and to understand the business rationale behind each selected transaction review reasonableness of process for allocating costs to various stages of work in progress and agree a sample of properties to supporting evidence to confirm inventory and work in progress have been valued correctly search for unrecorded liabilities by reviewing cash payments post period end.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Croydon Affordable Homes LLP	No		No specific risks identified	Subject to conclusion of 2019/20 audit
Croydon Affordable Tenures LLP	No		No specific risks identified	Subject to conclusion of 2019/20 audit

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Revenue includes fraudulent transactions - Income from fees and charges and other service income	Group and Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue, which we initially rebutted for both the Group and the Council Audits.</p> <p>However for both audits, we have concluded that we are unable to rebut that risk for all revenue streams, due to the pressure on the overall financial position of the Group and Council. Our significant risk is pinpointed to occurrence of fees and charges and other service income. This income stream is regarded as a significant risk as there is increased risk of improper revenue recognition by management. This was one of the most significant assessed risks of material misstatement.</p> <p>We have still rebutted this presumed risk for the other revenue streams such as council tax and NNDR, HRA rental revenues and government grants and contribution of the Group and Council because:</p> <ul style="list-style-type: none"> • Other income streams are primarily derived from grants or formula based income from central government and tax payers; and • opportunities to manipulate revenue recognition are very limited. 	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Group and Council's accounting policy for recognition of income from fees and charges and other services for appropriateness; • gain an understanding of the Group and Council's system for accounting for income from fees and charges and other services and evaluate the design of the associated controls; • agree, on a sample basis amounts recognised as income from fees and charges and other services in the financial statements to invoices and cash in bank to gain assurance over the occurrence and of income.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	Group and Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the design effectiveness of management's controls related to the journal entry process. analyse all entries within the population using our data analytics software, Inflo, and generate journals exhibiting specific risk criteria. Each journal identified will then be agreed to supporting documentation to confirm the accuracy of amounts posted and to understand the business rationale behind each selected transaction gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	Group and Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.782 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate the design effectiveness of management's controls related to the valuation of land and building process. evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work evaluate the competence, capabilities and objectivity of the management expert and our auditor's expert challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We will engage our own valuer to review the methodology and assess the reasonableness of the key assumptions used by management's valuers underpinning the valuation Test revaluations made during the year to see if they had been input correctly into the Authority's asset register evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£700 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	Group and Authority	<p>The Authority revalues its Investment Properties on an annual basis to ensure that the carrying value is not materially different from the current value or fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£98 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged a valuer to estimate the current value as at 31 March 2021.</p> <p>We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management's controls related to the valuation of investment properties process • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuations were carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding. We will engage our own valuer to review the methodology and assess the reasonableness of the key assumptions used by management's valuers underpinning the valuation. • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The expenditure cycle includes fraudulent transactions - Completeness of operating expenditure	Group and Authority	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition, needs to be considered as a potential significant risk, especially where organisations are required to meet financial targets.</p> <p>Due to the pressure to deliver a balanced budget, the low level of general fund reserves held by the Council and in year budget overspends there is a risk over the completeness of your operating expenditure.</p> <p>We have therefore identified the completeness of operating expenditure as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation effectiveness of the accounts payable system. • Verify that the operating expenses included within the financial statements are complete via review of the reconciliations between the Accounts Payable system and the General Ledger. • Search for unrecorded liabilities by performing a substantive sample of invoices input on to the accounts payable system post period end. • Search for unrecorded liabilities by reviewing cash payments post period end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for group consolidations	Group and Authority	<p>We have challenged Croydon on the level of control it has on some of its subsidiaries which are not consolidated. This is the subject of ongoing discussions between Grant Thornton and Croydon. Should it be concluded that Croydon exercises sufficient control to require consolidating these subsidiaries, this would represent a complex exercise as Croydon would be consolidating these entities for the first time.</p> <p>Due to the inherent complexity of such an exercise, the risk is that there are errors in the group accounting. We therefore identified group accounting as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation effectiveness of the group-wide controls. • Evaluate the appropriateness, completeness, and accuracy of consolidation adjustments and reclassifications for purposes of preparing and presenting the group financial statements. • Agree or reconcile component financial information to group financial statements. • Determine whether significant adjustments have been correctly calculated, processed, and authorised by group management and, where applicable, by component management.
Cash and cash equivalents balance is not accurate	Group and Authority	<p>During our 2019-20 audit, we identified that no bank reconciliation had been carried out in the 2019-20 financial year. We are also aware that the Council commissioned an external consultant to help them reconcile bank and cash. Bank reconciliations are a key control and we would expect the Council to be carrying those out not only regularly but with accuracy. The fact that an external consultant had to be commissioned to support the Council in this exercise indicates that there is a risk that cash and cash equivalents balance is not accurate.</p> <p>We therefore identified cash and cash equivalents as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation effectiveness of the bank reconciliation. • Obtain direct confirmation of bank balances and agree to reconciliation. • Re-perform year-end bank reconciliations and review reconciling items. • Review bank letters, general ledger and previous accounts to ensure that no accounts have been omitted from the bank reconciliation. • Agree all material reconciling items to sufficient and appropriate corroborative audit evidence (both uncleared lodgements and unrepresented cheques). • Obtain and document an understanding of the rationale for any transfers between group entities at or near the period end which are included in the reconciliation and corroborate the activity to journals posted within the financial reporting systems.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Officer's remuneration is not accurate	Group and Authority	<p>We are aware that in determining the exit package of the ex-CEO, it appears that the Council might have by-passed key controls and governance arrangements. Depending on outcome of testing in this area, this could result in the exit package being deemed to be unlawful. Senior officers remuneration is an area subject to increased public scrutiny and therefore we have a lower materiality for this disclosure. If the disclosure is not accurate due to controls being by-passed, this could lead to the disclosure being materially misstated.</p> <p>We therefore identified officers' remuneration as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of the Council's processes and controls in this area. • Evaluate the process for determining exit packages to ensure this is in line with governance procedures. • Agree figures in the officers' remuneration note back to supporting schedules to ensure consistency with payroll data. • Review Council minutes and website to ensure that all senior officers are properly disclosed, with no omissions.
Accounting for transactions relating to the Emergency Temporary Accommodation (ETA) Schemes	Group and Authority	<p>In previous years we have considered the Council's Emergency Temporary Accommodation (ETA) Schemes, focusing on both how these schemes have been financed by the Council, along with how they have been accounted for within the Council's Accounts. ETA Tranche1 was reviewed in 2017/18, and an issue was identified relating to the charging of a Reverse Lease Premium, which has been reported in our previous Audit Findings Reports. Since then we know that further tranches of the ETA Schemes have come on line with potentially different sources of finance completing in 2019/20. We also have noted a detailed review has been performed on the arrangements by PwC in 2019/20, who have flagged a number of areas for the Council to revisit as part of a wider review in this area. We will undertake further work on the back of the recommendations made by PwC to ensure items are accounted for correctly.</p> <p>We therefore identified the accounting for the ETA Schemes as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of the Council's processes and controls in this area; • Review the recommendations raised by the PwC report where these impact the balances included within the financial statements and challenge management on the appropriateness of these judgements. • Review the accounting for these schemes within the 2020/21 Accounts, and consider the involvement of technical specialists to gain assurance over the appropriateness of the accounting. • Test the transactions recorded in the 2020/21 financial statements to confirm compliance with the CIPFA Code of Practice for Local Authority Accounting.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation, accuracy and existence of Brick by Brick loans	Group and Authority	<p>During our 2019-20 audit, we identified that several of the loans given to Brick by Brick were either not supported by loan agreements or a loan schedule. Loans which were supported by loan agreements were mostly overdue and therefore impaired. This resulted in the Council getting a new loan agreement in place which was dated May 2021. However a retrospective loan agreement does not address the control failings which existed at the 2019/20 or the 2020/21 yearend. It is likely that more loans would need to be impaired at the 2020/21 yearend. As a result, there could be a risk that the Brick by Brick loans which make up the majority of long term debtors, either do not exist, are not accurate or are not valued correctly.</p> <p>We therefore identified the Brick by Brick loans as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of the Council's processes and controls in this area; • Perform substantive testing on a sample of Brick by Brick loans to make sure it exists, is accurate and valued correctly. • Review the Council's credit loss assessment of the loans to ensure that the loans are valued correctly.
Valuation of bad debt provision	Group and Authority	<p>IFRS 15 bases revenue on the amount to which an entity expects to be entitled rather than the amounts it expects to collect and therefore no reduction is made for bad debts initially. Instead, bad debt provision is determined later on as a reduction of the debtors balance. As a result, this is an area which is heavily underpinned by management judgement. At the end of 2019/20, large corporate adjustments were made which resulted in a balanced budget. A reduction in bad debt provision of £5.6mil made up the most part of the £17mil corporate adjustments. Given the Council's continued difficult financial situation throughout 20/21, there is a risk that bad debt provision have been understated in order to improve the General Fund position.</p> <p>We therefore identified the valuation of bad debt provision as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of the Council's processes and controls in this area; • Obtain an understanding of the Authority's policies for bad debt provisions and if there has been any changes since the prior year; • Review the basis of estimation for bad debt provisions; • Evaluate debt collectability and determine whether there are any indications that the provision may be inadequate.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Housing revenue Account	Council	<p>The HRA is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently the HRA is a statutory account is ringfenced from the rest of the General Fund, so that rents cannot be subsidised from Council Tax (or vice versa).</p> <p>In 2021, CIPFA identified that a Local Authority had used payments to directly support the General Fund in coping with financial challenges faced by the Council, rather than being used for the benefit of the HRA tenants.</p> <p>As a result of this finding, we are now required to carry out additional procedures on HRA.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess whether there is any evidence of savings schemes being proposed which could result in HRA funds being inappropriately transferred to the General Fund, and vice versa • review list of accounting transactions between General Fund and the HRA for evidence of breaches of the HRA ring-fence • assess on a sample basis whether expenditure and income have been charged appropriately to the General Fund and the HRA • assess on a sample basis whether interest payments have been apportioned between the General Fund and the HRA

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do the Audit & Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and income and expenditure accruals
- Credit loss and impairment allowances (including bad debt provision)
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates (including fair value of loans)

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have requested that management provides detail as to how the Council addresses estimation uncertainty, and to share its responses with the Audit & Governance Committee for consideration. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £14m (PY £15m) for the group and £13m (PY £14m) for the Council, which equates to 1% of your gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.05m for Senior officers' remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

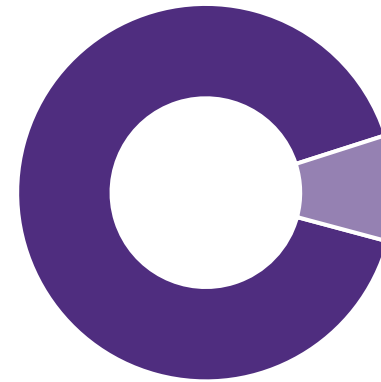
Matters we will report to the Audit & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.65m (PY £0.7m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Governance Committee to assist it in fulfilling its governance responsibilities.

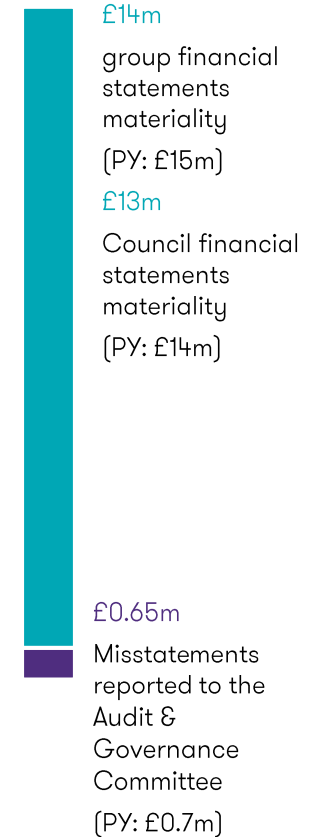
Current year actual gross operating costs

£1,393m group
(PY: £1,275m)
£1,280m Council
(PY: £1,251m)



■ Current year actual gross operating costs

Materiality



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	<ul style="list-style-type: none"> Follow up on remediation of prior year issues Assess impact of findings and deficiencies on the audit approach
Northgate i-World	Council Tax, Business Rates, Benefits, Grants	<ul style="list-style-type: none"> Follow up on remediation of prior year issues Assess impact of findings and deficiencies on the audit approach

Value for Money arrangements

Approach to Value for Money work for 2020/21

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed overleaf, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Publication of a Public Interest Report to the body and the public under Schedule 7 of the Local Audit and Accountability Act 2014. Note that we have published two reports, on 23 October 2020 and 26 January 2022.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table on the previous page.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



Governance of Finance and Group Structures (including capacity of the finance function in 2020/21 and beyond)

Reason for risk identification

There is a risk that intended benefits will not be achieved if governance arrangements to make informed decisions do not operate as designed. During our work on the Public Interest Report, we identified several areas where governance arrangements had not been operating as intended. As a result we have identified a significant risk for the 2020/21 Value for Money Conclusion where we will assess the impact of identified recommendations on your governance arrangements.

Proposed response to the risk

We will:

- Consider the findings of a number of reports and the extent to which their recommendations reflect the arrangements operating in 2020/21. The reports we will consider will include
- Reports in the Public Interest
- Head of Internal Audit Opinion
- Financial Consultant's review of financial management arrangements
- PwC review of governance of group structures.



Ongoing Financial Sustainability

Reason for risk identification

The Authority is continuing to face pressure on delivering its services within the agreed budget with particular pressures with Adult Social Care and Unaccompanied Asylum Seeker Children as well as increased demand for temporary accommodation and the impact of nil resource to public funds are putting the Authority's finances under considerable strain. Therefore the Authority needs to manage its resources carefully to ensure a sustainable future for the Borough.

Proposed response to the risk

To gain assurance over this risk we are planning to:


- review the action taken to respond to our 2019/20 recommendations
- review the 2020/21 Outturn, including details of performance against both the Revenue and Capital Budgets
- review progress against the 2021-22 financial plan up to the completion of our audit; and
- obtain an update on the Authority's Medium Term Financial Strategy, including progress on identifying the savings required in coming years, including discussions with Management on progress to date.

Audit logistics and team


Planning and
risk assessment

**Audit
committee**
15th September 2022


Audit Plan


Year end audit
October/November

**Audit
committee**
TBC

Audit Findings
Report/Draft
Auditor's Annual
Report


Audit
opinion

**Audit
committee**
TBC

Auditor's
Annual
Report

Paul Dossett, Key Audit Partner

Paul will be the main point of contact for the Chief Executive, the Section 151 Officer and Members. Paul will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Members and the Audit & Governance Committee. Paul will ensure our audit is tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Matt Dean, Audit Senior Manager

Matt will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Matt will attend Audit & Governance Committee, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all. Matt will work with Internal Audit to secure efficiencies and avoid any duplication, providing assurance for your Annual Governance Statement.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of items for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Stessy Juganaikloo, Audit Manager

Stessy will lead the onsite team and will be the day to day contact for the audit. Stessy will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Stessy will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

Audit fees

In 2017, PSAA awarded a contract of audit for London Borough of Croydon to begin with effect from 2018/19. The fee agreed in the contract was £133,102. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 26, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £347,102. This is in line with increases we are proposing at all our local audits.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 20 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been discussed with the Director of Finance. As part of its response to the Redmond Review in December 2020, MHCLG committed an extra £15m to support the delivery of local audit in 2020/21. We understand that the Council would have received a grant to support 2020/21 audit fees.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
London Borough of Croydon Audit	£152,602	£TBC	£347,102
Total audit fees (excluding VAT)	£152,602	£TBC	£347,102

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of financial statements, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2020/21 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	133,102	Fee as per PSAA Website for 2020-21
Raising the bar	11,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. As outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	4,000	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,500	We have engaged our own audit expert – Gerald Eve, and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
Group Accounts including enhanced group audit procedures	44,000	As the Authority is potentially increasing its interests in several other bodies, we are required to consider whether Group Accounts are required, along with potentially increased disclosures in this area as well.
IT Audit	£20,000	During 2019-20, IT Audit has carried out a review of the controls operating over relevant Information Technology (IT) systems. This work has identified several significant control deficiencies. During 2020-21, IT Audit have carried out another review of the controls, including following up on remediation of prior year issues and assessing the impact of findings and deficiencies on the audit approach.

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Audit fee variations – Further analysis (continued)

Audit area	£	Rationale for fee variation
Value for money fee	£26,000	<p>On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO’s new approach:</p> <ul style="list-style-type: none"> - A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness; - More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current ‘reporting by exception’ approach; and - The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.
SA 540	£6,000	As part of the revised ISA (UK) 540, we are required to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.
Journals testing	£7,000	Management override of controls is non-rebuttable risk under the auditing standards. As a result, this area has been under high scrutiny of the Financial Reporting Council (FRC) over the past few years. To ensure we are meeting the standards required by the FRC, we have invested in improved data analytics which allows us to analyse big amounts of data to identify highly unusual and risky journals for testing.
Reduction in Materiality	£20,000	The financial and governance issues identified during the 2019-20 audit have led to the publication of two Public Interest Reports and the initiation of a fraud investigation. Since we started the 2019-20 audit, the risk profile of the Authority has increased significantly and we are therefore required to reduce materiality. A lower materiality increases the extent of our audit testing including increased sampling.
HRA – additional procedures	£2,000	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.

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Audit fee variations – Further analysis (continued)

Audit area	£	Rationale for fee variation
Quality reviews	£15,000	As a result of the substantially increased risk profile of the Authority following the 2019-20 year end, we are required to increase our level of internal reviews. This will include reviews by various of our financial reporting experts.
Prior Period Adjustments	£9,000	Although the 2019-20 audit is still ongoing, it is clear that some adjustments will be required to the opening balances of the 2020-21 draft accounts. Prior period adjustments have to go through several procedures and panels of internal reviewers before we can conclude on them.
Additional significant risks	£40,000	We normally identify around 3 – 4 significant risks on a low to moderately risky local government audit client. This is captured through the PSAA scale fee. For the Croydon 20/21 audit, we have identified 12 significant risks and as a result, there will be increased levels of work required to respond to these risks.
Revised scale fee (to be approved by PSAA)	£347,102	

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

The 2019/20 audit is still ongoing due to issues detailed on pages 3 – 4. However, we are satisfied that we have adequately safeguarded the self-interest threats given there are no fees that have been billed and not yet paid. We are therefore satisfied that it is appropriate to commence the 2020/21 audit. We confirm that there are no other significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

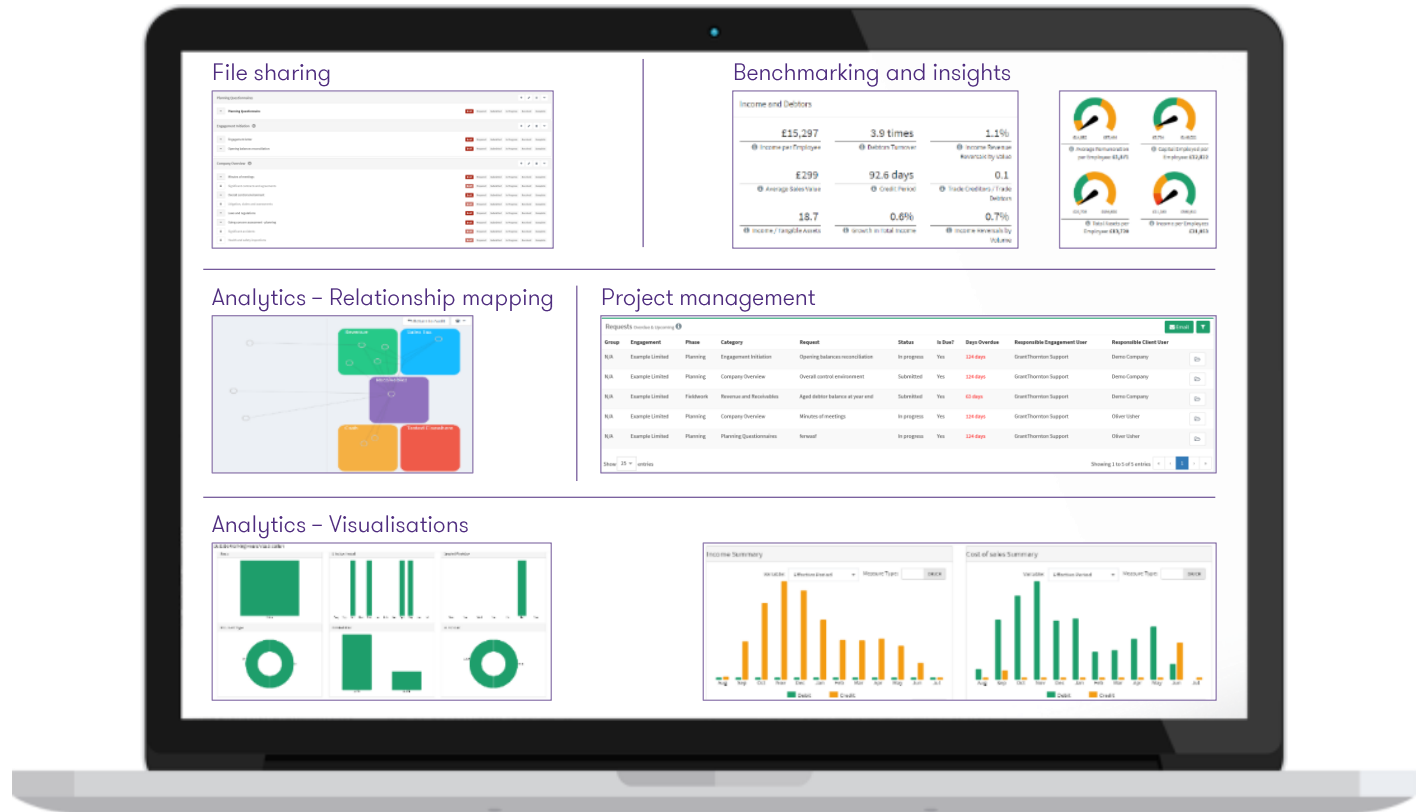
Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant 2020/21	£7,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,000 in comparison to the total fee for the audit of £347,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy 2020/21	£25,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the total fee for the audit of £347,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teachers' Pension grant 2019/20 & 2020/21	£5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £347,102 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total audit fees (excluding VAT)	£37,000		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations

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Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Appendix 1: Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



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London Borough of Croydon Pension Fund audit plan

Year ending 31 March 2021

Croydon Pension Fund
15th September 2022

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors

Pension Fund developments

Croydon is a borough located in the south of London. It is estimated there are 388,000 residents under the care of the council in 2021. The Pension Scheme has 5 million members and over 10,000 employers. The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. Croydon Pension Fund's primary activity is the collection of pension contributions and their subsequent investment into different funds for capital appreciation.

Croydon Pension Fund is funded by scheme members and employers. Scheme members pay contributions to the LGPS. Employers pay in the balance of the cost of providing scheme member benefits after taking into account investment returns. Every three years, an independent actuary calculates how much employers should contribute to the scheme. The amount will vary, but generally the present underlying assumption is that employees contribute approximately one third of the scheme's costs and the employer contributes the rest.

The fund receives approximately £47million in contributions each year and pays out around £43 million in benefits. It currently holds £7.309million in investment income (2020/21), with an overall net assets of £1,537 million (2020/21).

Russian investments

Following the Russian invasion of Ukraine that has led to the UK Government sanctions, Pension Funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on February 28 2022 and an apparent ban on western companies from selling Russian investments was imposed by prime minister Mikhail Mishustin has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up.

Members as the Funds Trustees are expected to uphold their fiduciary duties, prioritising scheme returns and the proper payment of pensions. However, Members are allowed to consider ethical factors concerning investments, and can divest from problematic assets provided that this does not prove materially detrimental to the scheme. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

Ongoing 2019/20 audit

The Croydon Pension Fund audit for 2019/20 is substantially complete subject to final reviews. However, we are not able to sign the Audit Opinion yet due to ongoing issues related to the London Borough of Croydon. These issues include the ongoing fraud investigation which is expected to conclude in September/October and the Croydon Affordable Homes LLP challenge which is currently being finalised.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit & Governance Committee updates.
- We will review the funds response to any exposure in Russian investments.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of the Croydon Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Governance committee).

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £15.3m (PY £12.5m) for the Pension Fund, which equates to 1% of your current year net assets as at 31 March 2021. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.8m (PY £0.629m).

Audit logistics

Our interim visit took place in August 2022 and our final visit will take place in between October and December 2022. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £32k (PY: £25k) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition (rebutted)</p> <p>ISA (UK) 240</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Croydon Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for the London Borough of Croydon Pension Fund.</p>	Significant risk rebutted
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We are satisfied that this did not present a significant risk of material misstatement in the 2020/21 accounts as:</p> <ul style="list-style-type: none"> - the control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong - we have not found significant issues, errors or fraud in expenditure recognition in the prior years audits - our view is that, similarly to revenue, there is little incentive to manipulate expenditure recognition <p>Therefore, we do not consider this to be a significant risk for London Borough of Croydon Pension Fund.</p>	Significant risk rebutted

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of level 3 investments	<p>The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2021. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently request year-end confirmations from investment managers and custodian • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2021 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert • test revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register • where available review investment manager service auditor report on design effectiveness of internal controls.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

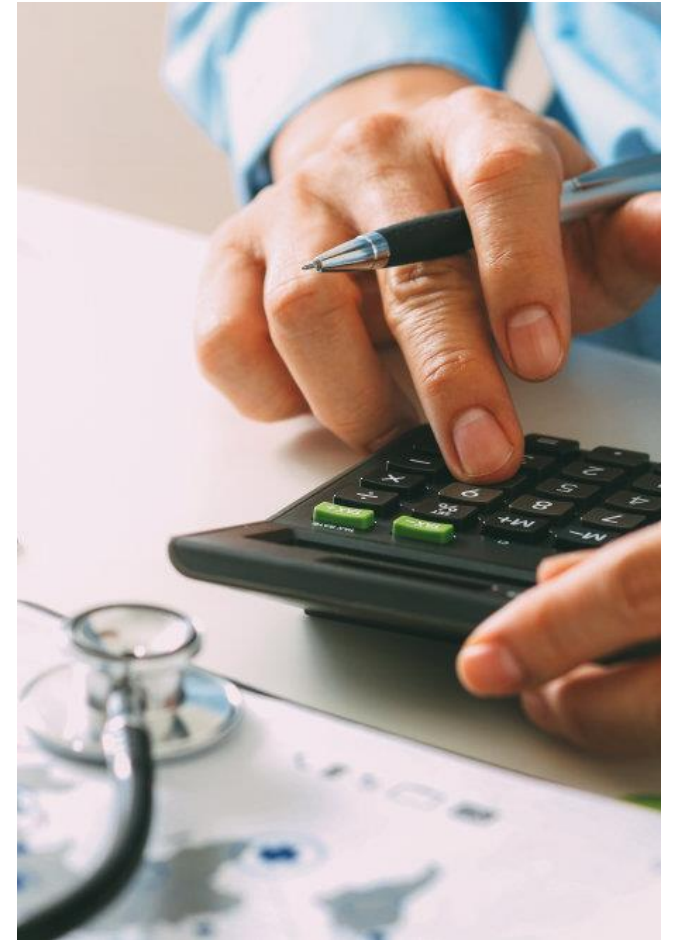
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of the Present Value of Future Retirement Benefits
- Valuation of level 2 and level 3 investments

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have requested that management provides detail as to how the Pension Fund addresses estimation uncertainty, and to share its responses with the Audit & Governance committee for consideration. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

The Pension Fund is administered by the London Borough of Croydon (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £15.3m (PY £12.5m), which equates to 1% of your current year net assets as at 31 March 2021.

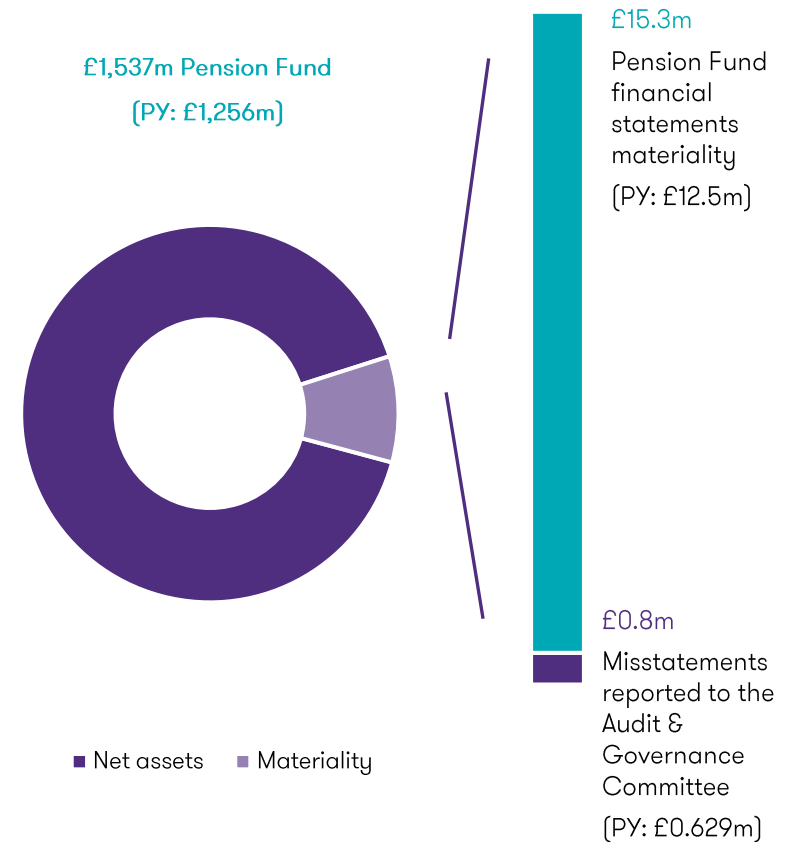
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.8m (PY £0.629m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Governance Committee to assist it in fulfilling its governance responsibilities.

Current year net assets at 31 March 2021



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	<ul style="list-style-type: none"> Follow up on remediation of prior year issues Assess impact of findings and deficiencies on the audit approach

Audit logistics and team



Paul Dossett, Key Audit Partner

Paul is the Engagement Lead, for the Council and Pension Fund and leads the work performed on the audit. Paul signs the audit opinion and holds regular meetings with senior officers.



Matt Dean, Audit Senior Manager

Matt will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Matt will attend Audit & Governance Committee meetings, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.



Stessy Juganaikloo, Audit Manager

Stessy will lead the audit team and is the day-to-day contact for the audit. She will monitor the deliverables, manage the audit query log with your Finance Team and highlight any significant issues and adjustments to senior management in a timely manner.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for London Borough of Croydon Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £16,170. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 7 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

	Actual Fee 2018/19	Proposed Fee 2019/20	Proposed fee 2020/21
Croydon Pension Fund Audit	£16,170	£25,000	£31,850
Total audit fees (excluding VAT)	£16,170	£25,000	£31,850

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

The 2019/20 audit is still ongoing due to issues detailed on page 3. However, we are satisfied that we have adequately safeguarded the self-interest threats given there are no fees that have been billed and not yet paid. We are therefore satisfied that it is appropriate to commence the 2020/21 audit. We confirm that there are no other significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

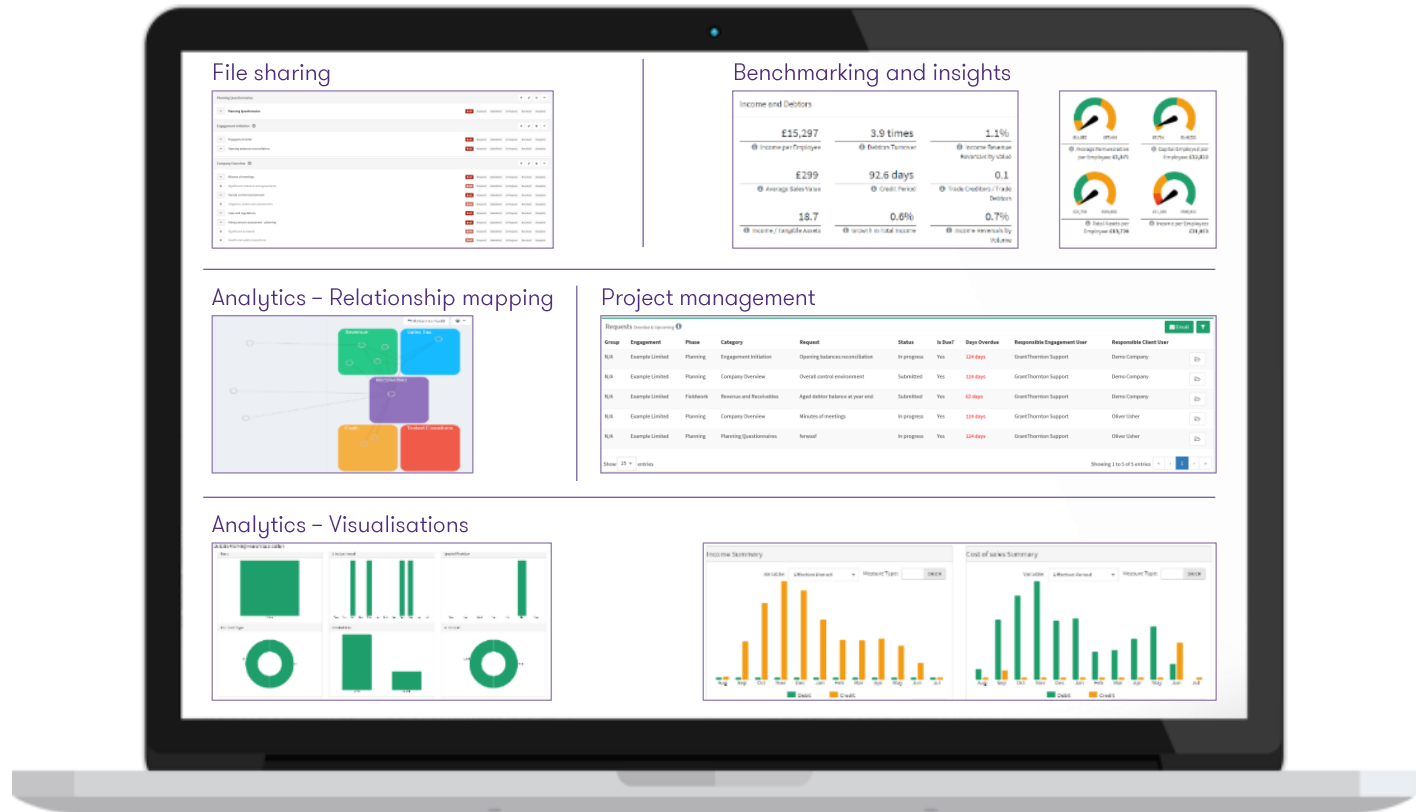
No other services provided by Grant Thornton were identified

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

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Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

Grade	Number 2018/19	Number 2019/20	Number 2020/21
Good with limited improvements (Grade 1 or 2)	1	1	6
Improvements required (Grade 3)	2	5	3
Significant improvements required (Grade 4)	1	0	0
Total	4	6	9

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection (cont.)

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.



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Agenda Item 7

REPORT TO:	Audit and Governance Committee 15 th September 2022
SUBJECT:	Update on Action Plan relating to Report in the Public Interest concerning Fairfield Hall (RIPI 2).
LEAD OFFICERS:	Stephen Lawrence-Orumwense Director of Legal Services & Monitoring Officer Jane West Corporate Director of Resources
WARDS:	All
PUBLIC/EXEMPT:	Public

SUMMARY OF REPORT:

In January 2022, the Council's External Auditor issued a second Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements (RIPI 2). The report recommends improvements in the governance arrangements and decision-making for major projects to achieve best value and protect the council's interest. The Council accepted the recommendations and developed an action plan in response. This report provides an update on the progress made with the action plan.

The Committee as part of its responsibility to review the Council's governance and risk management framework, is asked to consider and comment on the progress made to date with the action plan.

FINANCIAL IMPACT:

There are no budgetary impact arising from this update.

RECOMMENDATIONS:

The Committee is asked to consider and comment on the Report in the Public Interest concerning the refurbishment of Fairfield Halls Action Plan Update which is attached as Appendix 1.

1. BACKGROUND AND DETAIL

- 1.1 The Council has been the subject of significant governance failings that has attracted considerable public interest. In January 2022, the Council's External Auditor issued a second Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements. The report recommends improvements in the governance arrangements and decision-making for major projects to achieve best value and protect the council's interest. It requires improvements in record keeping, compliance with

rules on public procurement and subsidy control, the proper execution of contracts, and effective budgeting, monitoring, reporting and control of expenditure.

1.2 The Council has devised an action plan in response to the recommendations (R). See attached as Appendix 1 progress update on the Action Plan.

1.3 The progress made to date are:

- a) Officer's reports to Cabinet are better focussed on risk, legal powers and safeguarding the Council's interest. Through the Internal Control Boards, Corporate Management Team (CMT) and Mayor's Advisory Board, any challenging issues on risk, budget and legality are addressed.
- b) A draft new report template and guidance to be introduced for Cabinet and Committees to address issues raised in R1. The draft template is attached as Appendix 2.
- c) There is an increased awareness of the need to have in place properly executed agreements before discharge of any obligations under the agreement. This will now form part of Capital Board and Procurement Board standard agenda item for monitoring purposes.
- d) There is a system in place for the safe storage of agreement with Legal Service and the respective service. But a central repository for all contracts and agreements is required which will form part of Strategic Procurement Plans moving forward.
- e) There has been a revision of the Protocol for Decision Making in the Constitution to include need for officers to report to Cabinet where there has been a material change in circumstances and to address R3. This requirement would also be picked up at CMT which is attended by the Head of Paid Services, Chief Finance Officer, and the Monitoring Officer.
- f) The Council has introduced new system of internal control officer boards following a review of core business meetings and forums. The Boards are Capital, Health & Safety, Equality Diversity & Inclusion, Finance & Assurance, Performance, Digital, Resident Voice and Corporate Resilience. To be implemented are Boards on Information Management and Workforce. The Capital Board and Finance and Assurance Board oversees significant projects and capital/revenue expenditure and has in place escalation and reporting route to CMT.
- g) Capital Board regularly reviews the funding envelop for projects and reports any discrepancies to CMT and if required Cabinet. Capital Board is also developing a more detailed quarterly Capital Projects Performance

Report. The first report will be presented to Cabinet and Scrutiny by 31 December 2022 reflecting progress on all capital schemes to the end of the September 2022. The report will be produced quarterly thereafter. Also, the spend on capital Schemes are reviewed monthly as part of the budget monitoring report that goes to Cabinet.

- h) A strengthened governance arrangement for strategic arrangements such as Brick by Brick and draft guidance for nominated executive representatives on outside bodies in response to R8.
- i) Revised member handbook that includes role description and new member/officer protocol and to address R9.
- j) A new officer code of conduct and arrangement for executive officers to declare interest at meeting in response to R12.

- 1.4 The focus for action in September to December 22 is the roll out the new report templates and guidance and training; confirmation on the arrangements for the central repository of all contracts and other agreements; Capital Board' Capital Projects Performance Report; and the protocol on executive roles in outside bodies.

2. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 2.1 There are no financial consideration arising. But there are significant financial and reputational risk arising from non-delivery of the action plan which are intended to rectify from the gaps in governance identified.

3. LEGAL CONSIDERATIONS

- 3.1 The Report in the Public Interest ("the Report") concerning the refurbishment of Fairfield Halls dated 26 January 2022 was issued under the provisions of the Local Audit and Accountability Act 2014 ("the Act"). The Council must comply with the requirements of the Act in responding to the Report.
- 3.2 Under the provisions of paragraph 5(5) and (6) of Schedule 7 to the Act, the Council must decide within a period of one month whether the Report requires the authority to take any action or whether the recommendations are to be accepted. It must also decide what, if any, action is to be taken in response to the Report and its recommendations. Paragraph 7 goes on to provide that the authority's functions under paragraph 5 are not to be the responsibility of the executive. Paragraph 10(1) of the Act provides that after considering the Report and its response to it, the Council must notify the external auditor of its decisions and publish a notice on its website containing a summary of those decisions approved by the external auditor.

- 3.3 The Report was considered at the Council meeting on 3 February 2022 when all the Report's findings and recommendations were agreed.
- 3.4 At the same meeting the Council also considered the Chief Finance Officer's report issued under section 114(2)(a) of the Local Government Finance Act 1988 and also the Monitoring Officer's report issued under section 5 of the Local Government and Housing Act 1989 together with the recommendations of the two statutory officers which were also agreed by the Council at the extraordinary meeting on 3 February 2022.
- 3.5 An Action Plan in response to the recommendations of the external auditor, the Chief Finance Officer and the Monitoring Officer was agreed by the Council at its meeting on 3 February 2022.
- 3.6 At the time of writing this report, all of the relevant requirements of the Act have been complied with and the purpose of this report is to update the Action Plan and provide a progress report as to delivery.
- 3.7. The Council must ensure its business is conducted in accordance with the law and the proper standards of good governance.

4. HUMAN RESOURCES IMPACT

There are no direct human resources implication arising from the Annual Governance Statement and Action Plan. However, the Action Plan will require significant officer resources.

5. EQUALITIES IMPACT

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

The recommendations in this Report do not give rise to any equality's issues. However, the Council has had due regard to its obligations under the Equality Act.

6. ENVIRONMENTAL IMPACT

There is no environmental impact arising from this report.

7. CRIME AND DISORDER REDUCTION IMPACT

There is no crime and disorder impact arising from this report.

8. DATA PROTECTION IMPLICATIONS

8.1 WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?

No

8.2 HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?

No

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APPENDICES TO THIS REPORT

APPENDIX 1 -UPDATE ON ACTION PLAN IN RESPONSE TO THE SECOND REPORT IN THE PUBLIC INTEREST

APPENDIX 2 – DRAFT COMMITTEE REPORT TEMPLATE AND GUIDANCE

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APPENDIX 1

UPDATE ON ACTION PLAN IN RESPONSE TO THE SECOND REPORT IN THE PUBLIC INTEREST

1. The Council has fully accepted all recommendations made by the external auditor (R1-R12)
2. There are 7 statutory recommendations from the external auditor for the Council to urgently address:

R1 – Cabinet papers for major projects
R2 – Contract execution & storage
R3 – Updating legal advice
R4 – Payments to third parties

R7 – Record keeping arrangements
R9 – Roles and responsibilities
R11 – Financial reporting on significant capital projects

Green – Completed

Amber – Progressing

Recommendation 1

The Chief Executive supported by the Monitoring Officer and the Section 151 Officer should ensure that Cabinet papers for major projects set out clearly:

R1.1 the legal powers to enter into a particular arrangement and attendant risk

R1.2 how the Council can protect its interests and secure economy, efficiency and effectiveness

Response / Improvement Work to Date

Generally, the Council has taken action to improve the processes surrounding the submission and contents of reports to Cabinet. There is improved forward planning. Authors of reports must ensure comments are received from statutory officers and legal powers and risks are

sufficient addressed. There is early consideration of all cabinet papers at the Corporate Management Team (CMT) and Mayor Advisory Board (MAB). The Chief Executive, Section 151 and Monitoring Officer are in attendance and do ensure the issue raised in R1 are always addressed. The process allows for much earlier consideration of papers and more opportunity for assurance of, and challenge to, advice being presented to the Cabinet.

Currently, as part of the budget monitoring process, the spend on Capital Projects are reported monthly and reviewed at Capital Board, CMT and then Cabinet.

For 2023/24, as part of the budget setting process, a list of major capital schemes will be put forward for approval. It will include the relevant legal powers, best value considerations and the proposed funding envelop.

Action Plan

1.1 A new report writers guide will be produced alongside a new report template for all Council reports to use regardless of which board or committee in will be presented in. This will explain the issues raised in the RIPI and why commentary is needed on the lawfulness of the council’s arrangements

**Deadline
September 2022**

**Accountability
Monitoring
Officer**

Comments

A new officer report template and guidance that addresses the issue raised in R1 has been produced and will be rolled out in September/October 22. A copy is attached.

1.2 The template for reports will be amended to include a reference in the legal comments section to the need to ensure legal advice is recorded in the paper on the power to enter into a particular arrangement for a major project and the actions required to ensure it remains lawful

**Monitoring
Officer**

Comments

This is contained in the current and new report guidance. Also, reports are reviewed by the Monitoring Officers and his Deputies to ensure legal powers for and lawfulness of decisions.

1.3 The Capital Board will be asked to produce guidance on what constitutes a major project and this will be incorporated into the new report writers' guide. This section in the report will also draw out the need for officers and those delivering on the Council's behalf to ensure the council delivers value for money within all its major projects and secures economy, efficiency and effectiveness for the taxpayers and residents of Croydon in accordance with Section 3(1) of the Local Government Act 1999 and the duty of best value. The template will stress the importance of ensuring the report provides decision makers with full information and the requirement to update the decision-making body when this information changes.

December 2022

**Director of
Commercial
Investment**

Comments

Guidance on establishing and managing capital schemes, including what constitutes a capital scheme, will be included in the work to prepare for the 2023/24 Capital Programme. This will form part of the Capital Strategy. The proposed 2023/24 Capital Programme will be reported as part of the 2023/24 Council Tax Setting process.

1.4 Progress reports on the delivery of major projects to Cabinet will also incorporate an assurance section that the requirements are to ensure the arrangements are lawful and have been met e.g. contracts signed, land correctly transferred etc prior to committing the Council contractually. These reports will also be available to the Scrutiny and Overview Committee in order to enable them to fully scrutinise the delivery of major projects based on the same full suite of information that is available to the Cabinet Members. These requirements will also be included in the new guide.

December 2022

**Monitoring
Officer**

**Director of
Commercial
Investment**

Comments

In August 2022, Capital Board set up a working group to develop a specific Capital Strategy. The Strategy that will provide further assurance on the delivery of capital projects lawfully and ensuring properly executed agreement before discharge of obligations.

The Council’s Constitution contains the procurement safeguards referred to above including legality and executed contract before commencement of obligations.

Expenditure on capital schemes is included in the monthly Financial Performance Report to Cabinet.

The Capital Board is developing a more detailed quarterly Capital Projects Performance Report. The first report will be presented to Cabinet and Scrutiny by 31 December 2022 reflecting progress on all capital schemes to the end of the September 2022. The report will be produced quarterly thereafter.

1.5 Once the new guide and the new report template has been produced, it will be brought to the Audit and Governance Committee for member consultation and agreement. Training will then be developed to ensure understanding of the new requirements by report writers. **December 2022** **Monitoring Officer**

Comments

The new report template and guidance will be taken to Audit and Governance Committee in September 2022. **Director of Commercial Investment**

1.6 The Council will make full use of its decision management software (Mod.Gov) to automate production of reports. This will have the benefit of allowing report authors to draw in expert advice earlier in the process and prevent reports from being changed after they have received legal and financial commentary. **To be determined** **Monitoring Officer**

Comments

The plan now is to use Share Point in Microsoft Teams. This will be rolled out as part of the new report writing template and guidance

Recommendation 2

The Monitoring Officer should ensure that:

R2.1 contracts are properly executed before entering into arrangements with third parties

R2.2 the properly executed documents are stored robustly to allow future scrutiny

R2.3 key requirements underpinning the legal advice are in place before progressing with the arrangement

Response

Action Plan

2.1 The Monitoring Officer will undertake a review of existing council processes for the signing of contracts, storage of signed contracts, and assurance on underpinning legal requirements prior to arrangements being entered into. The Council will also take further action to enhance and ensure compliance with these processes.

**Deadline
September 2022**

**Accountability
Monitoring
Officer**

**Director of
Commercial
Investment**

Comments

The Monitoring Officer is working with the Head of Strategic Procurement and Contracts on R2. The process is in place for the signing of contracts in accordance with the Constitution Tenders and Contracts Regulations and which also accords with R2. Legal Services has in place a process for signing and storing contracts on matters they are dealing with. Strategic Procurement are looking at a central repository of all Council contracts. This forms part of the Strategic Procurement and Contract Plan.

2.2 The Capital Board will be given a formal role going forward in the assurance of the contracts having been signed, that they are stored securely and all legal requirements have been met prior to approval to proceed with a major project.

Comments

It is recommended that the action plan be amended to read:-

‘The Capital Board will be given a formal role going forward in monitoring that contracts have been signed, that they are stored securely and that all legal requirements were met prior to the project proceeding.’

This will be undertaken through the proposed Quarterly Capital Projects Performance Report. The terms of reference of the Capital Board will be updated to reflect this.

This will now be part of Capital Board and Procurement Board standard agenda items for monitoring purposes.

2.3 This review will be reported to the Statutory Officers’ Board in the first instance and will include any recommendations on required changes to processes, thresholds and delegations. This review will then be brought to the Audit and Governance Committee for Member oversight and comment.

Comments

The review arising from this recommendation will be reported to the Statutory Officers’ Board and the Audit and Governance Committee once it has been concluded.

Recommendation 3

The Monitoring Officer should ensure that where legal advice changes after a Cabinet decision that the consideration of the implications of the changes is documented and where the Monitoring Officer considers additional legal risks are identified that the Cabinet is updated on the impact on the original decision made.

Response

Action Plan

**Deadline
May 2022**

**Accountability
Monitoring
Officer**

3.1 The Monitoring Officer will review the Council's Constitution, particularly Part 5A, the Protocol on Decision Making. This review will have particular regard to setting out proportionate thresholds for decisions to be reported back to the relevant decision-making body when advice (legal or otherwise) upon which the decision was based significantly changes. The review will also consider introducing a time limitation on the delegated decisions that are made by Cabinet in order to ensure they remain relevant and are used appropriately. This will also be included in the new Report Writers Guide.

Comments

Completed – a revised Part 5A was approved by Council in March 2022. This included addition of text to require Corporate Directors to keep the implementation of decisions under review and ensure that circumstances relevant to the decision continue to apply. Where there has been a material change of circumstances, a further report must be made to the decision-making body prior to implementation.

3.2 A standing item will be included on the Statutory Officers' meeting to identify if there have been any significant changes to advice underpinning Cabinet decisions.

Immediate

Chief Executive

Comments

This will usually be discussed at Corporate Management Team which includes the Head of Paid Service, Chief Finance Officer, and Monitoring Officer. Cabinet will be updated on material

changes in the circumstances given rise to decisions made and such that will require a review of the decision.

Recommendation 4

The Section 151 Officer should ensure that prior to making payments to third parties that appropriate legal documentation is in place such as a properly executed contract or a properly executed loan agreement

Response

Action

4.1 The Section 151 officer will undertake a review of the Council’s existing processes for ensuring payments to third parties meet the required governance controls such as a signed and dated loan agreement or contract. This review will make any recommendations that are necessary to ensure that there are proportionate thresholds, checks and balances on payments to third parties. The Council will also take further action to enhance and ensure compliance with these processes.

**Deadline
July 2022**

**Accountability
Corporate Director of
Resources**

Comments

The Section 151 officer confirmed that this task has been completed. A further assurance will be sought by commissioning an internal audit of these processes.

In relation to procured contracts, the requirements of the Tenders and Contracts Regulations (Regulation 29)¹ in the Constitution covers the process for assurances prior to proceeding with arrangements with contractors. A reminder note will be sent to staff.

¹ **29. Contract Pre-conditions and Preliminaries**

29.1 A Director must not authorise or permit a contractor to enter on any land or buildings belonging to the Council or to proceed with the Contract or start work on site until a written order to proceed with the Contract has been issued and the following actions are completed:

- a.** the contractor has provided proof of insurance;
- b.** the contractor has completed and returned to the Council the contract documents unless the Director can satisfy the Director of Legal Services and the Chair of CCB that the Council’s position is otherwise adequately secured;

4.2 The Capital Board will incorporate this assurance check as part of their formal programme board oversight on the progress of major projects and will amend their terms of reference to reflect this additional role.

Comments

As mentioned above, this will form part of Capital Board and Procurement Board standard agenda item.

4.3 The findings of this review will be reported to the Statutory Officers' meeting in the first instance, with any changes that are required to the Council's Constitution being reported to the Council via the Audit and Governance Committee or Ethics Committee.

Comments

An update report will be provided to the Statutory Officers' next meeting in October 2022.

Recommendation 5

The Monitoring Officer and Section 151 Officer should ensure that arrangements are in place to properly consider public procurement rules and UK obligations on subsidy control rules before entering into arrangements

c. where appropriate the performance bond is duly completed;

d. all procedures have been completed to the satisfaction of the Director of Legal Services.

29.2 Once the actions in Regulation 29.1 are completed then a purchase order must be raised on the Council's financial system, prior to any goods or services being provided. Raising purchase orders, and any permitted exceptions, must be conducted in accordance with the Council's P2P Guidance documentation.

Response**Action****Deadline****Accountability**

5.1 The Council's Director of Commercial Investment will review the Council's existing arrangements for ensuring compliance with subsidy control legislation. This review will be reported to the Section 151 Officer and Monitoring Officer and will highlight any risks in the Council's current arrangements. The review will also make recommendations and set out an action plan to mitigate and address any risks that are identified. The Capital Board may play a part in the assurance mechanism before entering into arrangements. If so, its terms of reference will be amended.

September 2022

**Director of
Commercial
Investment**

Comments

There are representatives from Finance, Legal and Procurement at Procurement Board and Capital who ensure that there is compliance with statutory provisions and the Constitution's Tender and Contract Regulations. There is regular and ongoing review of arrangements for both Procurement Board and Capital Board to ensure compliance with statutory and constitutional provisions. There is a log kept of any non-compliances with a view to escalation to CMT and to ensure any systemic failings are rectified.

For all contract, procurement, and subsidy related matters requiring Cabinet decision, legal advice/comments are sought to ensure compliance with procurement and subsidy control rules. Also, for compliance with the Council's Tender and Contracts Regulations where relevant. These reference the need to check for public subsidy issues. Risks of public subsidy will vary from project to project and each project will have to be reviewed on its own merits.

Recommendation 6

The Chief Executive, Monitoring Officer and Section 151 Officer need to consider how to respond appropriately to challenge on decisions and be prepared to take corrective action where necessary.

Response

Improvement Work to Date

As part of the Croydon Renewal and Improvement Plan, a range of actions have been undertaken to improve the culture of the organisation in relation to openness, transparency, accountability and challenge. The various actions are all designed to facilitate constructive challenge and open dialogue from Members, residents, officers and each other. To date, this work has included:

- Introducing a 'guardians' programme for staff, providing a safe space for staff across the organisation to raise concerns
- New customer complaints handling process
- Developing a new access to information protocol for Councillors
- Introducing new codes of conduct for Members, Co-opted Members and Officers

There is regular dialogue between the Chief Executive, Section 151 Officer and Monitoring Officer to consider various challenging governance issues and decide on the appropriate response and if required, an action plan.

Action

6.1 A new member enquiry / casework process and supporting software will be rolled out to allow more pro-active tracking, management and responses to member casework enquiries and also allow learning from the casework to be captured more effectively to improve services. This may result in policy decisions needing to be revisited.

Deadline

July 2022

Accountability

Assistant Chief Executive

Comments

This has been completed.

6.2 A new system of internal control officer boards have been implemented following a review of core business meetings and forums (Capital, Health & Safety, Equality Diversity & Inclusion, Finance & Assurance, Performance, Digital, Resident Voice and Corporate Resilience). To be implemented are boards on Information Management and Workforce).

July 2022

Director of Policy, Programmes & Performance

Comments

This has been completed

**6.3 A new Member / Officer working protocol will be developed and submitted to Council for adoption into the Council's Constitution.
Please note that this action will also support 9.2**

March 2022

Monitoring Officer

Comments

This has been completed and was approved by Full Council in March 2022

6.4 A new assurance framework will be developed and reported on annually to the Audit and Governance Committee

July 2022

Corporate Director of Resources

Comments

The Council's governance framework has been reviewed and informed by the NAO's Three Lines of Defence model.

Recommendation 7

The Chief Executive should improve record keeping arrangements so that:

R7.1 the records supporting key decisions including financial analysis are maintained

R7.2 a standard approach to record keeping with monitoring of which decisions have been implemented
R7.2 tolerances are established for reporting back changes to Cabinet

Response

Action	Deadline	Accountability
<p>7.1 A review will be undertaken by the Council’s Information Management Team of record keeping across the Council for key decisions, delegated decisions and Cabinet decisions in general and record keeping of formal internal control boards. The review will make any necessary recommendations regarding proposed future systems of control, in particular to ensure required or agreed future reporting requirements are adhered to through the forward plan and these will be reported to the Audit and Governance Committee and Cabinet.</p>	<p>October 2022</p>	<p>Assistant Chief Executive</p>
<p>7.2 This review to provide assurance that the Council is operating in accordance with the relevant legislation including the good practice recommendations in the Information Commissioner’s Office “S46 Code of Practice – Records Management” issued under section 46 of the Freedom of Information Act 2000.</p>	<p>December 2022</p>	<p>Assistant Chief Executive</p>

Comments

This task is to be allocated to the Monitoring Officer who is responsible for Democratic Services and who in turn is responsible for record keeping of Executive decisions.

Recommendation 8

The Chief Executive, as Head of Paid Service, should ensure appropriate governance arrangements are implemented in a timely manner particularly for strategic developments such as Brick by Brick including where appropriate that there is clear guidance for nominated representatives on the expectations of the role including reporting back to the Council.

Response

Improvement Work to Date

Actions already taken by the Council to strengthen the governance arrangements for strategic and major projects and programmes include:

- Appointment of a new Commercial Investment Director;
- Establishment of a Croydon Companies Supervision and Monitoring Panel (officer only) to have oversight of all Council owned companies
- Establishment of a Brick by Brick Shareholder Cabinet Advisory Board (Member only);
- Established a new programme office that includes a remit to work on the capital programme
- Agreement of new terms of reference for the Capital Board with a focus on good planning, governance and delivery
- Where warranted, non-executive and / or independent chairing and leadership has been sought, including independent chairs for the Council's General Purposes and Audit Committee, Housing Improvement Board, Children's Improvement Board and the Croydon Adult Safeguarding Board.
- External training on statutory officers responsibilities has been completed separately for members and officers with additional training for non-statutory officers on company law and shareholder function.

Action Plan

	Deadline	Accountability
<p>8.1 The Croydon Companies Supervision and Monitoring Panel be tasked with considering what additional measures, if necessary, need to be introduced to support and clarify the roles and responsibilities of any person appointed by the Council to be a director of a Council owned company. This review to incorporate an undertaking to abide by the code of conduct and standards of public life (commonly known as the Nolan principles). <i>Please note that this action will also support 9.4</i></p>	<p>May 2022</p>	<p>Director of Commercial Investment</p>
<p>8.2 The Council has had guidance notes agreed on the role of a non-executive appointee on behalf of the Council but these will now be reviewed and brought back to Ethics Committee for approval.</p>	<p>September 2022</p>	<p>Monitoring Officer</p>

Comments

The guidance notes have been drafted and are ready to go to the Ethics Committee.

8.3 Mandatory training will be provided on a regular and timely basis to all Council owned company directors. Attendance at this training is part of the requirements to remain a Council appointed Director. **October 2022** **Monitoring Officer**

Comments

Initial training has taken place but there is further training planned.

8.4 The terms of reference for the Council’s new internal control boards will be reviewed to ensure that there is clarity on how the work undertaken by these boards flows into member meetings and formal member briefings as appropriate. **To be determined** **Director of Policy, Programmes & Performance**

Comments

The Internal Control Boards have recently been established and a review of their effectiveness is planned.

Recommendation 9

- 1. The Chief Executive should work with the Executive Mayor to continue to embed**
- 2. R9.1 a clearly understood distinction between the different roles and responsibilities of Members, officers and representatives akin to Brick by Brick**
- 3. R9.2 clear responsibilities for officers and Portfolio Holders in challenging reports presented to Cabinet and other committees for balance, accuracy and consistency with their knowledge**

Improvement Work to Date

The Council has agreed a new code of conduct and guidance for Members and a new code of conduct for officers. This is being supplemented by tailored learning and development activity as part of the May 2022 Member Induction Programme, in new officer induction programmes and the corporate culture change programme.

Action

9.1 Review role descriptions for members and a revised member handbook is being developed. This work will be brought to the Ethics Committee for approval.

**Deadline
May 2022**

**Accountability
Monitoring
Officer**

Comments

This task is completed. A revised member handbook developed including role descriptions. All members were given access to the handbook following the elections.

9.2 A new Member / Officer working protocol will be developed and submitted to Council for adoption into the Council's Constitution. This protocol will clarify responsibility for providing effective advice and challenge.

May 2002

**Monitoring
Officer**

Please note that this action will also support 6.3

Comments

This task is completed. Member/Officer protocol approved by Full Council in March 2022.

9.3 The Croydon Companies Supervision and Monitoring Panel be tasked with considering what additional measures, if necessary, need to be introduced to support and clarify the roles and responsibilities of any person appointed by the Council to be a director of a Council owned company.

May 2022

**Director of
Commercial
Investment**

9.4 The Croydon Companies Supervision and Monitoring Panel be tasked with considering what additional measures, if necessary, need to be introduced to support and clarify the roles and responsibilities of any person appointed by the Council to be a director of a Council owned company. This review to incorporate an undertaking to abide by the code of conduct and standards of public life (commonly known as the Nolan principles).

May 2022

**Director of
Commercial
Investment**

Please note that this action will also support 8.1

Comments

Completed

Recommendation 10

The Chief Executive should review the terms of reference for officer and member/officer boards that oversee significant projects and capital/revenue expenditure and clarify the escalation routes for significant additional expenditure in excess of the budget

Response

Improvement Work to Date

The Council has introduced new system of internal control officer boards following a review of core business meetings and forums. The Boards are Capital, Health & Safety, Equality Diversity & Inclusion, Finance & Assurance, Performance, Digital, Resident Voice and Corporate Resilience. To be implemented are Boards on Information Management and Workforce. The Capital Board and Finance and Assurance Board oversees significant projects and capital/revenue expenditure and has in place escalation and reporting route to Corporate Management Team (CMT).

Since June 2021 the Cabinet has been receiving a monthly update on the council's general fund, housing revenue account and capital expenditure. Currently, as part of the budget monitoring process, the spend on Capital Projects are reported monthly and reviewed at Capital Board, CMT and then Cabinet.

Action

10.1 The Capital Board will review its terms of reference to develop an effective role in regard to its oversight of the delivery of major projects and clarify the escalation routes for significant overspends. Future project governance should be reflective of the scale

**Deadline
May 2022**

**Accountability
Director of
Commercial
Investment**

of each project, with an appropriate level of monitoring, reporting and resource allocated.

Comments

Capital Board regularly reviews the funding envelop for projects and reports any discrepancies to CMT and if required Cabinet.

Capital Board is also developing a more detailed quarterly Capital Projects Performance Report. The first report will be presented to Cabinet and Scrutiny by 31 December 2022 reflecting progress on all capital schemes to the end of the September 2022. The report will be produced quarterly thereafter.

10.2 The format of the monthly cabinet update on general fund, HRA and capital expenditure will be reviewed in general to ensure it is incorporating the best practice of high performing councils in budget reporting to members. This review will also pay specific regard to the reporting on risks and opportunities, over and underspends on the delivery of significant projects either revenue or capital expenditure and either general fund, parking places reserve account or housing revenue account related.

May 2022 P1 Report

Corporate Director of Resources

Comments

The S.151 officer confirms that this task is completed. There is regular budget monitoring report to Cabinet that deals with 10.2 above.

10.3 The Internal Control Board terms of reference template will be reviewed for all boards to ensure clarity on responsibilities for risks in regard to its responsibilities, workload and escalation routes.

July 2022

Director of Policy, Programmes & Performance

Comments

An initial Terms of Reference template has been used to establish the new Internal Control Boards. Once the boards have been in operation for a few months, a review will be undertaken of their effectiveness and a final Terms of Reference template will be agreed.

10.4 The current monthly budget assurance meetings chaired by the Chief Executive and Corporate Director of Resources will be reviewed to assess effectiveness after its first year of operation.

Feb 2023

Director of Policy, Programmes & Performance

Comments

The monthly budget assurance meetings are continuing and their effectiveness continues to grow.
The planned review will be undertaken later this financial year.

Recommendation 11

The Section 151 Officer should ensure financial reporting on significant capital projects is enhanced so that

R11.1 a clear agreed budget for the project is identified and the underlying financial analysis is maintained

R11.2 a clear agreed project expenditure amount can be reported through appropriate governance processes

R11.3 where there are changes in the original financial assumptions that there is an assessment on the project's financial viability with appropriate reporting

R11.4 the revenue impact of any changes in the capital project are addressed in future budget setting

Response

Action Plan

Deadline

Accountability

11.1 The Corporate Director of Resources will oversee the review work to be undertaken by the Director of Commercial Investment in regard to improving the role of the Capital Board in meeting a number of these recommendations. That review will incorporate the recommendations above.

May / June 2022

**Corporate Director
of Resources**

Comments

The Section 151 Officer attends Capital Board meetings at which these issues are addressed.

The Capital Board is developing a detailed quarterly Capital Projects Performance Report. The first report will be presented to Cabinet and Scrutiny by 31 December 2022 reflecting progress on all capital schemes to the end of the September 2022. The report will be produced quarterly thereafter. This addresses the issues raised by R11.1, R11.2, R11.3 and R11.4.

The Council tax Setting process for 2023/24 is being project managed to encompass constant review across the revenue, capital and treasury arrangements. This will also address R11.4.

11.2 The review of the monthly budget report format will also take into account these recommendations and report to the Audit and Governance Committee, the Scrutiny and Overview Committee and finally Cabinet taking into account members' views.

December 2022

**Corporate Director
of Resources**

Capital projects will continue to be monitored through the monthly Finance Performance Report. In addition, the Capital Board is developing a separate detailed quarterly Capital Projects Performance Report. The first report will be presented to Cabinet and Scrutiny by 31 December 2022 reflecting progress on all capital schemes to the end of the September 2022. The report will be produced quarterly thereafter. This addresses the issues raised by R11.1 and R11.2.

Recommendation 12

The Chief Executive should put in place arrangements to consider inherent conflicts of interest for executive officers

Response

Action

12.1 A new code of conduct for all officers is currently in development which will incorporate best practice in regard to the declaration of interests and arrangements for managing any conflicts.

**Deadline
May 2022**

**Accountability
Monitoring Officer**

Comments

This task has been completed and approved by Full Council in March 2022

12.2 An annual review of declarations for all officers will be undertaken each May. This will update a formal register of all declarations to be published on the council website.

May annually

**Head of Internal
Audit**

Comments

This is planned for the end of the financial year.

12.3 CMT, DMTs and all internal governance boards will have declarations of interest added as a standing item to their agendas.

May 2022

**Director of Policy,
Programmes &
Performance**

Comments

This has been actioned and completed

12.4 The Statutory Officers' Board will amend its terms of reference to include the formal review of any officer conflicts of interest and the agreement of arrangements for managing them.

May 2022

Chief Executive

Comments

There is a standard agenda item for declaration of interest at the Statutory Officer's Board meeting. Officers are aware of the need to withdraw from parts of the meeting where there is likely to be a conflict of interest.

REPORT TEMPLATE WITH GUIDANCE

Reports for decision or information to : COUNCIL, CABINET, EXECUTIVE MAYOR, DELEGATED MEMBER and OFFICER KEY / NON-KEY DECISIONS, NON-EXECUTIVE COMMITTEES and SUB-COMMITTEES

Introduction for report authors

This template aims to comply with the requirements for written reports as identified in Part 5A of the Croydon Council Constitution - [Protocol for Decision Making](#).

Your report's purpose is to ensure decision makers can make informed decisions, which are open and transparent to residents and clear for council officers to implement.

The report author should focus on drafting a report that:

1. Tells the 'story' – gives a clear, ordered narrative, clarifying what the decision is intended to resolve or deliver.
2. Whilst being concise, enables the Mayor, Member, Committee or Officer to make a reasonable decision based on all relevant considerations and disregard all irrelevant ones.
3. Has clear and unambiguous recommendations so that officers can understand and implement the decisions made.
4. Explains clearly to the decision maker (and importantly also to residents) how the recommendations support Croydon's priorities.
5. Informs the decision maker of the key implications of the recommendation/s. In addition to including any proposal considerations (i.e., project timescales, interdependencies, general resident impact, etc.) within the body of the report, there is a formal 'Implications Section' which includes; financial, legal, equalities, and where a relevant consideration, procurement, human resources, corporate services, environmental, ICT, and data protection.
6. Includes considerations of the risks associated with the proposal.
7. Includes appraisal of any alternative options which were considered - but not put forward as the final recommendation/s.
8. Anticipates and answers questions that the decision maker and reader could naturally have.

Seeking a Key Decision / Non-Key Decision

Key decisions relate to the responsibilities and functions of the executive and due to the significance of the decision (as defined by Croydon's key decision criteria below), they have specific procedures in terms of giving public notice – mainly, the council needs to give at least 28 days clear notice it's making a key decision. The notice appears on the '[Public Forward Plan](#)' and the notice conveys key information, including when the decision will be made, the nature of the decision / subject, decision maker.

The key decision and non-key decision process is only for decisions made by the Executive, i.e., not those made at non-executive committees e.g. Planning, Council, Licensing, Scrutiny & Overview, General Purposes Committee, Appointments & Disciplinary Committee, Audit and Governance, Ethics Committee etc.

The minimum 28 days notice is required regardless of the decision maker i.e. Mayor, Mayor in Cabinet, Member or Officer Delegated Key decision. Please note, when the Mayor in Cabinet is making the decision, the report for decision needs to be published 5 clear working days before the date of the meeting i.e. published as part of the meeting agenda pack.

The criteria for a key decision can differ between authorities. Croydon's definition is a decision of the executive which is likely to:

- (a) result in the Council incurring expenditure, or making savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council's budget for the service or function to which the decision relates; or / and
- (b) be significant in terms of its effects on communities living or working in an area comprising two or more Wards in the Borough. Key decision rules apply only in respect of Executive decisions and not to non-executive decisions.

If the Key Decision is for the Mayor in Cabinet, if not already, please urgently complete a Cabinet Forward Plan Request Form, to add the decision to a future Cabinet meeting and learn about the various Corporate Management Team (CMT) and Mayor Advisory Board (MAB) Clearance processes and deadlines: [Cabinet Forward Plan Request | Croydon Intranet](#)

If the decision maker for a key decision is the Mayor, a Member making a decision under delegated authority, or an Officer, please contact Democratic Services for advice and guidance on the Key Decisions process and publishing the 28 day notice.

See guidance below if you require a key decision to be made urgently and cannot adhere to the 28 clear days public notice requirement.

If the decision is an executive non-key decision, there is no requirement for a forward plan entry and the report for decision does not need to be published. The decision notice however does need to be published after the decision has been made. Please speak to Democratic Services for advice and guidance on the process.

Urgent Key Decisions

Where a key decision needs to be made urgently, such that it is not reasonably practicable to give the required 28 days' notice on the Forward Plan, the rules on General Exception and Special Urgency permits for a shorter timescale. Please contact the Council's Democratic Services team for advice on this.

General Format

Reports should aim not to exceed 6 sides of A4 – however, this may be exceeded to ensure all relevant information is included. Note, additional or specific detailed information can be added as an appendix.

Use Arial 12 point for all text (14 point bold for main headings and 12 point bold for subheadings).

Use plain English

- Make the average sentence length 15–20 words.
- Aim for one new point per paragraph, and only a few sentences per paragraph.
- Use words your readers are likely to understand. Avoid including detailed professional technical information which will only be understood by fellow professional colleagues.
- Write in the third person (i.e. the authority, Croydon, council and not I / we).
- Write for the non-expert and explain initialisations and acronyms.
- Use bullet points to break up complicated text.
- Put your points positively when you can.
- Reduce cross-references to a minimum.
- Use good grammar, spell check and proof read (before the reader does).
- Plan before you write.
- Give the report to a colleague to read through and make suggestions.

Clearance, Deadlines and Engagement

Speak to colleagues in Democratic Services or the relevant committee clerk who can help clarify this guidance, advise on seeking a decision, and provide information on any relevant clearance and publication deadlines.

Guidance is given in the Consultation section with regards to the reports approach, however please give consideration whether you can take additional action to support Members to understand your proposal – e.g., an informal briefing for committee members, or possible engagement with the Council's Scrutiny team and Members. Discuss any ideas around member engagement with the relevant Director or Corporate Director.

Always remember to contact finance and legal colleagues early in the development of your proposals.

Clearance

If a Cabinet report, for submission to CMT clearance, the lead Corporate Director needs to agree and confirm (*no need for actual signature sign-off*) that the report can be submitted (as well as before sending to Democratic Services for final Cabinet agenda publication).

With regards to Committees, the author should seek approval from the relevant Director or Corporate Director for the report. Contact Democratic Services to seek clarity if required.

Lead officers / report authors should seek approval by the relevant director before submitting the report for decision to the Mayor or a Member with delegated authority.

Lead Officers / report authors should seek approval by their Head of Service or Director before submitting an Officer report for decision to a Corporate Director or Director.

DRAFT

LONDON BOROUGH OF CROYDON

REPORT:	<p style="text-align: right; color: #a52a2a;">[CABINET] OR [COUNCIL]</p> <p style="text-align: center; color: #a52a2a;">[TITLE OF COMMITTEE / SUB-COMMITTEE]</p> <p style="text-align: center; color: #a52a2a;">[DECISION MADE BY EXECUTIVE MAYOR]</p> <p style="text-align: center; color: #a52a2a;">[DELEGATE DECISION MADE BY MEMBER]</p> <p style="text-align: center; color: #a52a2a;">[OFFICER DELEGATED KEY DECISION]</p> <p style="text-align: center; color: #a52a2a;">[OFFICER DELEGATED NON-KEY DECISION]</p>
DATE OF DECISION	[DATE IN FULL]
REPORT TITLE:	<p style="text-align: right; color: #a52a2a;">[Title of Report]</p> <p style="text-align: center; color: #a52a2a;"><i>Guidance: If a Key Decision - MUST be the SAME title as listed on the Published Forward Plan</i></p>
CORPORATE DIRECTOR / DIRECTOR:	<p style="text-align: center; color: #a52a2a;">[CORPORATE DIRECTOR NAME, POSITION TITLE] and/or [DIRECTOR/ HEAD OF SERVICE NAME, POSITION TITLE]</p> <p style="text-align: center; color: #a52a2a;"><i>Guidance: Delete this row if Officer Key or Non-key decision</i></p>
LEAD OFFICER:	[NAME, POSITION TITLE, CONTACT DETAILS (email: / Telephone:)]
LEAD MEMBER:	<p style="text-align: center; color: #a52a2a;">[EXECUTIVE MAYOR / CLLR NAME, POSITION OR N/A]</p> <p style="text-align: center; color: #a52a2a;"><i>Guidance: Delete this row if Officer Key or Non-key decision</i></p>
DECISION TAKER:	<p style="text-align: center; color: #a52a2a;"><i>Guidance: Only when the decision is a delegated decision to an officer or Member. Delete this row if report to Cabinet, Council, Committee, Sub-Committee or Executive Mayor:</i></p> <p style="text-align: center; color: #a52a2a;">[CLLR OR CORP DIRECTOR / DIRECTOR / OFFICER, POSITION TITLE]</p>
AUTHORITY TO TAKE DECISION:	<p style="text-align: center; color: #a52a2a;"><i>Guidance: Only when the decision is a delegated decision / non-key decision.</i></p> <p style="text-align: center; color: #a52a2a;">[Identify the section giving authority from the schemes of delegation or when specific delegation was conveyed e.g, Cabinet report, date, copy of exact recommendation which gave the authority]</p> <p style="text-align: center; color: #a52a2a;"><i>Guidance: Delete this row if report to Cabinet, Council, Committee, Sub-Committee or Executive Mayor</i></p>

KEY DECISION?	[YES] or [NO]	<p style="text-align: right;">REASON: [N/A] or</p> <p>[Key Decision – Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council’s budget for the service or function to which the decision relates] and/ or [Key Decision – Decision Impacts on communities living or working in an area comprising two or more Wards]</p>
CONTAINS EXEMPT INFORMATION? [See guidance *]	[YES] / [NO]	<p style="text-align: right;">[Public], or [Public with exempt appendix X]</p> <p>Grounds for the exemption: [N/A] or [Exempt under paragraph(s) (X, or X and X) of Schedule 12A of the Local Government Act 1972]</p>
WARDS AFFECTED:	<i>[Specify ward(s) affected by the proposal or ‘All’ or ‘N/A’]</i>	
URGENCY:	Please contact Democratic Services for advice and guidance on urgency procedures and what to write in this section.	

***Guidance: Exempt information guidance:**

Reports will be considered in public unless information necessary to enable Members to make a decision is exempt or confidential, as defined in the Access to Information Procedure Rules ([Part 4B of the Constitution](#)). The presumption should be in favour of openness and reports should only be regarded as confidential or exempt in exceptional circumstances.

As much information as possible should be in the public domain: where possible put only the confidential / exempt information in a confidential appendix and keep the main body of the report available to the press and public (e.g. ‘Public with exempt appendix B’)

Exempt report and appendices (locally known as ‘Part B’) and background information are only exempt if justified by reference to one of the paragraphs in Schedule 12A of the LGA 1972 AND also the public interest in withholding disclosure outweighs the public interest in disclosure.

The relevant paragraph of Schedule 12A of the Local Government Act 1972 must be specified in the ‘Contains Exempt Information?’ answer box. These are set out in [Appendix 1 of Part 4B](#) of the Constitution.

1 SUMMARY OF REPORT

1.1 This report

1.2 XXX

Guidance: Provide a short overview of the report and why it is being submitted and important for residents / businesses. Also, the financial implication.

Summary should be no more than 2 paragraphs, highlight any link to previously agreed strategies, and avoid duplicating content from elsewhere in the report.

An example of a summary paragraph: *This report seeks the Executive Mayor in Cabinet approval to award a contract for the provision of XXX services to the Council for a period of X years from January XXXX. This will enable the Council to meet the corporate priority to deliver XX to Croydon's residents.*

2 RECOMMENDATIONS

For the reasons set out in the report [and its appendices], [Council / the Executive Mayor in Cabinet, the Executive Mayor, Member position title, Officer position title] is recommended:

2.1 to agree....

2.2 to etc,...

2.3 to etc...

Guidance: The recommendations are the most important part of the report as they will become the decision officers will be required to implement.

The Do's

- Use precise language and short sentences to avoid uncertainty and include dates, costs, provider names and other specific information where necessary e.g. *to agree to award the contract for the provision of the services set out in Appendix A to ABC Ltd for a period of X years from X November XXX at a total contract price of £7,500,000.*
- Reference the particular policy or document if you want approval for it and where it is found in the report e.g. *agree the policy at appendix A* or *agree the principles set out in section x,xx*
- Separate out individual decisions into short sub-sections and put into a logical order e.g. *(a) agree to award a contract*, followed by *(b) delegate final agreement of terms and conditions to the Corporate Director of xxx.*

- State where a decision is conditional, e.g. “*subject to planning consent*” ..
- State as a recommendation any consultation exercises e.g. the Executive Mayor in Cabinet is recommended.. “To take into account the outcome of public consultation and the management response set out at XXX”
- Split recommendations into groups where decisions are required from more than one body (e.g. Committee / Cabinet then Council), heading the report with all relevant meetings and being clear which decisions are required from which body.

And the ‘Do not’..

- For reports to Cabinet, avoid reports only for noting.
- It is sometimes helpful for the Executive to note a matter but keep these to a minimum and separate clearly from the actual decisions. These could be future events and / or matters that are relevant corporately to show they have been considered.
- Include policy statements, rationales or evidence – these go in the body of the report e.g. “.... as this will deliver the corporate priority of xxxx”
- Combine separate decisions into a single recommendation.
- Delegate a further decision to two or more officers or members.
- List consultees for delegated decisions who will be consulted as business as usual, e.g. finance and legal

3 REASONS FOR RECOMMENDATIONS

- 3.1** **Guidance:** A clear logical summation of why the decision maker / committee should make the decision. Clearly setting out the key reasons for the recommendation.
- 3.2** This section should summarise key findings from the background and proposals section supporting the recommendations.

4 BACKGROUND AND PROPOSALS [tbc, ‘AND DETAILS’]

- 4.1** **Guidance:** This is the main body of the report that provides the context and narrative to justify the recommendations – making sure it is in a clear and logical order. Sub-headings can be used as appropriate.
- 4.2** It should provide the decision maker / committee with the necessary information to make an analysis of the relative merits of the decision under consideration.
- 4.3** Start with the context for the proposals, this may include local, regional, national policies, strategies, borough profile, equalities, service changes, financial, legal, technological, or cross council issues.

- 4.4 Refer to previous relevant decisions and reports.
- 4.5 Lay out an objective analysis of why a decision on the issue / option / proposal is needed.
- 4.6 Succinctly cover each element that the decision maker needs to understand in order to reach a fully informed decision.
- 4.7 Detail the evidence base for the rationale (refer, where needed, to appendices).
- 4.8 Only provide a rationale for the decisions being sought, not for a previous or future decision e.g. a contract award report only needs to set out the outcome of the process and the rationale for the choice of provider: it does not need to explain (again) why the services or works are being procured.
- 4.9 Outline key stages in the process where it is important to show compliance (e.g., a procurement process or a consultation process). There's no need to repeat information contained in other sections of the report, and can be cross referenced.
- 4.10 Highlight any risks related to the proposals (risks may more appropriately appear in a dedicated 'Risk Implications' section under Section 8 of this report - either way, don't duplicate or repeat the information).

Any risk analysis should summarise the risks and assumptions associated with the proposal. Key risks should be described using the following prompts:

- As a result of ... (the risk / cause)
- There is a threat of... (the event happening / risk being realised)
- That could lead to... (effect)

Include details of how the risk has been assessed – how likely it is to occur, the impact it would have, and how the risk is to be managed. Consider an appropriate number of scenarios (e.g., best/ worst / most likely); the number/ degree of detail required will depend on the size and volatility of the topic.

Information on Croydon's approach to [managing risk](#) is available on the intranet.

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1 **Guidance:** Briefly set out what alternatives were considered, associated costs, risks, and reasons why the option was not recommended.
- 5.2 Alternative options should be no more than one to two paragraphs.
- 5.3 Give details of any active search for alternative options, including through external consultation and examination of best practice elsewhere. Address any recommendations received from pre-decision scrutiny, where applicable
- 5.4 Authors can refer to any full options appraisal which may have been carried out in an appendix.

- 5.5 Authors can include any significant implications related to the alternative options e.g., legal, equalities, environmental, financial implications etc.
- 5.6 Doing nothing is an alternative, and the risk can be explained.
- 5.7 Reports 'to note' do not need this section to be completed, Insert [Recommendations are for noting only].

6 CONSULTATION

- 6.1 **Guidance:** The importance of consultation will vary between reports. It is important to distinguish between Member consultation and public consultation.
- 6.2 Do not confuse the two as internal member consultation is only required for political and corporate purposes whereas public consultation is often required to make a lawful decision.
- 6.3 Where Member consultation is to take place, it is essential that the relevant lead member for the report is comfortable for the report to go to the committee (or to CMT (Corporate Management Team) and MAB (Mayor Advisory Board) if report is for Cabinet). Depending on the report and the need for consultation, the author can state the Member/s consulted, position and date consulted i.e., when the reports content was discussed.
- 6.4 The [Protocol for Decision Making](#) states that formal consultation will take place as appropriate to the matter under consideration. In most consultation challenges, the essential question which the court will ask is "What does fairness require in all the circumstances of the case?"
- 6.5 Where there is a specific statutory duty to consult on a decision, there has been a promise to consult, if the Council's conduct has given rise to a legitimate expectation that the Council will consult (for example previous consultations about the same or similar types of issues or statement in policy that consultation will occur) or if the duty on the Council to act fairly in exercising its functions would require consultation then this must be addressed in this section.
- 6.6 Regarding Public consultation, decisions e.g., service changes and closures, can often require consultation as a legal requirement. Your legal colleagues can advise on this point. If consultation is required, your decision for recommendation cannot go forward until this has taken place and the outcome set out in the report.
- If there is a statutory consultation process – set out how this has been followed and mindful of the consultation principles below. some legislative provisions require formal responses by the council to consultations.

- For all required consultations, ensure your report demonstrates compliance with the four principles below, detailing how the consultation was conducted, how responses given timescales and key findings:
 - a. Consultation took place when proposals are at a formative stage and with those affected by the decision
 - b. Sufficient information was provided to consultees about the proposals to allow for an intelligent response.
 - c. Adequate time was given for response
 - d. Show conscientious consideration of the consultation responses – including the Council’s response and, where necessary, any amendments arising from consultation. It’s essential that due regard has been demonstrated to the findings and outcomes of the consultation.
- Legal consultation is not a referendum. Whether or not a majority of consultees approved the plans is relevant but not determinative. Focus in the report should be on the responses that raise important or substantive points, especially those with merit. Consider using appendices so the decision maker can see the full details of consultation for themselves.
- Other Council officers consulted may wish to contribute their own paragraphs either here or in the body of the report.

7. CONTRIBUTION TO COUNCIL PRIORITIES

- 7.1 **Guidance:** Explain how the proposed decision relates and contribute to the council’s strategic priorities and any major policies.
- 7.2 The Mayor’s priorities are [List and link to Cabinet Paper]

8. IMPLICATIONS

Guidance: The implications should only relate to the recommendations in the current report e.g. if a recommendation is to extend a contract the implication should focus on the implication of the extension.

It is for the author to engage with corporate services and **MUST** seek early engagement with particularly finance and legal colleagues. Talk to your finance and legal partners before drafting the report and implications.

Draft reports should be sent to the Legal and Finance for the implication comments to be reviewed and signed-off **at least** 5 working days before Cabinet CMT clearance, or the reports publication.

Colleagues from other services can contribute to the Implications Sections, i.e., procurement, equalities, policy, human resources, risk team etc where relevant.

You must not submit reports to CMT for Cabinet clearance, or other formal decision making bodies, unless the financial and legal implications have been approved by colleagues in those services, as well as the Equalities Section having been completed.

8.1 FINANCIAL IMPLICATIONS

- 8.1.1** It is the authors responsibility to engage with the relevant officer in Finance (See contacts list at the end of this guidance).. This section can initially be drafted by the author, however Finance 'own' the Financial Implications section.
- 8.1.2** Finance need to sign-off the section to ensure that any course of action is within the agreed budget framework, financially prudent, and consistent with corporate objectives.
- 8.1.3** Croydon has a Spending Control Panel, with a corporate policy regarding essential spend in place. How the proposals have met the essential spend criteria should be stated in this section: <https://bccloudadcroydongov.sharepoint.com/sites/col-15/ic/Documents/Spend%20Control%20Panel-%20Process%20Maps-%20Comms-01.12.2020%20v2.pdf>
- 8.1.4** If the report is 'for noting' the report should still be sent to Finance - to confirm that there are no financial implications both currently or in the future.

8.1.5 Revenue and Capital consequences of report recommendation

This table below is a requirement unless the Head of Finance for your directorate confirms it is not needed. It is intended as a summary but more detailed information can be detailed in the report or in appendices if necessary.

Note that:

- All values should be entered in round thousands and comments have consistent presentation of numbers e.g. £1,326k not £1,325,956 or £1.326m
- If a report recommendation is fully budgeted, the 'remaining budget' once expenditure and income are entered, will be zero. If a revenue saving is proposed, that saving should appear in the 'remaining revenue budget' line
- Present figures as discrete year on year amounts, not cumulatively
- Show income and expenditure as gross and separate capital and revenue

- VAT is recovered by the Council and should not be included in any expenditure or income figures (unless there are specific circumstances, to be stated in the report, where it won't be possible to reclaim VAT from HMRC)

	Current Year	Medium Term Financial Strategy – 3 year forecast		
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25
Revenue Budget Available				
Expenditure Income				
Effect of decision from report				
Expenditure Income				
Remaining Budget				
Capital Budget available				
Expenditure Income				
Effect of decision from report				
Expenditure Income				
Remaining Budget				

- Set out in detail the financial implications including the potential for future savings/ efficiencies.
- If a proposal requires additional funding, this must be presented in the report as a recommendation to award growth.
- Make it clear if funding is from a ring-fenced source (eg rental income from council house tenants or grant funding)

- Legitimate recharges between funds are allowed. Make clear if activity is funded from a mix of sources or from a 3rd party.

Implications should include:

- Medium Term Financial Strategy (MTFS) effect – will the duration of the impact of the decision be one-off or permanent? Are there inflationary effects which may apply to activity? Is there a time limit on any external funding and if so, what will happen once it ends? Cabinet reports must set out financial implications over the medium term (current plus 3 years).
- Assumptions – list any you have made about demand/ usage which impact on financial calculations.
- Future savings and efficiencies – set out what will arise from the decision (or explain why this is not possible). Proposals to reduce costs will be a saving but can only be recognised as such if the activity is already budgeted for. Taking action to reduce unbudgeted spending should be described as cost avoidance.

8.1.6 Insert at the end of the section: Comments approved by [Officer title] on behalf of the Director of Finance.

8.2 LEGAL IMPLICATIONS

8.2.1 It is the authors responsibility to engage with the relevant officer in Legal Services (See contacts list at the end of this guidance).

8.2.2 This section should be completed by legal with comments approved by the Director of Legal (or their nominee). The final version of your report should be provided for comment including any appendices. If any specific legal advice has been obtained, please provide a copy of that advice to legal.

8.2.3 The Legal Implications section should include:

- What is the Council's legal power to take the proposed course of action – set this out. What are the limits of these powers – are there for example certain requirements which must be met before the Council can exercise the powers and are there other parameters – set these out.
- If a statutory service (refer to the specific provision(s) in the Act) or is it a discretionary service (again refer to the specific provision you are relying on)?
- Identifying the relevant policies which apply to the proposals. Are there any specific parameters within those policies which must be adhered to in taking the decision and have they been complied with? If they have not been complied with, are the reasons fully detailed in your risks section?
- Checking that proposals are aligned to the Council's existing policies, strategies or plans and Budget. If contrary identify these as risks and detail mitigating factors. Be aware that Part 5A of the Constitution makes clear that decisions will not conflict with the Budget and Policy Framework.

- If the proposals may cause others to challenge the Council's action, then be clear about why this is proposed and what risks the Council faces.
- Setting out the proposed decision maker's authority to take the decision with reference to relevant Terms of Reference within Part 3 of the Constitution or relevant delegation or sub-delegation scheme.
- Identifying what other council procedure rules apply e.g., in relation to procurement or financial rules.
- Highlighting any legal implications arising from the report proposal.
- Outlining any specific legal advice which has been provided on the proposal / project and the designation of the officer providing that advice.

8.2.4 Insert at the end of the legal section: Comments approved by the Head of [XXX] on behalf of the Director of Legal Services and Monitoring Officer.

8.3 EQUALITIES IMPLICATIONS

- 8.3.1** The Council has a statutory duty to comply with the Equality Act 2010. In summary, the Council must, in exercising its functions, 'have due regard to' the need to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
- 8.3.2** Case law has established that you should ensure that there is sufficient evidence to consider whether decisions would have a disproportionate impact on people sharing one or more protected characteristics when you start to develop or review a policy, make changes or cuts to a service and in final decision making.
- 8.3.3** The Council uses equality analysis as a tool to assess the possible impact of changes on different groups of people, to evidence how we arrived at decisions that affect council staff, local people and the wider community and to help us comply with the requirements of the Equality Act 2010. Equality Analysis must be used to inform the final decision on any key changes.
- 8.3.4** Key information from the Equality Analysis must be included in the body of the report. This section should include a summary of the key findings of the Analysis and significant actions to mitigate any potential (or actual) future negative impacts should be set out in this section. The report should also include any opportunities to advance equality that may have been missed and negative or adverse impacts that can be removed or mitigated where possible. Any negative or adverse impacts that amount to unlawful discrimination must be removed.

8.3.5 Where there are significantly different equalities implications associated with the different options considered when preparing this proposal these should be set out in the options analysis earlier in the report.

8.3.6 There are four potential outcomes of the Equality Analysis which should be set out in this section of the report. More than one outcome may be reached – eg to adjust and continue with the policy.

The four outcomes are:

- No major change – the Analysis shows that the policy is robust and the evidence shows no potential for discrimination and all opportunities to advance equally have been taken;
- Adjust the proposed change to lessen the impact should it adversely impact the Council’s ability to meet any of the Public Sector duties and/or remove barriers or better promote equality of opportunity;
- Continue the proposed change despite potential for possible adverse impact or missed opportunities to promote equality – as we are satisfied that these will not lead to unlawful discrimination and there are justified reasons to continue as planned;
- Stop and remove the change – if there will be potential for adverse effects on one or more protected groups that are not justified and cannot be mitigated.

8.3.7 If the decision has been taken not to undertake an Equality Analysis or to complete it at a later stage then you must provide a concise explanation of why it will not be completed or when it is planned.

8.3.8 The Equality Analysis must be signed off by the Equalities Manager. For more information, see ‘Complete an Equality Analysis’ on the intranet or contact Denise.McCausland@croydon.gov.uk

8.3.9 (Approved by: [A N. Other] on behalf of the Equalities Manager) (Denise McCausland)

OTHER IMPLICATIONS

8.4 [ADD EACH ADDITIONAL IMPLICATIONS SEPERATEY ...]

8.4.1 Authors must include all relevant consideration in the body of the report or in the ‘Other Implications’ section.

8.4.2 It may be appropriate to cover ‘other implications’ topics in the body of the report. If this approach works for the report, an additional dedicated ‘Implications’ section is not required.

If adding an additional 'Implication Section/s' follow the paragraph numbering format as with the required Financial, Legal and Equalities Implication sections, e.g. 8.4 (8.4.1, 8.4.2 etc), 8.5 (8.5.1, 8.5.2 etc).

The following lists the topic which can be added under the 'Other Implications' section:

[PROCUREMENT IMPLICATIONS]

- Procurement comments should not be combined with finance comments.
- The procurement team should be consulted in preparing the report and approve the Procurement Implications.
- Contract award reports must address compliance of the procurement process with Regulations, as well as with internal process ie Contract Standing Orders and state the relevant Regulation or CSO setting out how they are met.
- Identify any risks and possible mitigations directly related to the procurement process. Do not repeat any in the body of the report or any Risk Implications section if applicable.
- Outline any contract / performance managements arrangements in place.
- If there are any comments or information that fall within the exemption framework eg reference to commercial information like tender prices/names of unsuccessful bidders these must be included in an exempt appendix that accompanies the main report
- (Approved by: [A N. Other] on behalf of the Director of Procurement)

[HUMAN RESOURCES IMPLICATIONS]

- Include any considerations in relation to staffing levels, restructuring/ regrading, TUPE transfers, recruitment, employee relations, the Council's personnel policies or other human resources matters.
- (Approved by: [A N. Other] on behalf of the Director of Human Resources)

[CRIME AND DISORDER IMPLICATIONS]

- Section 17 of the Crime and Disorder Act 1988 requires that, without prejudice to any other obligation imposed on it, the Council must exercise its various functions with due regard to the likely effect of doing so and the need to do all it reasonably can to prevent crime and disorder in the area. This section of the report should identify the implications of the proposal for the reduction/ prevention of crime and disorder. If there are none, this should be stated.

[PROPERTY AND ASSET MANAGEMENT IMPLICATIONS]

- Where a decision affects the Council's commercial or office accommodation or services.
- (Approved by: [A N. Other] on behalf of the Director of XX)

[ICT IMPLICATIONS]

- where there is an implication for the provision of ICT services, licensing issues, IT infrastructure implications. Please review with your IT services officer you are working with to consider and complete this section.
- (Approved by: [A N. Other] on behalf of the Director of IT)

[CORPORATE RESOURCES IMPLICATIONS]

- Any significant impacts on other corporate teams in the Council.
- Any major project must comply with the corporate framework for project and programme management. This could be detailed in this section, if not covered in the main background and proposals section.
- (Approved by: [A N. Other] on behalf of the Director of XX)

[ENVIRONMENTAL IMPLICATIONS]

- The Council has a commitment to address environmental sustainability as an integral part of all activity. This section should identify the main environmental sustainability impacts, whether positive or negative. If there are none, this should be stated.
- Almost all Council procurement, service delivery and policy decisions have environmental impacts. You should assess whether your recommendations will result in increased or decreased environmental impacts across the following areas (not exhaustive):
 - Energy use and associated carbon dioxide emissions (eg new or refurbished building, purchase of IT equipment, increased vehicle movements). The Council's 'Carbon Management Energy Efficiency Programme' approved by Cabinet in October 2010 set a target to reduce carbon emissions from the Council's own operations by 25% over the next 5 years (compared to 2009/10 baseline)
 - Water use (eg new or refurbished building, parks and irrigation etc)
 - Use of natural resources (eg durability of products and materials, products made with recycled materials to offset raw material use, use of sustainable timber etc)
 - Pollution to air, land or water (eg air quality impact from increased vehicle use, use of paints, pesticides etc)
 - Waste (eg construction waste, disposal of surplus furniture, promotion of waste minimisation behaviour etc)
 - Transport: aside from the energy and air quality impacts of vehicle use, will the recommendation(s) increase vehicle congestion or promote other modes of transport (eg public transport, cycling, walking)?
 - Biodiversity (eg loss or creation of habitats, street trees, parks etc)
 - The Green Commitment and Environmental Procurement Policy are key relevant policies.

[RISK IMPLICATIONS]

- Croydon faces a significant number of risks and it is, therefore, important that the Council recognises its responsibility to recognise and mitigate risk associated with the proposals and decision.
- When presenting proposals and making recommendations, sufficient information on the risks to the Council of the options presented should be provided by the report author to ensure that Members can make the decision with full awareness of the potential consequences.
- This section should include the description of the risk, the likely consequences if the risk materialises (i.e. the negative impact) and mitigations in place (i.e.. how it is proposed that the risks will be managed and controlled)
- Possible risk themes and considerations can include;
 - Social & Community
 - Competition and markets
 - Stakeholder & partners
 - Reputational
 - Health & Safety

Any risk analysis should summarise the risks and assumptions associated with the proposal. Key risks should be described using the following prompts:

- As a result of ... (the risk / cause)
- There is a threat of... (the event happening / risk being realised)
- That could lead to... (effect)

[DATA PROTECTION IMPLICATIONS]

- **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

If yes, please provide brief details as to what 'personal data' will be processed and complete the next question. If no, please complete the sign off

- **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

If yes, please attach a copy. If no, please provide the reason why a DPIA was not completed. Please also attach any relevant advice

- This paragraph must always be completed and should primarily identify whether the subject matter within the report will involve the processing of 'personal data'. If there are no data protection implications then this should be stated.

- The Director of the relevant division is responsible for the processing of ‘personal data’ by the services for which he/she has management responsibility. This paragraph should therefore be completed in their ‘name’. Some departments will be processing ‘special category data’ and ‘criminal offence data’ and these types of information require additional protections to be in place over and above those required for ‘personal data’.
- If the report involves the processing of personal data the Council must consider data protection and privacy issues pro-actively and is required to have in place appropriate technical and organisational measures to implement the data protection principles and safeguard an individual’s rights. This requires the Council to integrate data protection into its processing activities, from the design stage right through the lifecycle of the information and/or service provision concerned.
- Report authors must therefore consider relevant data protection issues that arise from the report including, if relevant, the design, implementation of systems, services, products and business practices that they are describing within their report.
- Further guidance is available on the intranet under the Information Management GDPR guidance page including definitions of ‘personal data’ ‘special category data’ and also ‘criminal offence data’. <https://intranet.croydon.gov.uk/resources/information-management/gdpr/gdpr-overview>
- Once the report author identifies that the report will involve the processing of personal data, the officer should immediately contact the Information Management Team (IMT) information.management@croydon.gov.uk who will advise if it is necessary to complete a Data Protection Impact Assessment. (DPIA). The DPIA will identify if there are any risks to the data being processed and also provide mitigating measures against any identified risk(s). The IMT will provide support to the service in completing a DPIA. If a DPIA is not needed the IMT will advise accordingly.

9. APPENDICES

- 9.1 **Guidance:** Use appendices to contain information that the decision maker / committee needs in order to make the decision. List appendices in numerical or alphabetical order and name the additional electronic files with the number or letter at the start.

A Xx (Mark ‘Exempt’ if is an exempt appendix)

B Xx (Mark ‘Exempt’ if is an exempt appendix)

Remember to send all Appendices to Democratic Services with the report for publication. Double check any data tables or maps etc format will print well.

10. BACKGROUND DOCUMENTS

- 10.1** There is a legal requirement for all otherwise unpublished background papers which have been relied upon to a material extent when writing reports considered by the Executive (i.e., the Cabinet or an individual Cabinet member) to be available at the Council's offices and on the Council's website. This applies to both Part A (open) and Part B (closed) reports.
- 10.2** List background documents (including the reasons why the documents are exempt or confidential if relevant).
- 10.3** An internal consultant's report which has been used to formulate options or recommendations is an example of a background document (including the reasons why the documents are exempt or confidential if relevant).
- 10.4** Background documents are in addition to those in the appendix.
- 10.5** If there are no background papers or they cannot be made available because they contain exempt or confidential information, this should be clearly stated in this section.
- 10.6** Publicly available material does not need to be listed.

Signed Decision Sheet

(For Executive Mayor Decision, Delegated Member and Officer Key and Non-Key Decisions)

In consultation with: Refer to delegation for specific consultees

If applicable, add additional consultee/s if required

If applicable, delete the 'In Consultation with' boxes.

In Consultation with:

Position: Name: Agreed / Don't agree to report recommendations: Comment:	Signed: Date:
---	----------------------

Position: Name: Agreed / Don't agree to report recommendations: Comment:	Signed: Date:
---	----------------------

DECISION TAKER, AS IDENTIFIED IN REPORT:

Position:	Signed:
Name:	
Yes, I approved the report recommendations.	
	Date:

Electronic signatures are accepted.

NB Key decisions made by officers cannot be implemented until the 6th working day following the date of publication of the decision to allow members to consider whether or not to call in the decision.

Contact Information for Report Authors

Legal Contacts - Reports for Decision

If your report covers more than one area, send it to the contact covering the main subject matter of the report:

Area	Main Contact	Substitute / Specialist

Finance Contact - Reports for Decision

If your report covers more than one area, send it to the contact covering the main subject matter of the report:

Area	Main Contact
<i>ASC&H:</i>	<i>Mirella Peters</i>
<i>CYP&E:</i>	<i>Kate Bingham</i>
<i>SCRER:</i>	<i>Sarah Attwood</i>
<i>Housing:</i>	<i>Sarah Attwood</i>
<i>Resources:</i>	<i>Matt Davis</i>

Procurement

Human Resources

IT

Risk

Equalities

Resources / Corporate Services

DRAFT

Croydon Council

REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE 15 September 2022
SUBJECT:	Treasury Management Strategy Statement and Annual Investment Strategy End of Year Review 2021/22
LEAD OFFICER:	Matthew Hallett, Acting Head of Treasury and Pensions
CABINET MEMBER:	Councillor Jason Cummings Cabinet Member for Finance
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>Sound Financial Management. This Report details the Council's Treasury Management activities for the year 2021/22 and its compliance with the 2017 Treasury Management Code of Practice and Prudential Code for Capital Finance.</p>	
FINANCIAL SUMMARY:	
<p>This Report details the Council's Treasury Management activities for the year 2021/22 and demonstrates its compliance with the 2017 Prudential Code for Capital Finance.</p>	

1. RECOMMENDATION

The Committee are recommended to:

- 1.1 Note the contents of this report

2. EXECUTIVE SUMMARY

2.1 This Report is prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) codes of practice in respect of capital finance and treasury management. The codes recommend that members are advised of the treasury management activities for the whole of each financial year and of compliance with the various strategies and policies agreed by the Council. This report:

- Reviews compliance with the Treasury Management Strategy Statement, Capital Strategy and Annual Investment Strategy as agreed by full Council (Budget Council) on 8 March 2021 (Minute A19/21 applies);
- Reviews treasury borrowing and investment activity for the period 1 April 2021 to 31 March 2022; and

- Demonstrates compliance with agreed Treasury and Prudential Indicators.

3 DETAIL

3.1 Background

3.1.1 CIPFA have issued two Codes of Practice (both in December 2017) which apply to the Treasury Management function in 2021/22:

- The Prudential Code for Capital Finance in Local Authorities (Prudential Code); and.
- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (Code of Practice).

3.1.2 Under the Code of Practice, all local authorities are required to prepare a Capital Strategy which is to provide the following:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

3.1.3 The primary requirements of the Code of Practice are:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Providing full Council with an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year;
- The delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. These functions are delegated to the Corporate Director of Resources, Section 151 Officer and through her to the Head of Pensions and Treasury; and
- The delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For the Council the delegated body is the Audit and Governance Committee.

3.1.4 This year-end report has been prepared in compliance with the Code of Practice and best practice and covers the following topics:

- An economic update of the 2021/22 financial year (Section 3.2);
- A medium term interest rates forecast (Section 3.3);
- A review of the Council’s Treasury Management Strategy Statement and Annual Investment Strategy (Section 3.4);
- The Council’s capital expenditure, as set out in the Capital Strategy, and prudential indicators (Section 3.5);
- A review of the Council’s borrowing strategy (Section 3.6);
- A review of the Council’s investment strategy (Section 3.7);
- A review of any debt re-scheduling undertaken (Section 3.8);
- Compliance with Treasury and Prudential Limits (Section 3.9);
- Treasury Outturn (Section 3.10).

3.2 Economic update

3.2.1 A commentary entitled Economic Update provided by the Council’s independent treasury advisers Link Treasury Services Ltd (Link) in April 2022 is included as Appendix A.

3.3 Interest rate forecasts

3.3.1 Link provide updated forecasts of key interest rates on a regular basis and one of the most recent is in Table 1 below. These forecasts will be updated during the remainder of 2022/23 and will inform decisions as to the timing and duration of borrowing decisions.

Table 1: Interest Rate Forecasts

Link Group Interest Rate View 09.08.22													
	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	2.25	2.50	2.75	2.75	2.75	2.50	2.50	2.25	2.25	2.25	2.25	2.25	2.00
3 month ave earnings	2.50	2.80	3.00	2.90	2.80	2.50	2.40	2.30	2.30	2.30	2.20	2.20	2.20
6 month ave earnings	2.90	3.10	3.10	3.00	2.90	2.80	2.70	2.60	2.50	2.50	2.40	2.30	2.30
12 month ave earnings	3.20	3.30	3.20	3.10	3.00	2.90	2.80	2.70	2.40	2.40	2.40	2.40	2.40
5 yr PWLB	2.80	3.00	3.10	3.10	3.00	3.00	2.90	2.90	2.80	2.80	2.80	2.70	2.70
10 yr PWLB	3.00	3.20	3.30	3.30	3.20	3.10	3.10	3.00	3.00	3.00	2.90	2.90	2.80
25 yr PWLB	3.40	3.50	3.50	3.50	3.50	3.40	3.40	3.30	3.30	3.20	3.20	3.20	3.10
50 yr PWLB	3.10	3.20	3.20	3.20	3.20	3.10	3.10	3.00	3.00	2.90	2.90	2.90	2.80

3.4 Treasury Management Strategy Statement and Annual Investment Strategy

3.4.1 The Treasury Management Strategy Statement and Annual Investment Strategy for 2021/22 were approved by full Council (Budget Council) on 8 March 2021 (Minute A19/21 applies).

3.5 Capital Strategy and Prudential Indicators

3.5.1 Table 2 shows:

- the original capital budget, taking into account service re-structuring, as agreed by full Council (Budget Council) on 8 March 2021 (Minute A18/21 refers);
- the revised outturn estimate is as reported to Cabinet on 21 March 2022 (Minute 12/22 refers); and
- the actual outturn.

Table 2: Capital Expenditure Summarised by Services

Capital Expenditure by Service	Original Estimate £m	Revised Outturn Estimate £m	Outturn £m
Housing (GF)	2.9	3.4	1.8
Adults		0.1	
Children, Families and Education	13.7	15.4	10.7
Assistant Chief Executive	9.2	11.9	3.8
Sustainable Communities, Regeneration and Economic Development	31.0	45.3	20.3
Resources	5.7	3.4	1.8
HRA	81.5	183.2	56.6
Corporate	50.0	52.4	50.3
Total	194.0	315.1	145.3

Members will note the reference to the Capitalisation Direction. This is a device of Government that allows expenditure to be treated as capital expenditure when it would otherwise be charged to the Council's revenue budget. The Secretary of State granted a Capitalisation Direction for up to £70m for the 2020/2021 year and one up to £50m for 2021/2022 to the Council. Under the conditions of a Capitalisation Direction any further borrowing required to finance the Council's increase to the Capital Financing Requirement must be borrowed from the Public Works Loan Board at a premium of 1% over the standard interest rate. Since the first Capitalisation Direction was obtained the Council has reduced its external borrowing.

3.5.2 Table 3 details the funding sources of the capital programme. The need to borrow to finance capital investment increases the underlying need to borrow for capital purposes by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

Table 3: Financing of Capital Expenditure

Financing of Capital Expenditure	Original Estimate £m	Revised Outturn Estimate £m	Outturn £m
Capital receipts		2.4	0.3
Capital grants	22.9	39.3	47.9
Community Infrastructure Levy	6.8	6.7	6.5
Major Repairs Allowance	13.7	13.7	
Capital reserves	19.8	22.5	0.5
S106 payments	0.8	5.7	0.5
S141 payments			
Revenue	8.2	8.2	21.1
Total financing	72.2	98.5	76.8
Borrowing requirement – General Fund	40.5	43.9	18.1
Borrowing requirement – HRA	31.3	122.7	0.4
Borrowing requirement – Capitalisation Direction	50.0	50.0	50.0

3.5.3 The key controls for treasury management activity are the Prudential Indicators and compliance with them ensures that, over the medium term, borrowing will only be for a capital purposes. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need as required, although since 2020 has not done so. Table 4 shows changes in the CFR and borrowing over the year.

Table 4: Capital Financing Requirement

	Original Estimate* £m	Outturn Projection** £m	Actual £m
Borrowing	1,591.7	1,663.1	1,515.0
Other long-term liabilities	75.8	71.0	71.0
Total debt	1,667.5	1,734.1	1,586.0
CFR (year-end position)	1,664.7	1,857.1	1,699.9

*As reported to full Council on 8 March 2021

**As reported to Cabinet on 21 March 2022

3.5.4 There are two Prudential Indicators relevant to the capital programme and its borrowing implications. These are the Operational Boundary (the expected debt position) and the Authorised Limit (the limit beyond which borrowing is prohibited). Table 5 shows the limits as agreed by the full Council on 8 March 2021 (Minute 19/21 applies)

Table 5: Key Prudential Indicators

	£m
Operational Boundary	1,987.8
Authorised Limit	2,037.8

3.5.5 Members will note that the Authorised Limit includes a buffer of £50m to cover unexpected cash flow shortages.

3.6 Borrowing Strategy

3.6.1 Throughout the financial year 2021/22 the Council operated within the borrowing limits approved by full Council on 8 March 2021 (Minute 19/21 applies).

3.6.2 The level of the Council's borrowing, which is measured against the limits, was £1,520.0m on 1 April 2021 and £1,435.5m on 31 March 2022. At no point during the year was either the approved Operational Boundary or the Authorised Limit breached.

3.6.3 Table 6 shows the monthly movement of the actual debt during the year. During the year the Council repaid £84.5m of external debt by use of internal borrowing.

Table 6: Actual debt in 2021/22

End of Month	PWLB	Market debt	Temporary borrowing	PFI and other	TOTAL
	£'000	£'000	£'000	£'000	£'000
March (2021)	897,426	221,075	328,000	73,584	1,520,085
April	897,426	221,075	325,000	73,584	1,517,085
May	897,426	211,075	335,000	73,584	1,517,085
June	897,426	211,075	320,000	73,584	1,502,085
July	897,426	216,075	315,000	73,584	1,502,085
August	897,426	181,075	350,000	73,584	1,502,085
September	897,426	178,575	348,500	73,584	1,498,085
October	897,426	178,575	364,500	73,584	1,514,085
November	897,426	165,575	354,500	73,584	1,491,085
December	897,426	170,575	351,500	73,584	1,493,085
January	897,426	160,575	326,500	73,584	1,458,085
February	897,426	160,575	316,500	73,584	1,448,085
March (2022)	887,426	160,575	316,500	71,005	1,435,506

3.6.4 During the year, debt was refinanced on a short-term basis. No new long term PWLB debt was taken and £10m was repaid on maturity.

3.6.5 Borrowing will be taken up as required based on a continuing analysis of actual and projected expenditure over the different components of the capital programme and interest rates forecasts. It is likely that the Council will use a mixture of long-term borrowing from the PWLB and the wider market and continue to make use of internal borrowing. Borrowing will be undertaken to fit into the Council's existing debt maturity profile to move towards a more even distribution of maturities. Appendix B shows the movements in PWLB interest rates for various loan periods during the last year.

3.6.6 The Council's effective interest payable on long term debt currently stands at 2.63% with the maturity profile detailed in Appendix C.

3.7 Investment Strategy

- 3.7.1 From time to time, under Section 15 (1) of the Local Government Act 2003, the Secretary of State issues statutory guidance on local government investments to which local authorities are required to “have regard.” This guidance was taken into account in the investment policy parameters set within the Council’s Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as approved by full Council on 8 March 2021 (Minute A19/21 applies). This report does not take into account any non-treasury investments.
- 3.7.2 The current guidance defines investments as “Specified” and “Non-specified”
- 3.7.3 An investment is a specified investment if all of the following apply:
- the investment and any associated payments or repayments are denominated in sterling;
 - the investment has a maximum maturity of one year;
 - the investment is not defined as capital expenditure; and
 - the investment is made with a body or in an investment scheme described as high quality or with the UK Government, a UK local authority or a parish or community council.
- 3.7.4 A non-specified investment is any investment that does not meet all the conditions in paragraph 3.7.3 above.
- 3.7.5 All investments are managed in-house and it is the Council’s priority when undertaking treasury activities to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council’s risk appetite. Investment instruments identified for use by the Council during 2021/22 as included in the current Treasury Management Strategy are detailed in Appendix D.
- 3.7.6 During the year it was considered appropriate to keep investments short term to cover cashflow needs and to seek out value available in periods of up to twelve months. Investments were only made with highly credit rated financial institutions using the Link AM suggested creditworthiness approach including a minimum sovereign credit rating and Credit Default Swap overlay information.
- 3.7.7 Investment activity during 2021/22 conformed to the approved strategy. The Council has experienced no liquidity issues with an average monthly balance of £107m being maintained in temporary investments. Part of this sum is made up of core balances such as provisions and reserves set aside and cash balances that can, if necessary, be invested for longer periods to take advantage of favourable interest rates and to limit exposure to the risk of future rate movements.
- 3.7.8 The Corporate Director of Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the year.
- 3.7.9 As shown in Table 7 below, throughout the year the Treasury Management Team managed substantial balances with the month-end position never being below

£65m and on several occasions exceeding £150m. Total investments outstanding at 31 March 2022 were £97m invested as follows: £20m with UK local authorities, £37m with AAA rated Money Market Funds and £40m with banks in UK.

Table 7: Month end balances

Month	General Fund £m	Pension Fund £m	Total £m
April	79.80	16.50	96.30
May	79.80	16.50	96.30
June	79.80	16.50	96.30
July	60.00	16.50	76.50
August	50.00	16.50	66.50
September	60.00	16.50	76.50
October	70.00	16.50	86.50
November	90.00	16.50	106.50
December	141.00	16.50	157.50
January	150.00	20.00	170.00
February	127.00	30.00	157.00
March	67.00	30.00	97.00

3.8 Repayment of Debt and Debt Rescheduling

3.8.1 Opportunities for debt rescheduling have been limited in the current economic climate. With high premiums being attached to the premature repayment of existing debt, opportunities for debt restructuring were minimal and none were taken.

3.9 Compliance with Treasury and Prudential Limits

3.9.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The approved Treasury and Prudential Indicators, (affordability limits), are included in the approved Treasury Management Strategy Statement as detailed in Appendix E.

3.10 Treasury Outturn

3.10.1 The Treasury outturn position is summarised in the table below.

Table 8: Borrowing costs and investment income

	Budget £m	Outturn £m	Variance £m
GENERAL FUND			
Borrowing costs	27.500	23.861	-3.639
Investment income	-0.500	-0.138	0.362
TOTAL	27.000	23.723	-3.277
HRA			
Borrowing costs	12.120	11.986	-0.134
Investment income	n/a	n/a	n/a
TOTAL	12.120	11.986	-0.134

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

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

Approved by: *Lesley Shields* (Head of Finance Resources & Assistant Chief Executive) on behalf of the Director of Finance

5. HUMAN RESOURCES CONSIDERATIONS

5.1 There are no immediate workforce implications arising from this report. It should be noted, that in the event that the council encounters further financial challenges this may require reductions to the council's workforce overhead, and in that instance the council should apply it's well-established employment policies and procedures in consultation with affected staff and their trade unions representatives.

Approved by: Dean Shoesmith, Chief People Officer

6. LEGAL CONSIDERATIONS

6.1 In relation to the Annual Investment Strategy, the Council is required to have regard to guidance issued by the Secretary of State under the Local Government Act 2003 section 15(1) (a) entitled "Statutory Guidance on Local Government Investments 3rd Edition" which is applicable from and effective for financial years commencing on or after 1 April 2018.

6.2 The Ministry of Housing Communities and Local Government (MHCLG) guidance is complemented by two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) containing investment guidance namely Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities.

6.3 By regulation 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, local authorities are required to have regard to the current edition of the CIPFA codes.

- 6.4 The Local Government Act 2003 section 3(1) and (8) requires the council to determine and keep under review how much money it can afford to borrow. The function of determining and keeping these levels under review is a function reserved to Full Council.
- 6.5 In determining the Annual Minimum Reserves and the policy around such reserves, the Council shall have regard to guidance issued by the Secretary of State under the Local Government Act 2003 section 21(1A) entitled "Statutory guidance on minimum revenue provision"

Approved by: Sandra Herbert, Head of Litigation & Corporate Law & Deputy Monitoring Officer, on behalf of the Director of Legal Services and Monitoring Officer.

7. EQUALITIES CONSIDERATIONS

- 7.1 The council has an obligation under the Public Sector Equality Duty, which is to eliminate unlawful discrimination, to advance equality of opportunity and to build better relationships between groups with protected characteristics. No direct negative impacts have been identified for groups with protected characteristics in this report.

Approved by: Gavin Handford, Director of Policy, Programmes & Performance

8. FREEDOM OF INFORMATION

- 8.1 This report contains only information that can be publicly disclosed.

9. DATA PROTECTION IMPLICATIONS

- 9.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No.

CONTACT OFFICER:

Matthew Hallett, Acting Head of Pensions and Treasury,

BACKGROUND DOCUMENTS:

None

APPENDICES:

- A Economic update April 2022
- B PWLB maturity rates for year to 31 March 2022
- C Debt maturity profile
- D Investment Instruments
- E Treasury and Prudential Indicators

Economic update (as prepared by Link Treasury Services Ltd in April 2022)

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would restart asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

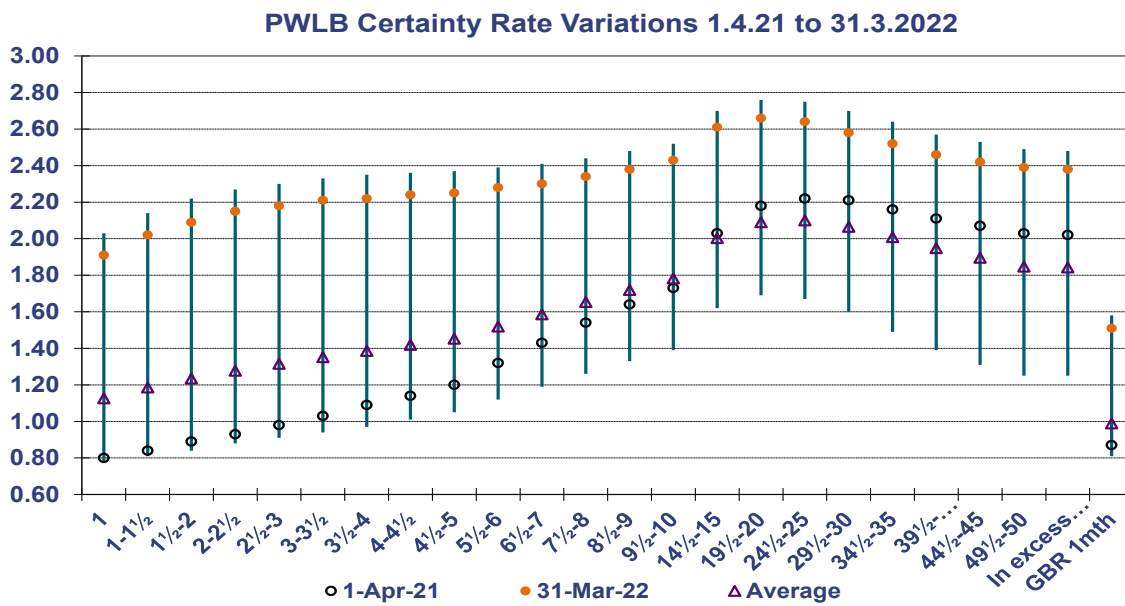
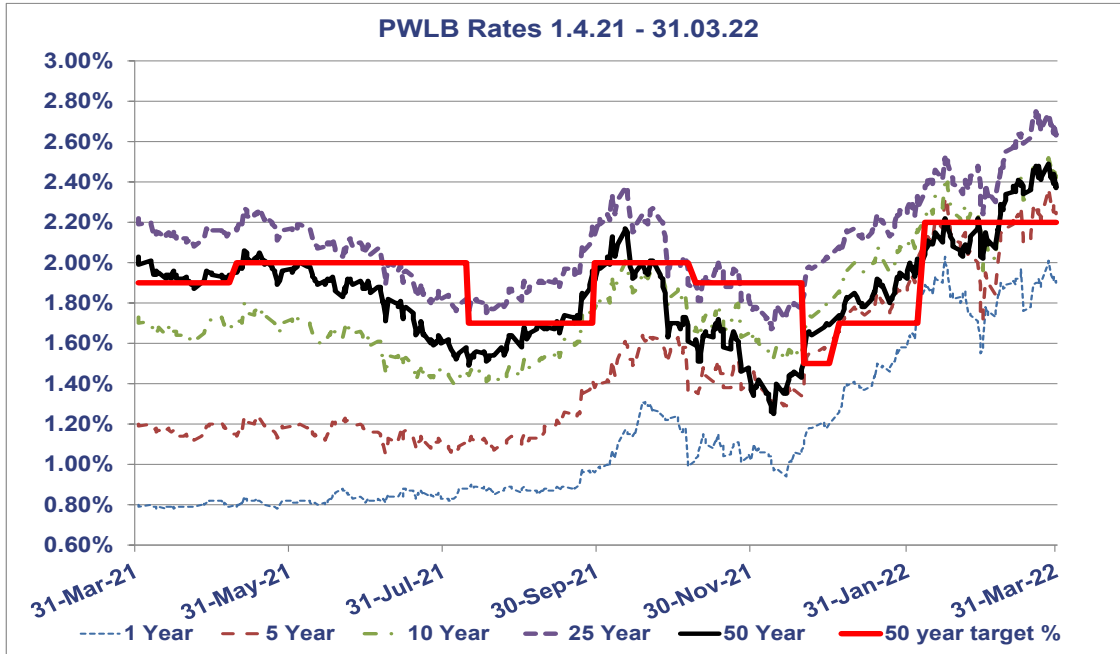
Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading

into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

APPENDIX B

PWLB RATES 2021/22



HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

Graph of UK gilt yields v. US treasury yields



Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising

commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

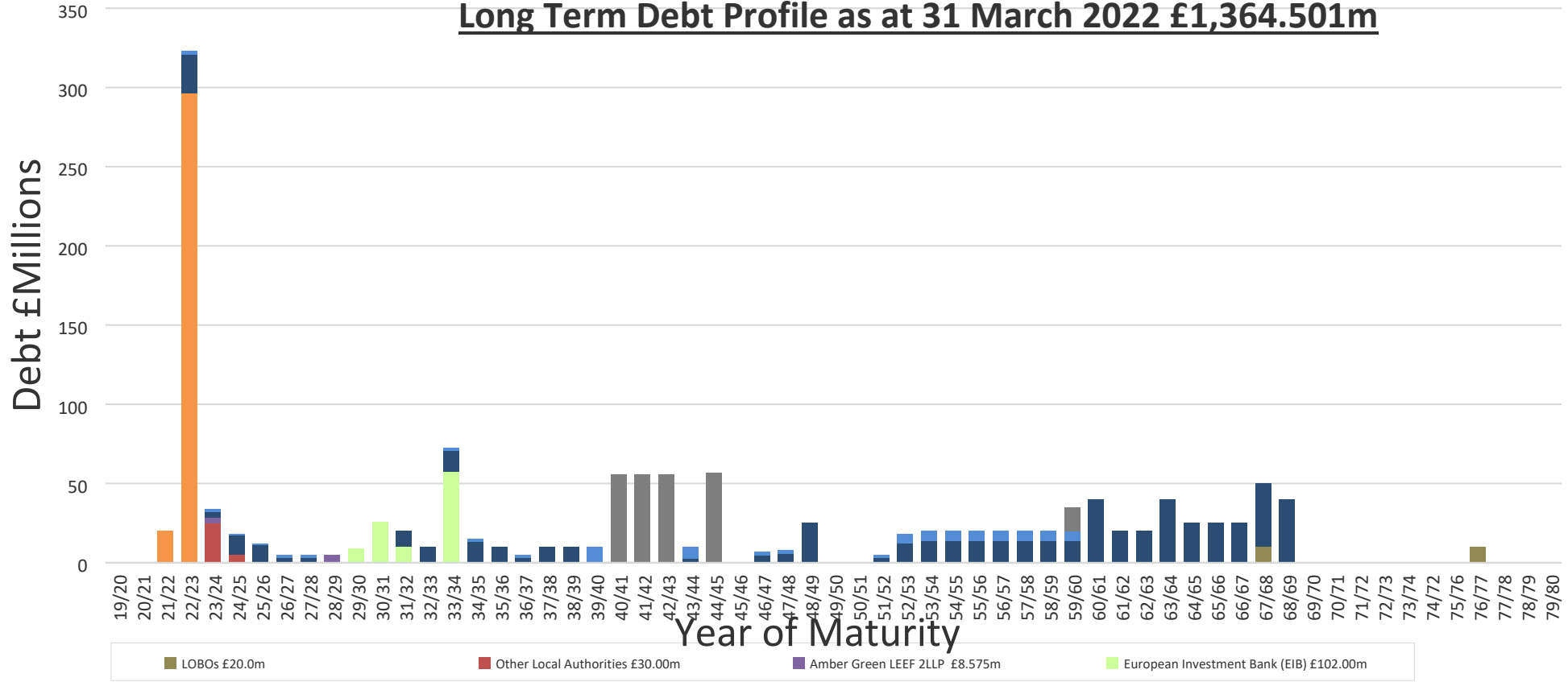
Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

London Borough of Croydon

Long Term Debt Profile as at 31 March 2022 £1,364.501m



APPENDIX D

Investment instruments identified for use by the Council during 2021/22

Specified investments

AAA rated money market funds - limit £20m

Debt Management Office – no limit

Royal Bank of Scotland* – limit £25m

Duration of up to one year.

*Royal Bank of Scotland is included as a specified investment since it is the Council's banker and the UK Government holds a majority stake.

Non-specified investments

All institutions included on Link weekly "Suggested Credit List" – limit £10m

All UK local authorities – limit £10m

Duration to be determined by the "Suggested Credit List" from Link

APPENDIX E

Prudential and Treasury Indicators for 2021/22

Treasury Indicators	Treasury Management Strategy Statement £m	Actual £m
Authorised limit for external debt		
Borrowing	1,962.0	1,364.5
Other long term liabilities	75.8	71.0
TOTAL	2,037.8	1,435.5
Operational boundary for external debt		
Borrowing	1,912.0	1,364.5
Other long term liabilities	75.8	71.0
TOTAL	1,987.8	1,435.5
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	0-20%	25.1%
12 months to 2 years	0-20%	2.5%
2 years to 5 years	0-30%	2.6%
5 years to 10 years	0-30%	4.7%
10 years and above	0-100%	65.1%

Prudential Indicators	Treasury Management Strategy Statement £m	Actual £m
Capital expenditure		
General Fund	62.528	38.720
Commercial Activities / non-financial investments		
Capitalisation Direction	50.000	50.000
HRA	81.486	56.566
TOTAL	194.014	145.286
Capital Financing Requirement (CFR)		
General Fund	1,257.183	1,345.981
HRA	407.562	353.965
TOTAL	1,664.745	1,699.946
Annual change in CFR		
General Fund	41.154	71.462
HRA		
TOTAL	41.154	71.462
In year borrowing requirement	53.154	68.547

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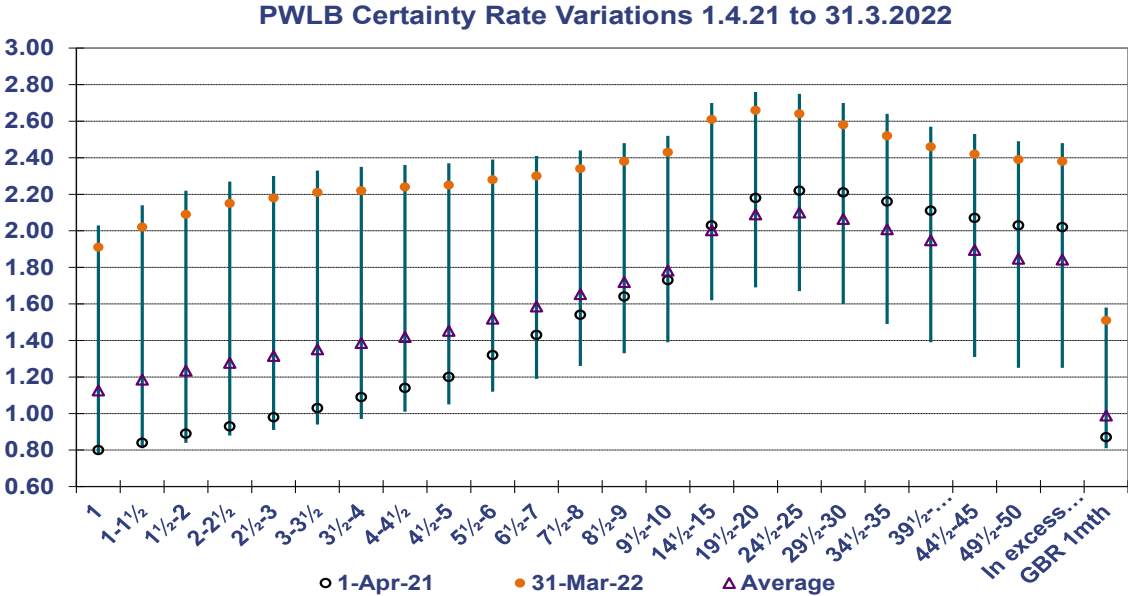
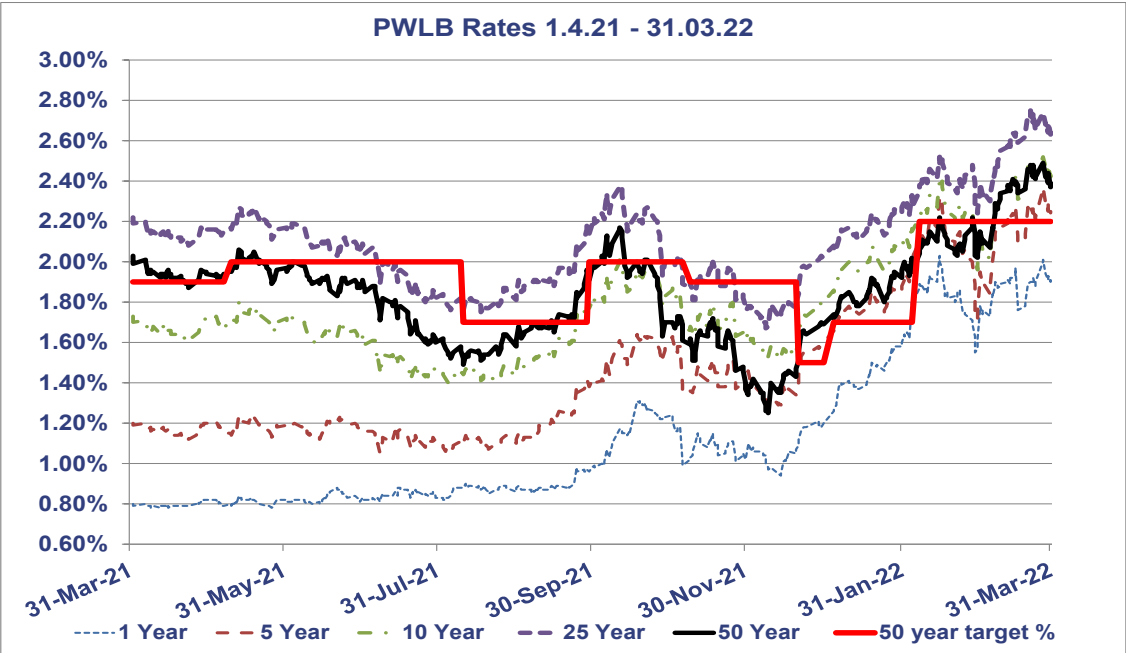
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High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
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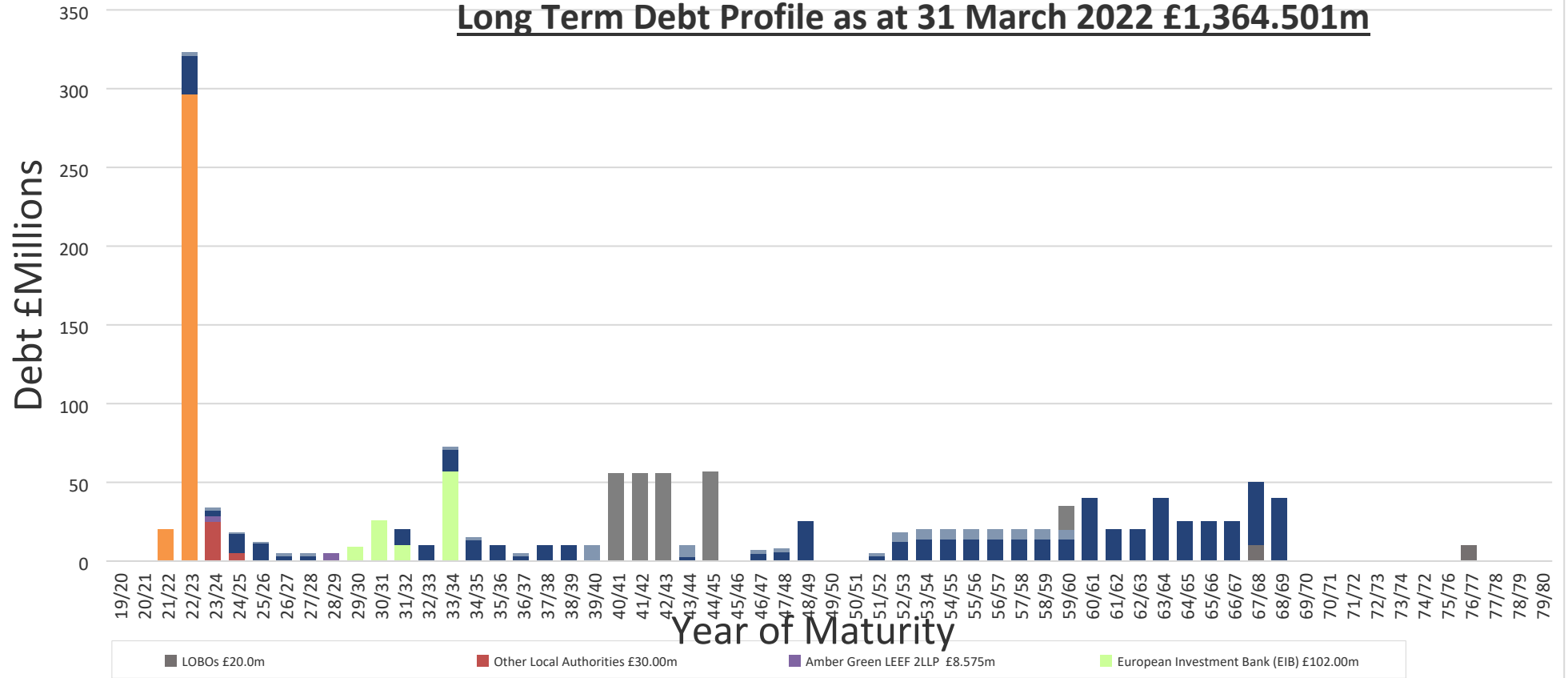
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APPENDIX E

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TOTAL	194.014	145.286
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Annual change in CFR		
General Fund	41.154	71.462
HRA		
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In year borrowing requirement	53.154	68.547

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Agenda Item 9

REPORT TO:	AUDIT & GOVERNANCE COMMITTEE 13 October 2022
SUBJECT:	Corporate Risk Report
LEAD OFFICER:	Jane West Corporate Director Resources & S151 Officer
CABINET MEMBER	Councillor Jason Cummings, Cabinet Member for Finance
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: As part of the Audit & Governance 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 report accompanies the appendix document which presents those risks recorded as 'high rated' or RED on the corporate risk register as at October 2022. 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).	
FINANCIAL SUMMARY: No additional direct financial implications.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the corporate risk register as at October 2022

2. EXECUTIVE SUMMARY

- 2.1 The report updates the Audit & Governance Committee Members on the corporate risk register (the register) as at October 2022.

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 in March there has been a significant amount of activity to embed improvements in the approach to Risk Management. Individual engagement sessions/risk management refresh with Directors and Corporate Directors have now all been delivered as part of the organisational redesign implementation and access granted to the corporate risk management system (JCAD). In addition, all Executive Officers and Executive Support Officers have access to the corporate risk management system. This is to ensure that the top layers of management feel confident in reviewing, presenting and owning the risks which relate to their Division/Directorate.
- 3.3 Risk review dates for all Directors have now been aligned on a quarterly basis going forward, Q2 reviews now been signed off on the system by the risk owner. Risk reviews on a quarterly basis with the Corporate Director are being informed/assured by Directors having signed off on their risks. This is in addition to a monthly review of all red risks at CMT. Further work is being done with risk owners with a particular focus on future control measures and review dates for future controls (risk improvements) and future risk ratings. This is where the registers could be further improved and where we are concentrating effort.
- 3.4 In addition to the activities noted above there have been a number of changes in relation to risk ownership as per the attached report and all risks as above are subject to an on-going review. Members are reminded that they can request risk presentations in relation to any risk register entry where more detail/clarification is required.
- 3.5 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).
- 3.6 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 Nish Popat Interim Head of Finance Resources on behalf of Interim Director of Finance)

5. LEGAL CONSIDERATIONS

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Committee is required through its terms of reference in exercising its audit functions to maintain oversight of risk management arrangements and operations and as such periodic updates on the Corporate Risk Register are provided to assist members with this responsibility.
- 5.2 Separately, the management of risk has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy, efficiency and effectiveness. Therefore, the consideration of this report also seeks to demonstrate the Council's compliance with its Best Value Duty.
- 5.3 In addition, the Council is legally required to ensure that it has a sound system of internal control facilitating the effective exercise of the Council's functions. This includes arrangements for the management of risk and an effective system of internal audit to evaluate the effectiveness of its risks management, control and governance processes, taking into account public sector internal auditing standards and guidance. This report also seeks to demonstrate compliance with these legal duties.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Legal Services and Monitoring Officer Stephen Lawrence-Orumwense)

6. HUMAN RESOURCES IMPACT

- 6.1 There are no immediate human resource considerations arising from this report for LBC employees or staff.
Any impacts arising will be managed under the Council's HR policies and procedures.

(Approved by: Gillian Bevan, Head of HR – Resources and Assistant Chief Executives on behalf of Dean Shoesmith, Chief People Officer)

**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.

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'.

10. DATA PROTECTION IMPLICATIONS

**10.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING
OF 'PERSONAL DATA'?**

No.

No personal data is processed as part of the production of the Corporate Risk Register.

**10.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN
COMPLETED?**

No.

Not applicable as no personal data is processed as part of the production of the Corporate Risk Register

CONTACT OFFICER:

Malcolm Davies,
Head of Anti-Fraud, Risk & Insurance
Ext 50005

BACKGROUND DOCUMENTS:

Appendix 1 Corporate Risk Register
Appendix 2 Risk Scoring Matrix

Appendix 1: Risk Register Red Risks October 2022

Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
ASC0034 Robson, Simon	<p>Inflow to Occupational Therapy waiting list in the month of March has been approximately 50 cases per week. This is beyond the Service's capability to address. The waiting list has grown from 520 to 730 from late Feb to 24 March.</p> <p>As of 19 May 2022 the waiting currently sits at 646.</p> <p>Continued recruitment is a priority and activity is taking place at present.</p> <p>11/08/22 - waiting list remains around 640-650 - additional staff have been brought in and recruitment continues to both band 4 and principal OT grades.</p> <p>04/10/22 - - updated SO - Inflow to Occupational Therapy waiting list in the month of September has been approximately 50 /60 cases per week. This is beyond the Service's capability to address. The waiting holds anywhere between 650 and 700 consistently across the summer and into autumn in 2022.</p> <p>Reviewed 3/5/22 - SO Reviewed 19/05/22 - SO Reviewed 11/08/22 - SO Reviewed 31/08/22 - SR Reviewed 04/10/22 - SO</p>	<p>- Clients waiting an unacceptable length of time for statutory occupational therapy assessments/equipment.</p> <p>- Clients at risk as a result of the above e.g. slips, trips and falls as well as lower day to day quality of life re mobilising and activities of daily living, i.e. cooking, personal care.</p> <p>- Increased domiciliary spend (as a result of clients not having equipment).</p>	Robson, Simon	5	5	25	4	4	16

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Existing Controls

- Additional capacity being recruited -Recruited to band 6 OT posts x 3
Plus agency staff starting Oct plus one OT assistant starting Oct.
Band 6 post recruitment commenced.
Short term project with OT and Adult support team to look at managing demand at front door .
MAU posts being recruited to.

- Additional Measure details below:-

- Having an OT available within the duty team effective in tackling urgent work and supporting urgent allocations . 11/08/22 - OT not yet in place at Front Door - this is a part of a wider demand management project in which OT are involved.
- Interview for Clinical Lead 16 June 2022., B5 OT started 16 May 2022, student OT started 16 May 2022 and OT tech starting 23 May 2022. 11/08/22 - Clinical Lead appointed and in post.
- Principal Occupational Therapist permanent recruited to and hoping to start in January .
- Ongoing recruitment to vacancies. Significant recruitment has taken place throughout the summer.

- All OT referrals are triaged at the point of contact so that all urgent cases are allocated within 1-2 weeks -Less urgent cases are waiting up to 11 months.
The new senior OT team come into post on 9/9/22 and we have had SCP permission to extend agencies until Christmas .
OT techs have been in post for over 2 months and are helping maintain the run rate.
Principal OT attended Demand Management Meeting to talk through OT pathway .

Future Controls	Review Date
- New Principal OT starting Nov More effective and efficient resource management through revised managing demand approach	30/11/2022

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CDS0035 Golland, Paul	<p>Subject matter experts (SMEs) who support many of the Council's critical IT systems are single points of failure (SPoF) and eligible to retire meaning there is significant risk of these systems effectively becoming unsupported unless.</p> <p>Additionally, the specific configuration of these systems has a substantial learning curve for ensuring any replacement can adequately support the setup of the system. These skills are not readily available in the market, have a premium salary expectation, and most likely need investment in supplier-approved training programmes to get to the necessary level.</p> <p>CDS Digital Systems Team (DST) has a total of 8 application engineer roles (3 of which are senior). At the current time, 1 position is vacant which has had a poor response when advertised, 2 are over retirement age, 2 are over 60, and 2 are within a couple of years of 60. All have 10+ years' experience of supporting Croydon's critical systems.</p>	<ul style="list-style-type: none"> Line of business systems which are relied on by front-line services are unsupported leading to key processes not being able to function, or statutory services being reduced or prevented altogether Significant challenge of IT department being able to continue to support the following systems should any of these SMEs elect to retire or are unable to continue working: <ul style="list-style-type: none"> System: Idox Uniform used by: Planning, Building Control, Environmental Health, Commercial Licensing, Trading Standards, Food Standards System: Visual Files used by: Legal services and external legal System: Civica Express (Election Management System) used by: Democratic Services System: Business Objects used by: Adults and Childrens Social Care System: Corporate GIS used Corporately System: Capita One used by: Education System: SharePoint used Corporately System: OHMS used by: Housing System: CASPAR used by: Adults Social Care System: Epilog used by: Crematorium & Registrars 	Golland, Paul Last Review: Last Amended : 24/08/2022 16:29:58	5	5	25	4	2	8

Existing Controls
<ul style="list-style-type: none"> - Cloud first architectural principle for all new applications -reduces the support complexity and ensures supplier supports most of the infrastructure needed by the application - Digital Internal Control Board setup so there is a forum to discuss governance and continuity at a strategic level - - Evidence that steps in the agreed implementation plan are progressing successfully -/ 11 - Once the CDS capability review starts, think this measure can be closed/made EXISTING as the review is the evidence - TUPE'd the Application Management Support team back into IT from Capita -(after unsuccessful outsourced experience which saw support capacity reduce and substantial knowledge loss which hasn't been replaced)

Future Controls	Review Date
- Discussions with suppliers of these systems around how they could support us if needed /08 - CDS capability review commissioned to define support target operating model incl role of suppliers > 31/3/23	31/03/2023
- Document and agree a resource plan (recruitment, training, cross-skilling, etc.) /07 - CDS capability review commissioned to define support target operating model incl resource plan to fill any gap identified > 31/3/23	31/03/2023
- Proposed systems dashboard highlighting at risk systems produced and discussed at Digital Control Board /04 - Paper approved by Digital Control Board - Systems Governance sub-group to be formed who will finalise dashboard format and oversee its completion and upkeep - review date > 15/2/23	15/02/2023
- Review apprenticeship options /09 - CDS capability review commissioned to define support target operating model incl apprenticeships > 31/3/23	31/03/2023
- Review support profile of each system to identify skills and resources needed to support each (skills matrix) /06 - CDS capability review commissioned to define support target operating model incl skills and resourcing > 31/3/23	31/03/2023
- Secure funding (if required) to implement resource plan /10 - CDS capability review funded from transformation - discussions with finance on converting capital to revenue - target operating model will clarify cost basis for the services provided > 31/3/23	31/03/2023
- System roadmaps of impacted systems documented, highlighting opportunities to mitigate risk through procurement, rationalisation /05 - Paper approved by Digital Control Board - Systems Governance sub-group to be formed who will oversee roadmap standards - creation of initial roadmaps to the agree standards to follow > 3/4/23	03/04/2023

Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
CIC0005 Mitchell, Peter	<p>The investment strategy and income generating properties do not deliver the required financial benefits / targets.</p> <p>**Main Risks Colonnades (potential £700k), Davis House (£200k), BWH (Arcadis £750k) remainder portfolio (£100k). Issue compounded by the inability of landlords to take swift action through the courts to pursue non-payment remedies**.</p> <p>Review & Update 19/11/2021 - CPH & College Green in active transactions . Colonnades, Davis House and wider portfolio currently holding performance, BWH require bid for growth following Arcadis departure but now being actively marketed and smaller letting generating interest with 1 demise u/o (£80k pa income) - wider MTFs up to date with current position.</p> <p>(Risk generated 30/10/20)</p>	<ul style="list-style-type: none"> Financial loss due to under-performance of assets through non-payment of rents due to failure of tenants, reduced rents or deferments. Service area funding / continuity of delivery could be impacted as a result of lower revenue income to support. Reputational damage due to failure of high profile assets. Political and media scrutiny. Covid-19 pandemic and Brexit significantly impact on investment properties and the general rental income across the wider portfolio leading to reduced revenue generation. Inability of landlords to take swift action through the courts to pursue non-payment remedies 	Mitchell, Peter	5	5	25	4	5	20

<p>Existing Controls</p> <ul style="list-style-type: none"> - Clear and agreed (Scrutiny & Cabinet) strategy in place. -Strategy incorporates CIPFA recommendations. - Croydon Park Hotel disposal imminent Dec 2021. - - New ways to utilise properties to secure longer term security being investigated. - - Revised Corporate Asset Strategy in place to help focus resources in the most appropriate way . -The effectiveness of this strategy is dependent on result of Capitalisation Directive award from MHCLG . - Spending strategy stopped with immediate effect for any more investment purchases . - - The Asset investment strategy is included within the Asset Management Plan -ensuring proper governance which will include regular quarterly reporting to effectively monitor any impacts . 	<p>Future Controls</p> <ul style="list-style-type: none"> - Looking to profile to a lower risk profile: Capital Strategy Draft back in Nov 	<p>Review Date 30/11/2022</p>
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Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CIC0008 Mitchell, Peter	Wholesale gas, electricity and utility costs increasing and risk of continual increases placing unsustainable financial burden on the council, in addition that school energy recharges are recovered. Review & Update as at 19/11/2021 - Team Leader (Sustainability & Energy) is proactively looking at alternatives as LBoC is on Fixed pricing schedule until 31/03/2022. Gas is the key area, as bulk suppliers have little storage capacity due to UK closure of much of storage facilities and capacity relying on piped liquified gas, which is under strain due to increased global demand from Asian Continent.	Financial impact on the council	Mitchell, Peter Last Review: 06/09/2022 Last Amended : 30/09/2022 12:44:07	5	5	25	5	4	20

Existing Controls

- Pursuing a number of procurement options -looking at:
Group procurement
Specialist mid term fixed contracts
Forward spot hedging opportunities

Future Controls

- Reviewing Energy Strategy including: Green / Sustainability agenda
Lower CO2 footprint
Seeking Carbon Neutral opportunities
Presenting back to Members

Review Date
30/06/2023

Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CIC0010 Mitchell, Peter	Risk of financial loss and reputational damage due to the poor performance of Brick By Brick including the Fairfield Halls refurbishment project and associated RIPI Reported to CMT/Leader w/c 15/11/2021 (Risk generated 19/05/2021).	<ul style="list-style-type: none"> • Council is liable for the outstanding debt. • Political and media scrutiny and interest. • Financial loss on sale of BxB assets. • Loss of interest on loan payments 	Mitchell, Peter Last Review: 06/09/2022 Last Amended : 30/09/2022 12:45:45	5	5	25	5	4	20

Existing Controls	
<ul style="list-style-type: none"> - Additional Management support to be considered for Brick by Brick during managed wind down of the company. -Additional third-party support for the build out of certain sites being engaged. - Revised loan agreement to Brick by Brick (excluding Fairfield Halls) - <p>Loan agreement setting down rights and obligations of parties.</p> <p>Separate bank account established for accrued interest on loans provided by Council</p> <p>Regular Operational meetings between company & Council and Shareholder board</p>	
Future Controls	Review Date
- Forensic Investigation report in respect of Fairfield Halls Report	31/12/2022

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
ED0003 Davies, Shelley	The number of Council maintained schools moving into a financial deficit leading to default and arrears continues to increase. Decrease in pupil numbers is further impacting on school budgets and likelihood of moving into financial deficit. This current financial situation of schools / education provision is further impacted by the increases in energy prices and additional support needed for individual families, alongside already straining budgets. (Risk generated 08/08/2017).	• Financial loss to LBC as the Council holds liability to settle deficit should schools transfer to academy status under a forced academy order.	Davies, Shelley Last Review: 05/09/2022 Last Amended : 30/09/2022 12:47:10	5	5	25	4	5	20

<p>Existing Controls</p> <ul style="list-style-type: none"> - 'Schools of concern' are under monthly review. - - Deficit schools report financial outturn monthly to LBC. - - Focus on schools with significantly reducing pupil numbers and therefore funding -Letter highlighting this sent to schools and follow up discussions / meetings on actions schools need to take. - Implementation of new strategies following -Independent Financial Review of 'Schools in Deficit' this includes visits to 'Schools in Deficit' - Oversight of any significant deficit reporting as a result of C19 in place. - - Regular update meetings with the Governing Body's / SLT's of schools with the highest levels of debt. - - Risk rating system is in place for each of the schools that are either in deficit or 'causing concern'. - - Schools are met with by senior finance and education officers -to discuss their deficit and their action plan for setting a balanced budget in the future. This is key for any schools deciding to convert to academy status. - Schools are requested to set a licence deficit plan – -this includes a 3 year budget plan as to how the school will return to a balanced position. - We have input into the school's 3 year business plan to shape repayment terms and included a formal letter of agreement. - Termly finance meetings for all maintained schools sharing best practice etc . - Where appropriate the Council is using its statutory powers to investigate installing an Interim Executive Board (IEB). - Powers are limited in terms of financial benefit to the LA but could steer the school towards a form of collaboration with another education body. 			
<p>Future Controls</p> <ul style="list-style-type: none"> - School Resource Management Advisor to target meetings with additional school leadership teams and Chair of Governors to review deficit action plans during the start of Autumn term and provide advice to bring budgets in line. 			<p>Review Date 31/12/2022</p>

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Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
HSI0023 Tate, Stephen	<p>Major increase in disrepair cases raised under the disrepair protocol and as a result of The Homes (Fitness for Human Habitation) Act 2018.</p> <p>**Act requires landlords to ensure that homes are fit for human habitation and is the most significant change in the law relating to housing conditions since the Housing Act 2004. The first phase of these provisions came into force in March 2019 and new tenancies granted since then have been subject to the new legislation.** Capital Programme Investment Implication</p> <p>(Risk generated 13/05/2021).</p>	<p>Currently disrepair claims are brought in accordance with the well-established 'pre-action protocol for disrepair claims'. An increase in repair claims which could be driven by:</p> <ul style="list-style-type: none"> • Increased awareness of the ability to claim and to get compensation driven in part by targeted and aggressive advertising and social media campaigns by law firms and claims companies. • The cut to legal aid, as a result a number of law firms have change tactics to increase their revenue by concentrating resources into disrepair cases and we have seen an increase in solicitors door knocking and reported two firms to the Bar Council. • The Homes (Fitness for Human Habitation) Act 2018 which came into effect April 2019. • Cases where we have not due to other maintenance priorities addressed problems with the external fabric of our buildings. This requires an ongoing programme to address rendering failures, DPC, Cavity insulation and roofing renewal. <p>There has been a significant increase in disrepair cases in the last year and in costs. Claims are predominantly (around 95%) related to damp and mould.</p>	<p>Tate, Stephen</p> <p>Last Review: 01/09/2022 Last Amended : 30/09/2022 12:48:06</p>	5	5	25	5	4	20

Existing Controls

- Analysis of the disrepair cases in the last year has -changed the process that has been in place with maintenance contractor to ensure all reports of damp are inspected and that the Council separate the issues of dampness vs those caused by ongoing leaks.
- Disrepair cases are managed by the Disrepair surveyor and supported by the Senior surveyor - and Technical Manager in the Technical Team . Approval to appoint an agency disrepair surveyors has been granted

Future Controls

- Resources for disrepair work are being urgently reviewed Interim resources in place - review of structures underway.
- Review use of de-humidifiers and monitors with Asset Management Team to increase use of emerging damp monitoring technology and industry improvements .

Review Date
31/03/2023
31/03/2023

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
HSI0024 Tate, Stephen	The Council does not meet its landlord obligations for the delivery of the Capital investment across the HRA estate. (Risk generated 30/10/2020).	<ul style="list-style-type: none"> • Unsafe buildings. • Enforcement action against the Council by regulatory bodies. • Political scrutiny and interest at local and national level. • Media interest at local and national level. • Substantial financial loss. • Serious incident / injury. • Government Intervention 	Tate, Stephen Last Review: 31/08/2022 Last Amended : 30/09/2022 12:49:29	5	5	25	5	4	20

Existing Controls

- Current Monthly Control Processes include: -Monthly monitoring meetings set with capital programme leads
- Monthly highlight reports completed by programme leads capturing progress, risks, challenges and opportunities
- Monthly reporting Assets & Capital Delivery Board meetings set to review progress, governance, risks and change control mechanism
- Monthly reporting to Corporate Capital Delivery Board for urgent risks/issue and escalations

Future Controls

- Development of an Asset Management Strategy determining investment needs Complete condition surveys to inform investment plans	Review Date 31/03/2023
Investment plan and strategy informs future delivery models (capital delivery suppliers)	
Future delivery models inform commissioning/procurement strategy	
Increased number of suppliers other than existing partners promotes healthy competition, contributes to competitive pricing (VFM) and delivery assurance	
- Monthly progress monitoring and escalations with existing contractors via contract meetings including focusing on Partnering/ Commercial and Annual contract review of existing suppliers 2023/24	31/03/2023
- Recruitment of a Programme Assurance Manager to oversee programme assurance /governance	31/12/2022
- Recruitment to surveyor team: Progress check autumn 2022	30/11/2022

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Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PH0007 Flowers,Rachel	The indirect impact of a global pandemic plus the cost of living crisis widen health inequalities in both physical and mental ill health and increase demand on all Council services. ** e.g. overcrowded/poor housing - less effective self-isolation; those in deprived areas more likely to have underlying conditions; unsecure employment leading to great financial insecurity**. (Risk generated 24/03/2020).	<ul style="list-style-type: none"> Increasing demand on Council services as this occurs. Increased mortality and morbidity in more vulnerable groups. Adult Social Care pressure. Housing demand. Political and media interest..... 	Flowers,Rachel Last Review: 08/08/2022 Last Amended : 30/09/2022 12:55:00	5	5	25	5	4	20

Existing Controls

- Targeted comm's and engagement to the 'at risk' populations / vaccination uptake work included. - most recent targeted coms was series of TikTok videos by local influencer shaped and developed with you people to increase vaccination uptake.
- Vax van
- Achievement of coverage for all age categories for covid vaccination -There is now an annual covid vaccination programme, at this time Croydon also has a Vax targeting different communities increasing first time vaccination
- COVID-19 and flu messaging detailed in the NHS Health Check invitation communication -
- Epidemiology data provided by DHSC ,LCRC and SWL NHS reviewed by PH Team on a daily basis to enhance understanding . -There are a range of control measure for this risk not all within public health remits, or indeed, within Croydon council's remit.

a key part of the role of public health in control measures is to identify where the inequalities are increasing, both in terms of age profile, geographic location, specific communities. There is also a role of identifying where some groups are disproportionately impacted by inequalities or their inequalities are increasing

The mitigation/control measures are around education, housing quality, employment opportunities, access to services, including health services.

There is also a regional and national dynamic to the control measures

- Good engagement across borough with Health Protection Board that provides oversight -Although the Covid 19 Health protection board has been stood down there is still a borough Health protection board where covid is reviewed
- The Outbreak Control Plan operating to ensure that there is coordinated approach to provide - effective delivery across the borough in a coordinated and targeted process . At the moment we are in low incidence of covid however this can be used to escalate the response. Note that we still believe that it is variation (mutation) that drives incidence not seasonality i.e. it is not a " winter" infection yet

Future Controls

- No further/future controls identified

Review Date
31/10/2022

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Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PP0009 Handford, Gavin	Corporate financial savings objective is not achieved due to poor programme & project management behaviours. (Risk generated 01/06/2020).	<ul style="list-style-type: none"> • Non delivery of savings plan. • Council budget deficit remains. • Political scrutiny as to why project failed. • Non-achievement of statutory requirements / duties. • Media interest. • Low staff morale. 	Handford, Gavin Last Review: 13/07/2022 Last Amended : 30/09/2022 12:56:01	5	5	25	5	4	20

Existing Controls

- Effective Governance Framework implemented -Senior Accountable Officer and Responsible officer identified for all MTFS items
Regular updates captured
- MTFS 2023/24 process underway, with clear timelines for delivery -
- MTFS Assurance Meetings -Chaired by CEO and S151 Officer
Finance and PMO support with updates on each MTFS item
All items at risk reviewed, with mitigating actions agreed
- MTFS lessons learned -Lessons learned review underway

Future Controls	Review Date
- Community of practice established, with regular support and development for project managers	31/10/2022
- Project management software procured and rolled out for use in all services	31/01/2023

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Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
PR0013 Iles, Steve	<p>Sustainable Parking Services Income</p> <p>Reduction in income that is generated through charges applied to appropriate parking spaces across the borough. Reduction in PCN income via civil enforcement officers and or ANPR camera enforcement.</p> <p>Covid has had a significant impact on parking income and with the general reduction in demand / footfall, in addition the ambitious introduction of more camera led enforcement through Low Traffic Neighbourhoods has not been delivered to plan due to a number of factors.</p> <p>(Risk generated 17/05/2017)</p>	<p>• inability to balance the budget due to Income loss through pay and display and penalty charge notices</p>	<p>Iles, Steve</p> <p>Last Review: 15/08/2022 Last Amended : 06/09/2022 12:55:49</p>	5	5	25	4	5	20

Existing Controls

- Detailed analysis of the approach financial management -The overall financial management and strategic oversight of the income for the service has been undertaken and controls are in place to monitor all income streams on a monthly basis.
- The development of a financial dashboard to form part of the monthly monitoring process.
- The reconciliation of income coming into the councils financial system and parking back office system
- Dedicated corporate financial support to work with the service to ensure systematic financial management is in place.
- Working with London Councils & Peers across London on the parking policy and approaches to pay and display charging

Future Controls

- Development of additional schemes for ANPR (School streets, box junctions etc) Additional schools streets built into the programme for 22/23 financial year - these are subject to either TfL LIP funding, S106 and or a spend to save bid through capital funding)

Review date: - November 2022

- Strategic review of the parking policy The council has a parking policy 19/22, work is underway to review the 19/22 parking policy to reflect the changes in parking behaviour's, in addition a review of the approach to emissions based P&D and Permits.

Review date: - February 2023

Review Date
19/12/2022

28/02/2023

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PST0001 Cheesbrough, Heather	<p>The Whitgift Centre is not redeveloped in a timescale to deliver the necessary regeneration of the town centre which promotes economic activity and vitality</p> <p>Covid 19 and general economic uncertainty has created a climate of development uncertainty. The redevelopment was removed from the Unibail development pipeline in Feb 20 and there is no date for the redevelopment. The Croydon Limited Partnership (CLP) partners are both suffering from loss of income and are refocusing their business models and agree new approach to the Whitgift during a time of uncertainty and restricted finances. The Whitgift CPO has now expired.</p> <p>(Risk generated 18/05/2015).</p>	<ul style="list-style-type: none"> Major economic, regeneration and social impact on the vitality and viability of the Town Centre and North End Political and media scrutiny 	Cheesbrough, Heather Last Review: 05/09/2022 Last Amended : 03/10/2022 13:11:13	5	5	25	4	5	20

Existing Controls

- Clause 11 meetings -Clause 11 meetings to be held for a maximum period of 12 months as set out in the ILTA, this is a formal stage to work through options on non delivery of the scheme. The meetings complete Feb 2022. The outcome of these meetings is that a series of remedies to offset non-delivery of the scheme envisaged by the ILTA have been exchanged with CLP .
- Communication channels between politicians and officers with CLP remain open and productive . -
- LBC to continue to press CLP for a robust Meanwhile and Management Strategy to maintain footfall -with monthly meetings to exchange enquiries/contacts and proposals
- Officers and their consultant team seek to hold CLP to account on their plans and to manage the CPO expiry process . -
- Regular communication with the Whitgift Foundation -The Foundation is the freeholder of the majority of the site.
- Regular meetings with CLP to maintain dialogue between partners . -
- Robust record keeping and retention of professional advisor team who have been involved since the beginning of the project -
- The Council through its statutory powers - Local Planning Authority (LPA), CPO and land assembly, and as a Highway Authority. -
- The ending of the exemption for CLP to pay Business Rates on unoccupied buildings due to the CPO -
- The final land transfers under the now expired CPO from the Council to CLP are to be completed in the coming weeks -
- The Indemnity Land Transfer Agreement (ILTA) sets out the responsibilities of the parties, penalties with. -timeframes, which will need to be complied with and will need to be actively managed.
- The re-establishment of the Advisory Town Centre Board -to seek to collaborate and in partnership with stakeholders to support the regeneration of the town centre

Future Controls	Review Date
- Agree with CLP a series of remedies to offset non-delivery of the scheme envisaged by the ILTA to provide the opportunity for short to medium term viability of the Town Centre and North End. Whilst also setting a programme for the phased redevelopment of the Whitgift in the medium to long term.	31/01/2023
- End the ILTA arrangements entirely with agreement , but would have to address all outstanding issues, land transfer, compensation and make provision for various outstanding claims. (Completion financial year 2021/22). This would have a significant financial impact that would need to be negotiated with CLP.	31/01/2023
- The Council seeks to introduce a new development partner, once the ILTA expires (February 2026). ...	31/01/2023
- The preparation of a new Indemnity Land Transfer Agreement (ILTA) that reflects the changed circumstances. (Completion financial year 2025/26). This would require the agreement of both parties	31/01/2023

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Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PST0025 Cheesbrough, Heather	Development Management cannot recruit sufficient appropriately trained staff to manage workload and address backlog and fee income generated does not cover staffing needs.	Back log continues to increase Staff go sick with stress Staff retention and recruitment is exacerbated by high workloads Cases are not appropriately managed and checked to sufficient high standard leading to errors and increase in JRs and losing appeals Increase in appeals for non determination Loss of Fees through Planning Guarantee, having to return fees to applicants Increase in complaints Performance drops below Government set targets and becomes a designated LPA Very low determination approval rates leading to repeat applications and unfunded second applications	Cheesbrough, Heather Last Review: 05/09/2022 Last Amended : 03/10/2022 13:10:44	5	5	25	4	5	20

Existing Controls

- Development of a Planning Improvement Plan following PAS Review -Range of actions to address recruitment and retention, IT software improvements to improve case officer efficiency ,
- Reduce communication with applicants and public to a minimum - Case Officers to focus on case determination at all times
- Review MFS on Planner salaries -This will have a budget impact but growth bid could be considered

Future Controls

- Develop a protocol for application which may engage the Planning Guarantee
- Seek to increase productivity through technology following the recommendation of the PAS review

Review Date
31/01/2023
31/01/2023

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
RCS0039 West, Jane	The audit of the 2019/20 and 2020/21 accounts could require significant adjustments, as highlighted in External Audit's management letter/report to GPAC 20 October 2021, to provide a balance and not be qualified. In relation to the 19/20 and 20/21 accounts further significant work is required in relation to the accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures with any financial implications for both the General Fund and Housing Revenue Account and capital funding to be dealt with after this review. Other areas being reviewed are capital charges and the negative Direct Schools Grant reserve. (Risk generated 22/02/2021).	<ul style="list-style-type: none"> • Qualified accounts provided in respect of 2019/20. • Loss of control of financial position • Political scrutiny applied at local and national level. • Media interest and scrutiny at local and national level. • Continuing financial loss. • Reputational damage. • Potential investigation of historic financial practices. • Impact on reserves 	West, Jane Last Review: 01/09/2022 Last Amended : 03/09/2022 11:20:27	5	5	25	5	4	20

Existing Controls

- Regular meetings with Grant Thornton and corporate finance team to monitor progress of audit -
- Specific use of transformation funding in relation to 19/20 and 20/21 audited by Grant Thornton -in consultation with corporate finance team.
- The Council is taking advice on accounting treatment - Trowers and Hamlins on company legal arrangements in relation to Croydon Affordable Homes and Affordable Tenures and seeking QCs input (James Goudie) - Complete
- PWC on accounting treatment
- Worth TAS on accounting treatment.

Future Controls

- Opening the Books project

Review Date

31/01/2023

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
RCS0040 West, Jane	Future Planned Savings for 2022/23 and future years are not delivered as planned in the Council Tax Setting reporting March 2022. (Risk generated 11/04/2022).	<ul style="list-style-type: none"> • Do not meet terms and conditions set out by MHCLG in Capitalisation Direction Agreement (2021) / Three Year Delivery Programme. • Inappropriate financial behaviour and practice evidenced. • Political scrutiny applied at local and national level. • Media interest and scrutiny at local and national level. • Impact on reserves • Continuing financial loss and potential S114 notice • Reputational damage. • Potential investigation of historic financial practices. • Not balancing 22/23 financial year. 	West, Jane Last Review: 01/09/2022 Last Amended : 06/09/2022 13:46:37	5	5	25	5	3	15

Existing Controls

- Corporate finance working with services to identify further savings for 2022/23 - Via Star Chamber process
- Financial assurance review meetings monthly -
- Oversight by DLUHC Improvement & Assurance Panel. -
- Public consultation activity. -
- Review and revision of budget setting process and meetings being conducted by Section 151 officer. -Review complete. Reported to CMT. MTFS timetable for 2022 has been signed off and shared with the Mayor.

Future Controls

- Budget Working Group to be expanded and tasked with programme managing the delivery of the savings included in the MTFS	Review Date
- Timescales for Council Tax Setting to be signed off at Cabinet in October 2022	31/10/2022

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Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CDS0007 Golland, Paul	Lack of adequate technology disaster recovery arrangements. (Risk generated 23/09/2016)	• Key ICT systems would not be available for a long period (many days) which would adversely impact business continuity.	Golland, Paul Last Review: 15/08/2022 Last Amended : 15/08/2022 14:35:21	5	4	20	3	3	9

Existing Controls

- Annual BWH Power down confirms key infrastructure can be restarted in event of power loss -

Future Controls	Review Date
- For all BWH hosted applications need to plan a DR failover test	31/03/2023
- For all supplier-hosted SaaS applications need to confirm with supplier what steps have been taken (and ideally plan to test	
- Need to list all the applications not hosted on the MS Azure platform and what the DR solution is for those	31/08/2022
- Need to plan to test the Azure failover process to prove we can recover to the MS DR Data Centre Waiting for Capita response therefore target date is to review	08/11/2022
- Table top exercise with the Resilience Team	

Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
CDS0021 Golland, Paul	<p>The ICO applies a statutory notice and other enforcement measures to the Council for non-compliance of statutory regulation in relation to breaches of:</p> <ul style="list-style-type: none"> GDPR Other Data Protection Regulation FOIA SAR's <p>Reviewed DLT 31/05/22. FOI response rate still below targets</p> <p>Current risk rating changed to Red due to a reprimand received in August</p> <p>(Risk generated 01/11/2019).</p>	<ul style="list-style-type: none"> Reputational and financial damage. Media and public scrutiny. Legislative action. Political scrutiny. 	<p>Golland, Paul</p> <p>Last Review: 15/08/2022 Last Amended : 04/10/2022 14:52:33</p>	4	5	20	3	3	9

Existing Controls

- Implemented a forward plan to address the backlog of SAR and FOI which has been agreed and funded by CMT. -
- Increased the resource within the team and reviewing the reporting, system and processes in place -
- Liaising with the ICO and providing updates on the teams progress, sharing the temp resource structure and process changes -
- Reduced backlog of FOI through data cleansing -Existing Controls
- Strengthening resource, embedding accountability and ownership for service areas, implementing IMMSG governance ... 31/12/2022
- Implemented Infreemation as new system solution August 22
- Dedicated DPO in post to review duties August 22
- Improvement plan in place to be delivered by 31/12/2022
- IMSG Re-instated September 22

Future Controls

- Improve organisation awareness of the legislation to ensure uniform redaction, and information is only released that should be applying exemptions where necessary.
- Reduced backlog of FOI through data cleansing Future Controls Review Date
- Review and create Policy and training Guidance 31/12/2022
- Improve the training of the information management team 30/ 11/2022
- Process review and implement regular reporting to senior management team 30/ 11/2022
- Identify duplicate requests and improve consistency with responses 31/12/22
- Strengthening resource, embedding accountability and ownership for service areas, implementing IMMSG governance ...

Review Date

31/03/2023

31/12/2022

31/12/2022

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Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CDS0028 Golland, Paul	Organisational instability and responsive repairs contractual changes impacts the implementation of the new integrated Housing IT system (NEC) such that it is delayed or fails to deliver the intended benefits.	<ul style="list-style-type: none"> Have to retain legacy systems for longer, costing more and breaching tender regulations Cost of programme increases to support project resources for a longer period of time Takes longer to onboard the required resources to deliver the project due to extended internal checks and balances on spending confirmed budget Housing MTFS savings not able to be met until new system is live and sufficiently adopted Reduction in staff morale due to change fatigue and financial pressures Scope creep & weakened governance and decision-making due to changing Senior Management expectations and buy-in caused through extended use of interims over the life of the project 	Golland, Paul Last Review: Last Amended : 06/09/2022 13:03:49	5	4	20	4	3	12

Existing Controls

- Ensure project governance arrangements (especially core meetings) are reviewed -and agreed by the SRO (revisited should SRO change)
- Ensure service clearly articulate who the SRO is -
- Ensure visibility at Digital Control Board -/09 - Housing project a standing agenda item at DICB so this is now an EXISTING control
- Focused engagement for each change in interim officer at Head of Service , Director, and Corporate Director level -
- Maintain active RAID log -
- Recruited to Project Manager to manage this and reactivated the new board -

Future Controls

- Clear direction on split between capital and HRA funding confirmed /08 - Started work on making programme budget more granular, wider discussion around HRA for project and BAU split will take longer > 31/3/23
- Explicitly highlight and socialise expected end state for each service area Independent review commissioned to assess technical and service readiness by service area - review date > 31/1/23
- Responsive Repairs plan baselined for all workstreams /07 - Resp Repairs workstreams progressing with dedicated Board. CDS tech workstream needs project manager - awaiting SCP approval > 31/12/22
- Service led change management plan agreed and resourced - Change management discussions highlighted need for independent readiness review, change plan will be updated following that review > 27/2/23

Review Date

31/03/2023
31/01/2023
31/12/2022
27/02/2023

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Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CDS0029 Golland, Paul	Restarting after a period of inactivity and needing to change business processes impacts the migration to the Synergy Education Management IT system such that it is delayed or fails to deliver the intended benefits.	<ul style="list-style-type: none"> Have to retain legacy Capita One system for longer, costing more and breaching tender regulations Cost of programme increases to support project resources for a longer period of time Takes longer to onboard the required resources to deliver the project due to extended internal checks and balances on spending confirmed budget Insufficient time to bring in suitable specialists/backfill officers to meet supplier dates Reduction in staff morale due to change fatigue and financial pressures We do not have the experienced in-house support staff resource to support business-as-usual across multiple systems and the migration so are reliant on appointing temporary project staff Education white paper recommendations not able to be implemented 	Golland, Paul Last Review: 15/08/2022 Last Amended : 15/08/2022 14:48:19	5	4	20	4	2	8

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Existing Controls
<ul style="list-style-type: none"> Engagement from all key stakeholders, especially appropriate Heads of Service - Ensure project governance arrangements are reviewed and agreed by the SRO - Ensure service clearly articulate who the SRO is - Ensure visibility at Digital Control Board -/08 - Education project a standing agenda item at DICB so this is now an EXISTING control Fortnightly Board meetings until plan confirmed and RAID items agreed - Supplier key dates shared openly and as far in advance as possible -

Future Controls	Review Date
- CCB approval for 23/24 Capita One contract position /12 - Negotiations with Capita have extended deadline for formal notification - now working with procurement to agree approach > 1/12/22	01/12/2022
- Clear direction on grant funding position to cover support costs confirmed / 11 - Grant funding options part of strategic review and follow-on work to agree this > 31/3/23	31/03/2023
- Confirm project and business resources aligned to supplier dates (approved by Board) /06 - Concerns with approach and solution have led to a strategic review being commissioned to assess this - review date > 15/12/22	15/12/2022
- Document and agree support requirements for Orchestra module /10 - Linked to corporate initiative on systems governance (a sub-group reporting into Digital Control Board) & CDS capability review to define support target operating model > 31/3/23	31/03/2023
- SEN Finance target process options documented and agreed /09 - SEN Finance process part of the strategic review, options paper to follow to define solution > 15/2/23	15/02/2023
- Service led change management plan agreed and resourced /07 - Change management discussions highlighted need for independent readiness review, change plan will be updated following that review > 27/2/23	27/02/2023

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CDS0034 Golland, Paul	Memorial Safety The memorial safety programme covering both Mitcham Road and Queens Road Cemeteries since Covid19. There are approximately 30,000 memorials across both sites which have not been checked due to a shortage of staff, the difficulties experienced recruiting a team leader and dated inefficient technology. We are legally responsible should a service user or visitor be injured by an unsafe memorial which could lead to fines and prosecutions	Memorials not been safety checked for approximately 3 years New memorials coming in not check after installation Risk of memorials deteriorating since last checked Increased risk of injury to service users and staff Negative PR and increased political and media interest should an incident occur Increased complaints Negative PR and increased political and media interest Increased risk of legal action against us	Golland, Paul Last Review: Last Amended : 08/08/2022 13:18:14	4	5	20	4	4	16

Existing Controls
<ul style="list-style-type: none"> - Checking Masons memorial permits ad-hoc - - Dealing with dangerous memorials on an ad-hoc basis when identified - - Vetting memorial permit applications -

Future Controls	Review Date
- Identify the benefits/costs of outsourcing. If appropriate develop business case subject to independent review	31/01/2023
- need to provide training to refresh staff skills and train new members subject to independent review	31/03/2023
- Need to recruit to current Grounds team Leader Post Currently out to advert	30/11/2022
- Need to review current staffing levels subject to independent review	28/03/2023
- Need to review Memorial Safety Programme and amend where necessary subject to independent review	31/01/2023

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Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CEHR0071 Shoesmith, Dean	Organisational behaviours, culture and practices lead to the Council being unable to operate effectively and therefore not serve the residents of the borough and internally within the council in accordance with their expectations. Grant Thornton - 'Report in the Public Interest' recommendation number(s): 1-20. (Risk generated 28/10/2020).	<ul style="list-style-type: none"> Increasing and uncontrollable financial loss. Legislative action due to non-compliance with statutory obligations. Workforce behaviours critically damage the organisation. Political scrutiny and interest at local and national level. Media interest at local and national level. Staff morale. Continuing and increasing reputational damage. Government intervention. Employment tribunals and potential for litigation HR process Recruitment and retention of staff 	Shoesmith, Dean Last Review: 24/08/2022 Last Amended : 24/08/2022 11:44:01	5	4	20	5	3	15

Existing Controls

- A provider has been selected and appointed for the culture change programme -all staff will be re-inducted through to ensure the workforce as a collective is aligned to, and achieves, appropriate standards of behaviour and conduct to serve the Council's residents and customers. The provider will be commencing the design work of the programme with immediate effect and working in close collaboration with the Chief Executive, CMT and HR and OD to ensure clear objectives, milestones and outcomes are established.
- Coaching and mentoring informal and formal -
- Corporate behaviours and ways of working are core elements -to job descriptions and new performance management system.
- Corporate Director Assurance Statements provided annually . -
- Dedicated Learning & Organisational Development Team supporting culture change -as a key element to Croydon Renewal Plan with core expectations on compliance and accountability.
- Detailed policies and procedures in place and reviewed by relevant accountable officer / team regularly. -
- Governance Framework in place which is modelled on the CIPFA / SOLACE methodology. -
- Internal Audit Programme developed and delivered each financial year . -
- Ongoing engagement with staff. -
- Refreshed manager and staff behaviours and mandatory core training -including good governance and accountability framework schemes to ensure the Council maintains up to date and relevant adherence to legal requirements and initiatives as they relate to organisational best practice and workforce development and enhancement.
- Risk Management Framework in place. -
- The Crossing the Threshold Culture Change Programme is being rolled out initially through building a train the trainer approach -This will mean that all staff are developed to embody effective organisational behaviour, culture and practice
- To address organisational culture, the council has launched its Crossing the Threshold culture change programme . -This will be followed through with a second phase Crossing the Threshold, covering the council's workforce. Financial training has been launched for all budget managers to ensure improve budget and financial practice, and a report will be presented to CMT on 31/8/22 to address managerial skills aiming to improve people management skills across the council
- Work is now underway for the implementation of the organisational culture change programme . - This was initiated through the appointment of external advisors and facilitators BBS in November 2021, with an initial meeting with the Chief Executive in early December and a facilitated session with CMT and the directors on 10 December 2021. There will be further facilitation sessions, including a train the trainers approach in the New Year, followed by the culture change programme being rolled out across the council via the trained trainers.

Future Controls	Review Date
- Corporate objectives updated to reflect new corporate standards to be launched	31/03/2023
- Following the design of the programme with circa 25/30 staff there will be a train the trainers approach, with circa 80 staff identified to complete culture change training and development across the Council.	31/03/2023
- Health & Wellbeing will be refreshed and launched with a focus developing manager capability in managing staff with mental health conditions	31/03/2023
- Introduction of 360 reviews for all managers commencing with Head of service and above and incrementally including all managers by April 2023	31/03/2023

- The programme will include the wider culture change brought about by the May 2022 Mayoral Election. Roll out will be to CMT/Directors, followed by HOS, followed by all staff.
- Under the Croydon renewal plan the cultural transformation programme is a key area of work that will define new behaviours Standard skills and core competencies and values that will reflect performance management and appraisal and new ways of working. All staff will be re-inducted against these standards. Target date Nov 2022
- Work is being undertaken to establish a representative cross section of staff at all levels and for all directorates of the Council to form a Design Group

31/03/2023

30/11/2022

31/03/2023

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
MO0003 Lawrence-Oru mwense, Stephen	On-going vacancies means continued pressure within the team. A number of initiatives to improve governance, means cumulative impact on staff demands. Improvements including more internal checks and quality control within the team, improving support to committees and chairs, internal cross training within team, reviewing all processes and procedures, reviewing internal and external web content, coordinating constitutional changes, improving report writing and training, tackling established practices with officers and Members.	Resources in Democratic services are under significant strain to minimise risks and improve governance, whilst maintaining business as usual and all associated statutory requirements, process and support to committees with on-going vacancies (x 3.5 FTE).	Lawrence-Oru mwense, Stephen Last Review: 05/09/2022 Last Amended : 05/09/2022 13:58:35	4	5	20	3	3	9

Existing Controls

- Additional support has been provided to tackle backlog of minutes and cover staff vacancies -
- Developing and reviewing detailed action plan with team including prioritising -
- Interim Head of Service is now in place. -
- Moving to use of TOIL rather than Over-time as default to ensure breaks within team. -
- Staffing establishment under constant review. New interim Head of Service appointed and plans are in place to fill any -vacancies.
- Team meetings to focus on overall workloads and confirm R&Rs and re-balance / equalise work-loads throughout the team. -
- Team training sessions starting to raise knowledge base and shared understanding within the team . -

Future Controls	Review Date
- Rebalancing of workloads and R&Rs will develop further team culture and support amongst members. By beginning of Oct 2022	31/10/2022
- Recruitment progressing for 2 x Dem Services & Governance Officers, and trainee recruitment to start. Aiming for starting Nov/Dec 2022	31/12/2022
- Training for Chairs, Members and Officers, clear advice and guidance online, will reduce problems arising and contact with team	01/12/2022

Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PP0021 Handford, Gavin	Pipeline of projects exceeding current resource requirements 'If demand for CPMO support exceeds CPMO resource supply, then demand for CPMO support will be unmet'	Either projects will be unsupported by the PMO, or, if supported, PMO Officers will be stretched beyond reasonable capacity (which we are starting to see already).	Handford, Gavin Last Review: 25/08/2022 Last Amended : 25/08/2022 14:44:29	4	5	20	4	4	16

Existing Controls

- Corporate PMO established, with agreed framework, roles and responsibilities -
 - PMO recruitment -recruitment underway, with additional capacity being created
 - Recruitment Plan/Dedicated Community Manager -The PMO have undertaken an ambitious recruitment plan, having successfully offered to three G14 candidates, two G12 candidates, and two G8 in the past two months alone. The PMO also uses a robust triage process, weekly to ensure that the work taken on by the PMO is (a) appropriate, (b) prioritised appropriately, and (c) there is the appropriate capability & capacity available within the team.
- In addition to this the Programme & Project management Community of Practice that was established by the PMO now has a dedicated Community Manager, who is tasked with ensuring the Community builds capability within the council, therefore lessening demand on the Corporate centre, while simultaneously creating a pipeline of future PMO offices, should the team need to expand further.
- Triage of the pipeline of work to ensure that the limited CPMO resource is matched to priority activity -

Future Controls

- Internal Control Boards / Programme Boards established

Review Date

31/10/2022

Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PP0022 Handford, Gavin	Statutory Coroners service failures due to resource pressures....	Reputational damage Emotional impact on families Overspend pressures if partners do not support additional resources	Handford, Gavin Last Review: 13/07/2022 Last Amended : 05/09/2022 12:18:29	4	5	20	3	3	9

Existing Controls

- Expert consultant employed to support service review and improvement -
- New Head of Coroners service post recruited -
- Recruitment of additional staff resource -Underway
- Regular meetings held with local authority partners and Met Police -
- Regular meetings with Senior Corner held -
- Second Coroners Court established to manage case backlog -

Future Controls

- Develop service improvement plan, with regular reporting

Review Date
30/09/2022

Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
RCS0032 West, Jane	<p>Croydon Council companies: Robust governance, financial accounting treatment & risk management procedures/frameworks are not activated to safeguard the interests of the Council and its taxpayers in respect of all subsidiary organisations where the Council has an interest.</p> <p>As raised in External Audit's Management letter/report presented to GPAC 20th October 2021. (Specifically in reference to Croydon Affordable Homes & Croydon Affordable Tenures and Brick x Brick).</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s): 8,12,17,19 & 20.</p> <p>(Risk generated (26/02/2021))</p>	<ul style="list-style-type: none"> • Significant financial accounting adjustment • Reputational damage. • Political interest and scrutiny. • Media interest and scrutiny. • Council placed in unstable financial position leading to potential bankruptcy. • Potential fraudulent activity. • Continuing and increasing levels of non-compliance. 	<p>West, Jane</p> <p>Last Review: 03/09/2022 Last Amended : 06/09/2022 13:55:33</p>	5	4	20	5	4	20

Existing Controls

- Annual business plan of BXB reported to Cabinet. -
- Cabinet decision for managed wind down of BxB reached with build out of some sites -
- Cabinet member responsibility in portfolio. -
- Council taking external advice in respect of Croydon Affordable Homes and Croydon Affordable Tenures -
- Dedicated shareholder function in place to manage relationship and risks. -
- LBC non-executive directors allocated to serve on all subsidiary Boards. -
- PwC Review of the transparency of reporting of any remedial action taken to address in year overspends. -.....
- Shareholder boards established specifically for Brick by Brick -and secondly for all other external companies feeding into the working group for council companies to report as part of the renewal plan delivery
- Shareholder Representatives and responsibilities identified following review. -
- Strategic review recommendations agreed to reduce risks and deliver secure financial path forward. -

Future Controls

- Review of governance of external and related companies. With target date for further work/ implementation of the CCSMP structure with Member/Cabinet involvement, meetings scheduled to March 2023

Review Date
31/03/2023

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Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
RCS0041 West, Jane	Funding levels provided through the Government Grant for future financial years are significantly lower than anticipated resulting in considerable savings being required to balance the Council's Medium Term Financial Strategy . Awaiting details of the Fair Funding Review and other inputs eg Adult Social Care funding proposals. (Risk generated 27/06/2019).	<ul style="list-style-type: none"> • Service disruptions or services ceased • Key manifesto / corporate objectives not achieved. • Resident dissatisfaction. • Media and political scrutiny. • Legal challenge and associated consequences. • Staff reductions / redundancies. • Unable to deliver a balanced budget. • Issue Section 114 notice. 	West, Jane Last Review: 03/09/2022 Last Amended : 04/10/2022 17:23:06	5	4	20	5	3	15

Existing Controls

- Continued focus / investigation into effective approaches to managing social care demand and the social care reforms -
- Continued lobbying with DLUHC for fair funding. -
- Continued maintenance of general fund reserve at current levels, -with an ambition to increase the minimum level of reserves to 5% of the net revenue budget to cover any major unforeseen expenditure.
- Continuing approach to organisational efficiency including smart commissioning & procurement strategies, and recruitment -controls. Targeted approach to early intervention and prevention strategies (children's and adult's social care) and exploitation of opportunities for working in collaboration with our partners.
- Continuous monitoring / scrutiny of all budgets and commitments. -
- Detailed MTFS planning throughout the year -
- Strategic approach applied to identify efficiencies and savings and project managed approach to delivery -Through changes to the way the Council works e.g. One Council approach with cross-Directorate working, exploiting new technology, consolidation of buildings and processes.

Future Controls

- No further/future controls identified at this time

Review Date

01/12/2022

Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
RCS0042 West, Jane	General increasing demand for council services driven by several factors including declining health in the borough, fuel poverty, cost of living crisis and rising interest rates increasing the financial demand on the council for services. Update of risk raised at CMT (previously ELT) 21 September 2021	Service, financial, reputational, legal and people dimensions to the risk.	West, Jane Last Review: 03/09/2022 Last Amended : 30/09/2022 13:02:16	5	4	20	5	4	20

Existing Controls

- Current control measures support to community -

- Council tax support scheme supports low-income households, freedom pass provision and free school meals
- Discretionary Housing Payments to contribute to shortfalls in rent.
- Croydon Healthy Home service gives energy advice and supports fuel poor and vulnerable households to obtain funding for energy efficiency improvements .
- Commissioning of advice services to provide welfare rights advice.
- Downloadable directory for local support around Welfare Rights or debt advice
- Croydon Works jobs brokerage service for residents and local employers .
- Croydon Adult Learning and Training, and work through Skills and Employment Forum with college and universities, private sector provider and users to support the employability of residents.
- Signposting residents to support with emergency provisions around food and utility top-ups.

Future Controls

- No Further/Future Control Measures Identified at this time

Review Date

31/10/2022

Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
VRN0024 Aspinall, Kristian	A rise in domestic abuse in the borough resulting in greater numbers of murders and serious harm. Referrals February 2021: 66 high harm high risk (Multi-Agency Risk Assessment Conference (aka MARAC). Current MARAC referrals for the month of January 2022 = 75. MARAC referral rate for Feb, March, April 2022 = 195. 2% increase in crime rate from May 2021 to April 2022. (Risk generated 25/06/2018). MARAC referral rate for May, June, July 2022 = 230. 17% increase on the previous 3 months	Death or serious injury to clients and their children / families. • Financial loss due to increase in the pressure on inter-related services as well as DASS. • Legislative action.....	Aspinall, Kristian Last Review: 09/08/2022 Last Amended : 09/08/2022 12:42:37	4	5	20	5	3	15

Existing Controls

- Feb 2021 - The council sought agreement to a refreshed approach from the partners in the -Community Safety Partnership to the recommendations from Domestic Homicide reviews. This should give new focus from partners to learning the lessons from domestic homicides in the borough.
- Action plans for Safer Croydon Partnership. -- Action plans for Safer Croydon Partnership. -
- Action plans for the Council's Domestic Abuse Support Service (DASS). -
- Active management of workloads and pressures on staff . -
- Commissioning of DRIVE service provider. -
- Community Safety Strategy -The new Community Safety Strategy is being agreed at cabinet on the 15th November 2021, and includes specific actions and updates to our approaches on domestic violence and efforts to reduce long term causes of violence.
- Contingency location identified if move is delayed. -
- Crime & Disorder Reduction Strategy. -
- Domestic Homicide Reviews -We have agreed the funding for our domestic Violence Homicide reviews as of WB 11 /11/2021, and this will be taking place in the coming months. Any actions resulting of these will be captured in an ongoing partnership action plan, and they will be quality reviewed by the Home Office as per protocol .
- FJC -Advocates for victims of domestic abuse and sexual violence White Ribbon Borough and petition.
- FJC team working with victims and putting in place new advocacy measures -
- High number of referrals for MARAC (VAWG pan London) -We will be developing a VAWG Strategy The Police will increase their presence in Town Centres across London MARAC's will continue to be held weekly to manage the volume Secured MOPAC funding for 2 additional IDVA's to assist in managing MARAC capacity and support our mental health and childrens services .
- MARAC and DAPP processes in place. -Occurring weekly to manage increased referral volume.
- Plans in place for prevention and support -
- Presented to GPAC for full review and scrutiny 26/04/2021. -
- Strategic Assessment -Our strategic assessment was refreshed in March 2021. Although not published externally due to the sensitive nature of its contents, the findings of the SA were used in the development of the Community Safety Strategy outlined in action 1), and it continues to be the basis for evidence led decision making across the Croydon Safer Partnership.
- The Council's domestic violence conducts annual refresh of their own specific strategy and work programme -
- Action plans for the Council's Domestic Abuse Support Service (DASS). -
- Active management of workloads and pressures on staff . -
- Commissioning of DRIVE service provider. -
- Community Safety Strategy -The new Community Safety Strategy is being agreed at cabinet on the 15th November 2021, and includes specific actions and updates to our approaches on domestic violence and efforts to reduce long term causes of violence.
- Contingency location identified if move is delayed. -
- Crime & Disorder Reduction Strategy. -
- Domestic Homicide Reviews -We have agreed the funding for our domestic Violence Homicide reviews as of WB 11 /11/2021, and this will be taking place in the coming months. Any actions resulting of these will be captured in an ongoing partnership action plan, and they will be quality reviewed by the Home Office as per protocol .
- Family Justice Centre -Advocates for domestic abuse sufferers. White Ribbon Borough and petition.

- FJC team working with victims and putting in place new advocacy measures -
- High number of referrals for MARAC (VAWG pan London) -We will be developing a VAWG Strategy
- The Police will increase their presence in Town Centres across London
- MARAC's will continue to be held weekly to manage the volume
- Secured MOPAC funding for 2 additional IDVA's to assist in managing MARAC capacity and support our mental health and childrens services .

Target date 31/5/22....

- MARAC and DAPP processes in place. -Occurring weekly to manage increased referral volume.
- Plans in place for prevention and support -
- Presented to GPAC for full review and scrutiny 26/04/2021. -
- Strategic Assessment -Our strategic assessment was refreshed in March 2021. Although not published externally due to the sensitive nature of its contents, the findings of the SA were used in the development of the Community Safety Strategy outlined in action 1), and it continues to be the basis for evidence led decision making across the Croydon Safer Partnership.
- The Council's domestic violence conducts annual refresh of their own specific strategy and work programme -
- The work of the Family Justice Centre. -
- Working with the Police and other public agencies to increase referrals . -

Future Controls

Review Date

- -Completion of Croydon's VAWG strategy – end of 2022
- Annual Strategic Assessment The Council's annual strategic assessment will be published this will provide an evidence base to council practitioners and partners to better understand prevalence and types of domestic abuse across the borough.
- Community Safety Strategy - Safer Croydon Partnership Council will lead on the development of a new Community Safety Strategy for the Safer Croydon Partnership. Given our high and rising rates of domestic abuse it is likely to be a central area of focus.
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- Domestic Homicide Review findings pending following statutory review.
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- The Council's annual strategic assessment will be published this will provide an evidence base to council practitioners and partners to better understand prevalence and types of domestic abuse across the borough.

31/12/2022

07/11/2022

07/11/2022

07/11/2022

07/11/2022

07/11/2022

07/11/2022

Threat and Opportunity Risk Assessment

Impact Classification

	Service disruption	Financial Loss	Reputation/ Complaints	Statutory/ legal	People
Extreme 5	Total failure of service	Over £5m	National publicity or complaints. Resignation of Member or Chief Officer.	Multiple civil or criminal suits. Litigation, claim or fine above £5m	Multiple fatal incidents or serious permanent injuries involving staff or customers
Very high 4	Serious disruption to service	£500k- £5m	National public or press interest, including high profile complaints	Litigation, claim or fine £500k - £5m	Fatal incidents or serious permanent injuries involving staff or customers
Medium 3	Disruption to service	£50k -£500k	Local public/ press interest including significant corporate complaints volumes/impact	Litigation, claim or fine £50k - £500k	Incidents causing serious permanent injuries involving staff or customers
Low 2	Some minor impact on service	£5k - £50k	Contained within department complaints process	Litigation, claim or fine £5k - £50k	Incidents causing serious injuries involving staff or customers
Negligible 1	Annoyance but does not disrupt service	< £5k	Contained within unit/section, complaints made but resolved	Litigation, claim or fine less than £5k	Incidents causing notifiable injuries involving staff or customers

Select the highest category to score the risk.

Likelihood Classification for An Event Occurring In A Given Year

5. *Almost Certain*—Expected to occur in most circumstances (> 80%).
4. *Likely* - Will probably occur in most circumstances (51% - 80%).
3. *Possible* – Fairly likely to occur (21% - 50%).
2. *Unlikely* - Could occur at some time (6% - 20%).
1. *Rare* -May occur only in exceptional circumstances (0 – 5%).

Risk Rating/Scoring = Impact*Likelihood

Prioritisation of Risks

20-25	Those risks requiring immediate management and monitoring
9-19	Those risks requiring management and monitoring but less time critical
1-8	Those risks which require ongoing monitoring

Approaches that can be adopted for the management of risk:

- **Eliminating or avoiding:** Changing or abandoning goals specifically associated with the risk in question, or choosing alternative approaches or processes that make what was a risk no longer relevant.
- **Risk sharing:** Sharing risks in part or full with another stakeholder who could be involved solely to facilitate risk treatment.
- **Reducing the probability:** Changing approach identifying causal links between threat and impact, or causes of threat, and intervening to mitigate occurrence, acting to reduce the threat.
- **Reducing the impact:** Developing contingency plans for responding to the threat if it occurs, even if other steps have been taken to minimise risk.

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