

# Audit & Governance Committee Agenda



To: Dr Olu Olasode (Independent Chair)  
Councillor Matt Griffiths (Vice-Chair)  
Councillors Claire Bonham, Simon Brew, Sherwan Chowdhury,  
Patricia Hay-Justice, Endri Llabuti and Nikhil Sherine Thampi

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

A meeting of the **Audit & Governance Committee** which you are hereby invited to attend, will be held **Thursday, 20 April 2023 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

Hannah Cretney, Democratic Services  
[hannah.cretney2@croydon.gov.uk](mailto:hannah.cretney2@croydon.gov.uk)  
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If you require any assistance, please contact Hannah Cretney, 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 are invited to declare any disclosable pecuniary interests (DPIs) they may have in relation to any item(s) of business on today's agenda.

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

To approve the minutes of the meeting held on 02 March 2023 as an accurate record of the proceedings.

**4. Audit and Governance Committee Action Log (Pages 13 - 16)**

**5. 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.

**6. Section 24 Statutory Recommendations to the Council (Pages 17 - 32)**

The "Section 24 Statutory Recommendations Report from Grant Thornton" was presented to Council on 29 March 2023.

This report is being brought to Audit & Governance Committee for the Committee to note the recent recommendations and the Council's response, and to monitor future progress against the actions agreed by the Council.

Paul Dossett, the Audit Partner, will be available at the meeting to answer any questions from Committee Members on the report.

**7. Interim Auditor's Annual Report of the London Borough of Croydon 2019-20, 2020-21, 2021-22 (Pages 33 - 82)**

Grant Thornton have issued an Interim External Auditor's Report for the Council for the financial years 2019-20, 2020-21 and 2021-22. The report is attached as Appendix A to this report. The Council's response to the report's recommendations is attached as Appendix B.

The Audit and Governance Committee is recommended to:

1. Note the Interim External Auditor's Report from Grant Thornton.
2. Agree to monitor the implementation of the recommendations from the report.

**8. Update on the Accounts preparation 2022/23 and previous years accounts (Pages 83 - 90)**

This report provides an update on the work required to close the 2022-23 and prior years accounts. In particular it updates ongoing considerations to be finalised for the accounting treatment of arrangements with Croydon Affordable Homes and Croydon Affordable Tenures.

The Audit and Governance Committee is recommended to:

1. Note the ongoing work to close the 2022-23 and prior year accounts.
2. Note the ongoing considerations in relation to the accounting treatment of arrangements with Croydon Affordable Homes and Croydon Affordable Tenures.

**9. Annual Governance Statement Action Plan Update (Pages 91 - 138)**

In the 2021/22 Annual Governance Statement (AGS), the Council developed an Action Plan for 2022/23 to address the gaps in governance identified in the previous year. This report provides an update on the progress made with the Action Plan.

The Committee is asked to consider and comment on the Annual Governance Statement 2021/22 Action Plan Update which is attached as Appendix 1.

**10. Corporate Risk Register (Pages 139 - 178)**

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 April 2023.

The Committee is asked to note the contents of the corporate risk register as at April 2023.

**11. Anti Fraud Update (Pages 179 - 184)**

This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments 1 April 2022 – 31 March 2023.

The Committee is asked to note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2022 – 31 March 2023.

**12. Audit and Governance Committee Draft Annual Report**



# Public Document Pack Agenda Item 3

## Audit & Governance Committee

Meeting of held on Thursday, 2 March 2023 at 6.30 pm in Council Chamber, Town Hall,  
Katherine Street, Croydon, CR0 1NX

### MINUTES

- Present:** Olu Olasode (Independent Chair)  
Councillor Matt Griffiths (Vice-Chair);  
Councillor Claire Bonham, Simon Brew, Patricia Hay-Justice,  
Endri Llabuti and Nikhil Sherine Thampi
- Also Present:** Councillor Enid Mollyneaux (Substitute) and Jason Cummings
- Apologies:** Councillor Sherwan Chowdhury

### PART A

- 36/22      **Disclosure of Interests**
- There were no declarations of interest in relation to any agenda items.
- 37/22      **Minutes of the Previous Meeting**
- The minutes of the meeting held on 19 January 2023 and the meeting held on 2 February 2023 were approved as an accurate record of proceedings.
- 38/22      **Audit and Governance Committee Action Log 2022-23**
- 39/22      **Urgent Business (if any)**
- There were no items of Urgent Business.
- 40/22      **Opening the Books Review**
- The Committee reviewed a report set out on pages 17 – 110 of the agenda which presented the Opening the Books Review project including the reviews commissioned by Worth Technical Accounting Solutions and the subsequent recommendations.
- Jane West, Corporate Director of Resources and Section 151 Officer introduced the report for members. Cabinet had referred the report to the Audit and Governance Committee for review and ongoing monitoring of the 76 recommendations.

Peter Robison and Paul Boyce, Worth Technical Accounting Solutions (Worth TAS) gave their presentation to the Committee on the Opening the Books Review. The presentation can be viewed on the webcast recording here: [Audit & Governance Committee - Croydon - Civico](#).

The Cabinet Member for Finance, Councillor Jason Cummings welcomed the detailed nature of the report which provided a clear plan for the implementation of process improvements going forward.

The Committee queried the timeframe of the review and to what extent improvements had been implemented in the 2023/24 budget setting process. Worth TAS advised the review captured a point in time, with the work taking place over 5 days in August 2022. The review focused on the 2022/23 budget setting process and social care budget setting and performance. It did not review the 2023/24 budget or budget setting process.

The Committee queried whether Worth TAS believed the robustness of capacity and capabilities had improved within directorates. Worth TAS noted the strengthened finance team resourcing and the recommendation for continued prioritisation of this. A high level of personal accountability and responsibility from officers was present in the social care review, ensuring management of budgets and delivery of savings or alternatives. The social care budget process and monitoring was now felt to be in a normal position, facing similar challenges as other local authorities.

The Committee queried whether there was overlap between the RIPI and Opening the Books actions. Officers advised the Worth TAS report's recommendations were more detailed than the RIPI action points and had all been accepted. An action plan report and tracker would be brought to the June 2023 committee meeting.

Cllr Cummings noted the statement on reserves included in the budget by the S151 Officer and highlighted that building reserves would result in further borrowing and therefore impact the Council's revenue budget. Increasing reserves was a long-term aim once the Council was in a financial position to do so. Officers noted challenges in ascertaining the exact level of reserves without previous years' accounts being finalised. In 2023/24 the general reserve fund would remain at £27.5 million.

The Committee discussed the optimism bias cited in previous budget setting processes. Officers advised the current approach was to plan for the worst-case scenario. Best and worse-case scenario planning had been included in some 2023/24 budget setting processes but there was still work to implement this practice across all directorates in future years.

The Committee queried whether the budget setting issues were competency or culture based. Officers advised they appeared culture based. Progress had been made, with greater involvement of officers and improved openness in the 2023/24 process.

In response to questions around the quality of data used in the current budget setting process, officers advised the quality data work including systems integration was ongoing. The 2023/24 budget was supported by clearer data and clarity within directorates than in previous years. The Council did not expect to conduct another opening the books exercise in 2023/24.

The Committee raised concerns about the issues cited within health and social care budget setting presentation. Worth TAS advised this had been in relation to processes pre 2021 and these issues were no longer apparent during the review. It was highlighted that some of the predicted service demands in the MTFS were not in line with national trends e.g. numbers of children in social care and hospital discharge levels.

In response to questions about the previous best case scenario approach to budget setting, officers advised optimism bias was not usual in accounting practice and this had resulted in the historical budget inaccuracies and £49 million of adjustments required.

The Committee queried the strategy of selling assets to raise income if there were no properties left to sell. Councillor Cummings noted the differences in Croydon's structural debt compared with elsewhere e.g. in Slough. Croydon did not have a comparable value of assets, with previous debts not having produced saleable assets and the Council was therefore in conversations with central government about writing off a proportion of debt. The ongoing £100 million asset disposal programme was noted. Worth TAS advised that property sale and lease back would cost more money and compound issues.

At the request of the Committee officers agreed the future monitoring reports would include prioritisation of the recommendations.

The Committee RESOLVED to:

1. Note the Worth Technical Accounting Solutions reports
2. To agree to monitor the implementation of the recommendations from the reports

41/22

## **2023/24 Budget Assurance**

The Committee reviewed a report set out on pages 111-268 of the agenda pack to seek assurance on the improvements made to the 2023/24 budget setting process.

Jane West, Corporate Director of Resources and Section 151 Officer introduced the report for members and highlighted Section 11. of the

Cabinet budget report detailing the robustness of budget estimates and the level of reserves held.

The Committee asked how the Cabinet Member for Finance had been assured the key risks were mitigated and had considered the resilience of the estimates. Cllr Cummings noted the previous year's inaccuracies and the Committee's need for assurances. They advised the Committee could explore any budget estimate discrepancies through the monitoring reports received throughout the year to seek justification and assurance.

The Committee asked how the 1% decrease in council tax collection rate had been modelled and whether the potential for the proposed 15% rise to be more difficult to collect had been considered. Officers confirmed the 1% decrease to council tax collection rates (now 97.5%) had taken account of the 15% rise impact. The 1% was based on judgment, other local authority collection levels and the hardship fund support available. The 97.5% was the total expected to be collected across the period which could be up to 3 years. Officers explained the collection fund process for council tax accounting, advising that due to this any shortfall would fall on the following year (2024/25).

In response to questions about whether there had been a £43 million covid funding shortfall from central government, officers confirmed this was not the case. This understanding had stemmed from the inaccurate attribution of Council overspend, to covid related overspend in 2021. The figure comprised £22 million of undelivered savings, expenditure overspend and lost income e.g. parking. These would not have met the conditions for central government covid support. Officers advised Croydon would have received standard covid support grants however the receipt of any sales, fees and charges claim/s had not yet been reconciled. The Committee requested this piece of work to be completed to confirm the Council's position.

The Committee requested an update on the finalisation of the 2019/20 accounts onwards. Officers noted Croydon Affordable Homes (CAH) and the HRA general fund split were the elements delaying the process. Consensus on both issues had now been agreed with the external auditors. It was likely the £70 million CAH loss would be taken and the expectation was to bring the 2019/20 accounts to the June Committee meeting. The 2020/21 accounts had been completed but required adjustment, with auditors working on these where possible. The 2021/22 accounts would also require adjustment and auditing. This work was ongoing and unlikely to be fully completed within the next year.

Officers confirmed the £36 million of savings within the budget would decrease the Council's expenditure, with a further £38 million in savings still required and being discussed with central government.

The Committee queried which risks that had been considered during the budget setting process. Officers explained some of the key risks

considered were adult social care demand, external economic factors and homelessness.

Cllr Cummings advised the overall approach to balancing the budget included contingences and a level of flexibility to mitigate any individual budget variances.

The Committee raised concerns about the process of completing the equality impact assessment and whether sufficient data had been available. Officers advised the process had been completed and an active equality impact assessment (EQIA) was in place. Those in receipt of council tax support (CTS) would be protected from the increase and hardship fund support would be available for low-income households.

It was agreed that the medium-term financial strategy tracker would be brought to the Committee quarterly to monitor budget variances.

The Committee RESOLVED: to note report on the improvements to the budget setting process.

42/22

#### **Update on follow up audits for 2017/18, 2018/19, 2019/20 and 2020/21**

The Committee reviewed a report set out on pages 269-276 on the agenda pack which provided a progress update on the audit actions from 2017/18 to 2020/21 as requested by the Committee at its February 2023 meeting.

Dave Philips, Head of Internal Audit introduced the report for members and provided a verbal update on actions which had received an update since the report was submitted to the Committee.

The Committee agreed the development of a process to involve the Cabinet Member for Finance in resolving recurrent or longstanding internal audit actions whilst ensuring visibility to the Committee.

In response to questions officers advised a large proportion of the Creditors – Procure to Pay internal audit actions had related to non-compliance with procurement processes resulting in the non-payment of invoices. The Committee queried the approach to avoid this in future. Officers advised this was intended to be resolved as part of the Oracle Fusion project's reporting output and improvements to procedure notes and staff accountability.

The Committee RESOLVED to note the progress since the last Committee meeting on the status of prior year follow up audits.

43/22

#### **Internal Audit Charter Strategy and Plan**

The Committee reviewed a report set out on pages 277 – 294 of the agenda pack to approve the 2023/24 Internal Audit charter, strategy and work plan.

Dave Philips, Head of Internal Audit introduced the report for members.

The Committee asked whether there was flexibility for additional audit requests throughout the year. Officers advised a contingency of 20 days per year was included to allow for this.

The Committee queried whether it was possible to include reporting on those areas not included in the plan, where other reviews or sources of assurance were in place. Officers confirmed other sources of assurance were considered but noted this would be a considerable task to report. The internal audit reporting and annual governance statement would together provide a holistic picture of all sources of internal and external assurance.

Officers confirmed the Committee would receive assurance mapping training to review the Committee terms of reference and correlate these to the reporting and assurances it received.

The Committee RESOLVED, to approve:

1. The Internal Audit Charter (Appendix 1)
2. The Internal Audit Strategy (Appendix 2)
3. The plan of audit work for 2023/24 (Appendix 3)

44/22

### **Dedicated Schools Grant Deficit Management Plan 2023**

The Committee reviewed a report set out on pages 295-308 of the agenda pack which provided an update on the Dedicated Schools Grant Deficit Management Plan progress and forward plans.

Charles Quaye, Head of Finance for Children, Families and Education and Kathy Roberts, Head of Service, SEND Transformation and Delivery introduced the report for members.

The Committee queried the benchmarking of Croydon in comparison to other councils. Officers advised that Croydon was in the second wave of the Safety Valve programme and likely in the top ten of local authorities with the highest DSG deficits.

Officers also explained that if successful, Safety Valve payments would be on an annual basis dependent on the evidencing of progress and meeting key performance targets. There was a level of flexibility for deviation from these figures which would need to be justified to the Department of Education (DoE). It was anticipated payments may be front loaded to resource the planning and development of services at the start of the plan.

The Committee queried whether internal audit or any external review had looked at the 2020/21 £1.2 million deviation. Officers advised this had

been subject to court proceedings with the Academy and a compromised settlement had been achieved in conjunction with the DoE, setting a precedent for deviation across the scheme.

It was noted that the return template provided robust forecasting for the plan.

The Committee RESOLVED, to note: the overall performance of the Deficit Recovery Plan and the progress report, including risks and opportunities.

The meeting ended at 9.10 pm

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Audit and Governance Committee Action Log 2022-23

Date of meeting	Action	Agenda ref.	Deadline	Progress
13 October 2022	Officers separate operational budgeting and financial variances	11/22	By next Budget Monitoring report	Officers plan to incorporate this additional analysis I.e., showing separately the impact of unbudgeted balance sheet movements, from the Month 7 financial monitoring report.
13 October 2022	Officers include wording in the report about context around the process and consultation with the Assurance and Improvement Panel	11/22	As above	Reference is made to the process with the Assurance and Improvement Panel in the monthly monitoring reports. However, the report to Cabinet on 30 November 2022 covering the Medium Term Financial Strategy will go into more detail on the engagement with the Assurance and Improvement Panel.
13 October 2022	Officers to include RAG ratings against the 12 RIPI recommendations	14/22	By next report	
19 January 2023	Officers to include additional staff training in 'way forward' plans. Suggestion of training to include additional support for teams likely to be most impacted by self-service push back (HR, Finance) to be taken to Programme Steering Group.	27/22	By next report	
19 January 2023	Benchmarking data on Whistleblowing incidences at other Councils to be included in future reporting.	29/22	By next report	
02 February 2023	Quarterly reporting on 2018/19 Energy Recharges Recommendation progress.	33/22	June meeting	
02 February 2023	Formal aspirational timeline target to achieve the 90% completion of Internal Audit recommendations to be considered in 23/24 IA Service Plan.	33/22	June meeting	

02 February 2023	Previously shared dashboard style reporting illustrating the movement of risks to be brought to Committee.	34/22	By next report	
02 February 2023	Agreed to consider adding Risk FIR0061 to the register as an ongoing risk.	34/22	By next report	
02 March 2023	Prioritisation of recommendations to be included in future opening the books reporting and action tracker.	40/22	June meeting	
02 March 2023	Covid funding including Sales, fees and charges grants reconciliation to be completed.	40/22	Ongoing	
02 March 2023	Committee to receive quarterly MTFS tracker to monitor budget variances.	41/22	June meeting	
02 March 2023	Development of process to involve the Cabinet Member for Finance in resolving recurrent internal audit actions whilst ensuring visibility to the Committee.	42/22	Ongoing	

## Completed Actions

Date of meeting	Action	Deadline	Progress	Narrative
13 October 2022	Officers to include commentary on the movement of risk ratings to support members' understanding of the process – arrow indicator to be included to show the direction of travel risk had moved	16/22	Complete	Escalation and De-escalation of risks from red status now included in covering report (2 February 2023)
24 November 2022	Include an appendix with the Internal Audit Update with definitions for the significance of recommendations	19/22	Complete	Included in Report Appendix, Appendix 9. (2 February 2023)
02 February 2023	Exception report from CMT regarding their response and actions regarding the longstanding Internal Audit recommendations.	33/22	Complete	Reported to 2 March meeting.
02 February 2023	Review relevance of final Impact Narrative on Risk CIC0005.	34/22	Complete	Updated 7 March 23: Inability of landlords to take swift action through the courts to pursue non-payment remedies has been removed from the risk as we accept that we do this.

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## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>Council</b>
<b>DATE OF DECISION</b>	<b>29 March 2023</b>
<b>REPORT TITLE:</b>	<b>Section 24 Statutory Recommendations Report from Grant Thornton</b>
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Katherine Kerswell, Chief Executive Jane West, Corporate Director of Resources (Section 151 Officer)</b>
<b>LEAD OFFICER:</b>	<b>Jane West, Corporate Director of Resources</b>
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>
<b>WARDS AFFECTED:</b>	<b>All</b>

### 1 SUMMARY OF REPORT

- 1.1 The purpose of this report is to present a recent Section 24 Statutory Recommendations Report received from the Council's external auditors, Grant Thornton, along with the Council's response to those recommendations.
- 1.2 As well as giving an opinion on the financial statements and assessing the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, Grant Thornton have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.
- 1.3 Following the two Public Interest Reports they issued in October 2020 and February 2022 and the Report issued on 18 November 2022 by the Council's Section 151 Officer under s.114 of the Local Government Finance Act 1988, Grant Thornton have concluded that it is appropriate to make written recommendations under section 24 of the Act. They have concluded that they have a duty to report on the historically inadequate arrangements and capacity at the Council, most particularly in relation to the financial years 2019/20, 2020/21 and 2021/22, to prepare reliable financial statements and supporting working papers and concerns regarding the Council's financial sustainability and historic levels of reserves.
- 1.4 Due to the backlog in finalising and auditing the Council's accounts for the financial years 2019/20, 2020/21 and 2021/22, this is the first opportunity Grant Thornton have

had for over a year to report to Full Council. Paul Dossett, the Audit Partner, will be available at the Council meeting to answer any questions from councillors.

- 1.5 The Council and Grant Thornton have recently agreed a new approach to the accounting for Croydon Affordable Homes and the Council has recently completed its review of the recharges to the Housing Revenue Account from the General Fund. This has unlocked the opportunity to now conclude the Council's accounts from 2019/20 onwards.
- 1.6 The Appointments and Disciplinary Committee on 9 November 2022 requested that the Corporate Director of Resources and the Monitoring Officer meet with the External Auditor to convey its decision that the Committee did not endorse the decision of the August 2020 Appointments Committee that the settlement payments made to the former Chief Executive were value for money. The Committee also asked the External Auditor to reflect upon the Committee's decision in the value for money judgement for the 2020/21 financial year in the External Auditor's letter. This Section 24 Report reflects the outcome of that review by the Council's External Auditor, Grant Thornton.
- 1.7 Grant Thornton's full report is attached as Appendix A to this report. The Council's response to the recommendations is attached in Appendix B.

## **2 RECOMMENDATIONS**

Council is recommended:

- 2.1 To accept the recommendations presented by Grant Thornton in Section 24 Statutory Recommendations Report attached as Appendix A.
- 2.2 To approve the actions in response to these recommendations as set out in Appendix B.

## **3 REASONS FOR RECOMMENDATIONS**

- 3.1 The Council is obliged to decide whether the recommendations raised in the Section 24 Statutory Recommendations Report are to be accepted, and what, if any, action to take in response to the recommendations.

## **4 BACKGROUND AND DETAILS**

- 4.1 As set out in the Section 24 Statutory Recommendations Report from Grant Thornton at Appendix A and the Council's response to those recommendations as set out in Appendix B.

## **5 LEGAL IMPLICATIONS**

- 5.1 Under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014, a local auditor may make a written recommendation to the authority during or at the end of an audit, and any such recommendation must be sent to the Secretary of State.
- 5.2 The authority must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the authority. At that meeting, the authority must decide whether the recommendation is to be accepted, and what, if any, action to take in response to the recommendation.
- 5.3 The consideration of the recommendation as specified above is a council (non-executive) function, which cannot be delegated by full Council.
- 5.4 In addition to the usual requirements to give notice of meetings, the authority must give notice stating the time and place of the meeting, indicating that the meeting is to be held to consider a local auditor's recommendation, and setting out the recommendation, or where this is not reasonably practicable describing the subject-matter. The notice must be published before the beginning of the period of 8 days ending with the day of the meeting. The notice must be published on the website, and otherwise in such manner as the authority thinks is likely to bring the notice to the attention of people who live in its area.
- 5.5 The agenda supplied to the Members for the meeting must be accompanied by a copy of the recommendation.
- 5.6 The usual rules relating to "exempt information" do not apply, and neither the recommendation nor any report on the recommendation can be treated as exempt information.
- 5.7 In addition to the usual requirements for publicity in relation to decisions, the authority must as soon as practicable after making the decisions specified above, notify the local auditor of those decisions, and publish a notice containing a summary of those decisions which has been approved by the auditor. Again, the notice must be published on the website, and otherwise in such manner as the authority thinks is likely to bring the notice to the attention of people who live in its area.

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

## **6 APPENDICES**

Appendix A - Section 24 Statutory Recommendations Report from Grant Thornton

Appendix B – The Council’s response to the Section 24 Statutory Recommendations Report from Grant Thornton



# London Borough of Croydon Council

## Section 24 Statutory recommendations

March 20 2023



Croydon London Borough Council

Bernard Weatherill House,  
8 Mint Walk  
Croydon CR0 1EA

20 March 2023

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Grant Thornton UK LLP

30 Finsbury Square  
London  
EC2A 1AG

[grantthornton.co.uk](http://grantthornton.co.uk)

Dear Sirs/Madames

## Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

### Our responsibilities

As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to inadequate arrangements and capacity at the Council to prepare reliable financial statements and supporting working papers and concerns regarding the Council's financial sustainability and levels of reserves. Further details are included in the attached report. This report follows Public Interest Reports we issued in October 2020 and February 2022 and the Report issued on November 18 2022 by the Council's Section 151 Officer under s.114 of the Local Government Finance Act 1988.

### What does the Council need to do next?

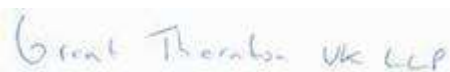
Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

At that public meeting the Council must decide

- whether the recommendations are to be accepted, and
- what, if any, action to take in response to these recommendations

Schedule 7 specifies the meeting publication requirements that the Council must comply with.



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### Grant Thornton UK LLP

#### Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London EC2 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see [grantthornton.co.uk](http://grantthornton.co.uk) for further details.

# Background to the recommendations

We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24, Schedule 7 of the Act, due to inadequate arrangements in financial management at the Council exposed further by the recent report by the Council's S151 officer under s114 of the Local Government Finance Act 1988. This report is in addition to public interest reports issued in October 2020 and January 2022 in respect of the Council's financial management, governance and procurement arrangements. The Council's 2019/20 accounts remain unsigned.

## Financial management arrangements at London Borough of Croydon Council

In October 2020 we issued a public interest report in respect of the following:

- Overall financial management and financial accounting arrangements
- Significant weaknesses in budgetary control during the year
- Levels of usable reserves
- Financial governance, monitoring and controls relating to Group entities

The Council has changed considerably since this report with a change in both political model (moving to an elected Mayor arrangement in 2022) and political control. All the senior officers overseeing the matters reported in October 2020 have been replaced. The Council now has an independent Improvement and Assurance Panel led by Tony McArdle. New management has been in place since April 2021. This report largely relates to the ongoing legacy of that period.

In January 2022, we issued a further public interest report in respect of Fairfield Halls due to significant failings in appropriate decision making, governance, and control as well as a failure to comply with procurement law in the period 2016-2019. We would also note that during the 2020/21 financial year, the Council's former section 151 officer issued two section 114 notices (S114) in respect of the Council's ability to comply with the law requiring it to set a balanced budget. In November 2022 the Council's current section 151 (S151) officer issued another s114 report in respect of the 2023/24 budget.

*The combination of the ongoing budget requirements of these legacy budget adjustments and fundamental structural issues within the Council's finances such as the toxic debt burden of negative equity from historic uncontrolled borrowing and the national and global issues the local government sector is currently facing has undermined the progress being made on the financial recovery. The S151 Officer has concluded that this necessitates a S114(3) Notice to be issued.*

The S151 officer's S114 report highlights a number of issues which reflect the ongoing legacy of the financial management standards which had previously fallen well below that which should be expected of a taxpayer funded body. The November 2022 report reflects the following key weaknesses:

- The Council has a legacy of toxic debt which cannot be matched by the value by disposing of related assets
- The Council has significant financial risks associated with Croydon Affordable Homes which has the potential to impact General Fund Reserves by up to £70m
- The Council has identified that the Housing Revenue Account has been overcharged for support costs for a number of years and this will need to be reversed
- The Council's "Opening the Books" exercise has identified legacy budgeting issues that have worsened the financial landscape
- The Council is having to deal with a landscape with revenue inflation of nearly 10% (capital inflation in the economy as a whole is running close to 20%) when the 2022/23 funding settlement was at circa 3% and unlikely to increase in the medium term

Our statutory recommendations are a reflection of the serious nature of the issues identified in the S114 report which reflect the legacy of longstanding weaknesses in financial management at the Council. The recent challenges in setting a lawful budget for 2023/24 suggest that some members have not fully grasped the impact of the legacy financial position.

# Background to the recommendations

## The Council's legacy financial position and governance weaknesses

Our audit responsibilities under the Audit Code of Practice set by the National Audit Office (NAO) require us to report to the Council annually on our assessment of its arrangements for delivering value or money in respect of Financial Sustainability, Governance and economy and efficiency and effectiveness. In our view, in 2020/21 the Council's arrangements were not adequate in many cases largely due to the historic and systemic failings we identified in our Public Interest Report. In 2021/22 we saw the start of the turnaround although some of these weaknesses remained in place throughout 2021/22. We will report our detailed findings to the April Audit Committee meeting but for the purposes of this report we have identified some ongoing material weaknesses that have their legacy in the last decade but which will need to be addressed:

- The findings from the Regina Road review demonstrated significant failings in the Council's Housing governance
- Internal Audit reviews in 2020/21 and 21/22 continued to find ongoing and systemic weaknesses in the Council's arrangements for procurement and contract management
- The Council has a legacy of poor accounting processes - including routine bank reconciliations that were not completed during 2019/20 or 2020/21 and failing to demonstrate appropriate independent accounting arrangements by processing all company transactions on the Council's general ledger system, despite having a very complex set of companies in its Group
- The Council has historical significant capital accounting weaknesses that require addressing including Croydon Affordable Homes and the Council has never been able to fully demonstrate what transformation it has achieved from its use of capital receipts to support revenue transformation, permitted under DLUHC guidance
- The Council's arrangements to terminate the former Chief Executive employment in August 2020 were reviewed by the current management and reported to the Appointments Committee in April 2022 and Full Council in December 2022. Whilst the reports found no evidence that the payments to the former CEO were *ultra vires*, the lack of rigorous challenge and consideration of alternatives demonstrated in August 2020 was below the standard we would expect from a public body.

## The 2023/24 budget and beyond

In her s.114 report the S151 officer has noted that:

*“The more significant problem for the Council is that the work which has been done in preparation for the 2023/24 Council Tax Setting in February or March 2023 has identified that expenditure the authority is projected to incur in each year of the period 2023/24-2026/27 will exceed resources (including sums borrowed) available to the Council to meet that expenditure. The combination of the ongoing budget requirements of these legacy budget adjustments,*

*fundamental structural issues within the Council's finances such as the toxic debt burden of negative equity from historic uncontrolled borrowing and the national and global issues the local government sector is currently facing has undermined the progress being made on the financial recovery. The S151 Officer has concluded that this necessitates a S114(3)*

*Notice to be issued.”*

We have also noted that the Secretary of State has given the Council permission to raise the Council Tax for 2023/24 by up to 15%. Whilst there are wider political and social implications of such a decision, it will, in part, start to address the Council's financial position.

As our previous public interest reports have set out, better use of taxpayers money in the past may have obviated the need for such increases at this time. Members must own the decisions of the past and use their roles to ensure rigorous scrutiny in spending in the next few years. Members should focus on the best outcomes for Croydon residents and minimising the political divisions that have characterised the past.

We would also note the Ministerial Statement of 16 March 2023 introduces directions which give the Improvement and Assurance Panel the power to issue instructions to the Council and requires the Panel to report to Ministers on the Council's progress every six months.

Page 5 sets out our statutory recommendations.

# Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Area	Recommendation	Management Response/Responsible Officer/Due Date
Addressing the s114 report	<p>The Council should put in place robust arrangements to address and implement the recommendations of the s151 officer set out in her section 114 report. In our view the Council should:</p> <ul style="list-style-type: none"> <li>• Finalise the root and branch review of financial management in all service departments and in respect of corporate decisions as part of the Opening the Books exercise</li> <li>• Resolve the accounting arrangements in respect of Croydon Affordable Homes</li> <li>• Invest significant extra resource (when possible) in finance capacity, internal audit and risk management to ensure robust processes are brought into place to monitor progress and meet statutory financial obligations</li> <li>• Demonstrate clearly to Council tax payers how the additional Council tax for 2023/24 has been properly controlled and demonstrates improvements in value for money arrangements.</li> </ul>	See report to Council on 29 <sup>th</sup> March 2023- Appendix B
Improving governance at the Council	<p>The Council should develop a comprehensive project plan for the improvement in governance arrangements:</p> <ul style="list-style-type: none"> <li>• Develop an action plan to clear the three outstanding years of accounts and audit by June 2024</li> <li>• Develop and enhance governance process for all key investment decisions and develop a Panel to address the accounting implication of all capital investments</li> <li>• Enhancing existing officer control activities by ensuring the Scrutiny Committee robustly challenges the monthly budgets report from officers from a governance and control perspective.</li> <li>• Ensure that the lessons learned from the former CEO's termination payments, as set out to Full Council in 2022, are applied to all future Chief Officer severance payments</li> </ul>	See Report to Council on 29 <sup>th</sup> March 2023 – Appendix B



## **Appendix B**

### **The Council's response to the Section 24 Statutory Recommendations Report from Grant Thornton**

<b>Recommendation</b>	<b>Comments</b>	<b>Accountable Officer</b>
<p>Finalise the root and branch review of financial management in all service departments and in respect of corporate decisions as part of the Opening the Books exercise</p> <p><b>Agreed</b></p> <p><b>Partially complete</b></p> <p><b>To be completed during 2023</b></p>	<p>Full root and branch reviews of financial management in Adult Social Care and Children's, Young People and Education were completed by Worth Technical Solutions in 2022. Similar exercises will be commissioned during 2023 for Sustainable Communities, Regeneration and Economic Recovery, Housing, Assistant Chief Executives and the Resources Directorates.</p>	<p>Corporate Director of Resources and S151 Officer</p>
<p>Resolve the accounting arrangements in respect of Croydon Affordable Homes</p> <p><b>Agreed</b></p> <p><b>In progress</b></p> <p><b>To be completed by June 2023</b></p>	<p>Progress has been achieved recently through a joint workshop between the Council and Grant Thornton. It is a joint commitment to conclude the accounting arrangements for CAH by the end of June 2023.</p>	<p>Corporate Director of Resources and S151 Officer</p>
<p>Invest significant extra resource (when possible) in finance capacity, internal audit and risk management to ensure robust processes are brought into place to monitor progress and meet statutory financial obligations</p>	<p>Funding of £750k was set aside from Contingency for the Opening the Books exercise in 2022/23. There is currently £200k available to be rolled forward into 2023/24 which will be deployed in delivering improvements recommended from the Opening the Books reviews, which are being</p>	<p>Corporate Director of Resources and S151 Officer</p>



<p><b>Agreed</b></p> <p><b>To be progressed during 2023</b></p>	<p>monitored by the Audit and Governance Committee.</p> <p>The Director of Finance (Deputy S151) is carrying out a review of the finance staffing structure and will submit any necessary request for short term and/or long term growth funding for consideration through the Council's 2024-25 budget setting process.</p> <p>A major new project to improve the Oracle Enterprise Resource Planning system is currently being scoped. This will require significant investment but will deliver robust financial reporting and improved support for budget managers. The project will also focus on improving administrative processes across the Council, improving its efficiency and capacity. A funding request will be made for the project by June 2023. Capacity in Internal Audit and in Risk Management has been increased in the last twelve months. Risks are being managed through the JCAD ICT System, the use of which is being promoted through a network of Risk Champions across the Council. Managers are much more engaged and are adding and updating risks on a quarterly basis.</p>	
<p>Demonstrate clearly to Council tax payers how the additional Council tax for 2023/24 has been properly controlled and demonstrates improvements in value for money arrangements.</p> <p><b>Agreed</b></p> <p><b>To be progressed for June 2024</b></p>	<p>It has been agreed with Grant Thornton that the Council will produce a report by June 2024 detailing how the additional Council tax for 2023/24 has been properly controlled and demonstrates improvements in value for money arrangements</p>	<p>Corporate Director of Resources and S151 Officer</p>



<p>Develop an action plan to clear the three outstanding years of accounts and audit by June 2024</p> <p><b>Agreed</b></p> <p><b>To be progressed by April 2023</b></p>	<p>This is possible now the Council and Grant Thornton have agreed a new approach to the accounting for Croydon Affordable Homes and the Council has recently completed its review of the recharges to the Housing Revenue Account from the General Fund. A dependency will be Grant Thornton staff being available to complete the audit work.</p>	<p>Director of Finance and Deputy S151 Officer</p>
<p>Develop and enhance governance process for all key investment decisions and develop a Panel to address the accounting implication of all capital investments</p> <p><b>In progress</b></p> <p><b>To be completed by September 2023</b></p>	<p>This recommendation is aligned to the Capital Strategy Improvement Plan recommendations recently delivered by PWC. Improved governance through the Capital Internal Control Board is already in place. The Treasury Green Book Model is under development and will be trialled on the Regina Road Regeneration Project ready to be rolled out to future capital schemes. Apart from Regina Road, there are no other capital investments planned in the immediate future.</p>	<p>Director of Finance and Deputy S151 Officer</p>
<p>Enhance existing officer control activities by ensuring the Scrutiny and Governance Committee robustly challenges the monthly budgets report from officers from a governance and control perspective.</p> <p><b>Agreed</b></p> <p><b>Completed</b></p>	<p>Agreed for immediate implementation.</p>	<p>Director of Finance and Deputy S151 Officer</p>
<p>Ensure that the lessons learned from the former CEO's termination payments, as set out to Full Council in 2022 and set out in detail below, are applied to all future Chief Officer severance payments</p>	<p>The requirement of Statutory Guidance on Special Severance Payment is being adhered to.</p> <p>There have been changes made to the Pay Policy Statement to make it</p>	<p>Chief People Officer</p>

<p><b>Agreed</b></p> <p><b>Complete</b></p>	<p>clear that Special Severance Payments and severance</p> <p>packages of £100,000 and above should be approved by a vote of full Council. However, if the proposals are being made in the context of litigation and the making of the decision is urgent, General Purposes Committee (GPC) can approve such payments in accordance with the Council's constitution. Decisions will only be referred to the GPC</p> <p>for approval in limited and exceptional cases, where a decision is required urgently in the context of litigation.</p> <p>A robust written business case setting out the considerations for making a Special Severance Payment, along with appropriate written professional legal and financial advice, must be provided where approval for a Special Severance Payment is sought.</p> <p>In line with Statutory Guidance any settlement agreement between £20,000 and up to £100,000 has to be approved by the Executive Mayor and Chief Executive, with a full written business case demonstrating good value to the taxpayer, A settlement below £20,000 has the same requirements, approved by the Chief People Officer</p>	
<p>That proper records are kept of any conversations, discussions, or meetings of any potential settlement agreements with an employee.</p> <p><b>Agreed</b></p>	<p>Records are kept within the written business case to demonstrate the legal and financial best value case. Where members are involved in the decision-making process, a full written note will be taken and</p>	<p>Chief People Officer</p>

<b>Complete</b>	retained by Democratic Services (see final action point below)	
That reasonable enquiries are made to establish all the facts, events, and circumstances that give rise to any proposed settlement agreement, including any wrongdoing by the parties involved.  <b>Agreed</b> <b>Complete</b>	Appropriate legal and financial advice is taken and recorded to ensure all facts and events are considered as part of the best value written business case	Chief People Officer
That legal advice is sought on merits and chances of success of any potential claim against the Council and quantum of damages awarded. This should inform the decision on any potential settlement payment.  <b>Agreed</b> <b>Complete</b>	As above, legal advice is sought and captured in the written business case to ensure best value for the taxpayer is satisfied	Chief People Officer
There is compliance with the governance arrangements relating to the decision-making on settlement payments.  <b>Agreed</b> <b>Complete</b>	Addressed through the Pay Policy statement 2023/4 which sets out clearly the governance arrangements and compliance with the Statutory Guidance for Special Severance Payments	Chief People Officer
That officers and members who are the subject of the dispute are not involved in the decision-making relating to the proposed settlement agreement.  <b>Agreed</b> <b>Complete</b>	Addressed in the Pay Policy Statement 2023/4	Chief People Officer
That Democratic Services attend both the open and exempt part of any committee meeting for approval of settlement payments. That proper minutes of the meeting are taken so that there is an understanding of the reasons for the decision and the deliberation by the committee.  <b>Agreed</b>	Addressed in the Pay Policy Statement and in all meeting practice	Director of Legal Services (Monitoring Officer)

Complete		
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## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>20 April 2023</b>	
<b>REPORT TITLE:</b>	<b>Interim Auditor's Annual Report</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West Corporate Director of Resources and Section 151 officer</b>	
<b>LEAD OFFICER:</b>	<b>Jane West, Corporate Director of Resources</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>N/A</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	<b>N/A</b>	
<b>KEY DECISION?</b>	<b>No</b>	<b>REASON: N/A</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

### 1 SUMMARY OF REPORT

Grant Thornton have issued an Interim External Auditor's Report for the Council for the financial years 2019-20, 2020-21 and 2021-22. The report is attached as Appendix A to this report. The Council's response to the report's recommendations is attached as Appendix B.

### 2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 Note the Interim External Auditor's Report from Grant Thornton.
- 2.2 Agree to monitor the implementation of the recommendations from the report.

### 3. BACKGROUND AND DETAILS

- 3.1 Grant Thornton, the Council's External Auditor, has issued an Interim External Auditor's Report for the financial years 2019-20, 2020-21 and 2021-22. The report is attached as Appendix A to this report.
- 3.2 Although the external audit of the accounts for these years are delayed, Grant Thornton are obliged under the National Audit Office Code of Practice to report concerns promptly rather than waiting until the audit work is complete. This report fulfils this requirement and reports against three areas in line with the NAO Code:-
- Financial Sustainability
  - Governance
  - Improving Economy, Efficiency and Effectiveness.
- 3.3 The report sets out the history of reporting from Grant Thornton in the context of the Council's serious financial position which emerged in late 2020. It documents the progress the Council has made so far and the challenges it still faces. They have examined the following areas under Financial Sustainability:-
- Identifies all the significant financial pressures it is facing and builds these into its short and medium term plans
  - Plans to bridge its funding gaps and identify achievable savings
  - Plan sits finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
  - Ensures its financial plans such as workforce, capital, investment and other operational planning
  - Identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans
- 3.4 The areas under governance are:
- Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
  - Approaches and carries out its annual budget setting process
  - Ensures effective processes and systems are in place to ensure budgetary control
  - Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
  - Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.
- 3.5 Finally in the area of improving economy, efficiency and effectiveness Grant Thornton report against:
- Uses financial and performance information to assess performance and to identify areas for improvement

- Evaluates the services it provides to assess performance and identify areas for improvement
- Ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- Ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

3.6 Grant Thornton make four new recommendations to the Council which have all been accepted by the Council in relation to the delivery of sufficient savings to return the Council to financial sustainability, increasing the profile of internal audit and the pace of delivery of internal audit recommendations, improving resident engagement and strengthening procurement governance. The Council's responses to the recommendations are set out in Appendix B to this report.

## 4 ALTERNATIVE OPTIONS CONSIDERED

N/A

## 5 CONSULTATION

None

## 6. CONTRIBUTION TO COUNCIL PRIORITIES

The delivery of the recommendations of the Interim Auditor's Annual Report from Grant Thornton aligns with the Mayor's core outcome of balancing the Council's books.

## 7. IMPLICATIONS

### 7.1 FINANCIAL IMPLICATIONS

7.1.1 The recommendations from the Internal Auditor's Annual Report are accepted in full and progress on their implementation will be monitored.

**Approved by:** Allister Bannin, Director of Finance (Deputy Section 151 Officer) on behalf of Corporate Director of Resources.

### 7.2 LEGAL IMPLICATIONS

7.2.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Audit and Governance Committee is required by its terms of reference to "consider the reports of external audit and inspection agencies and make recommendations as appropriate to management,

Cabinet and/or Full Council. To review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit".

- 7.2.2 Under Section 20 of the Local Audit and Accountability Act 2014, in auditing the authority's accounts, the local auditor must be satisfied that the accounts comply with legislative requirements, that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view, and that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The local auditor must also comply with the applicable code of practice, and the Code of Audit Practice issued by the National Audit Office requires the auditor to clearly document the work they have undertaken and report each year, having regard to certain specified reporting criteria, namely financial sustainability, governance, and improving economy, efficiency and effectiveness..2.3 The authority is of course, also under a general duty "to make arrangements for the proper administration of their financial affairs" under Section 151 of the Local Government Act 1972. In addition, the authority is under a duty to deliver its functions in a manner which promotes economy, efficiency and effectiveness, and therefore the consideration of this report also seeks to demonstrate the authority's compliance with its Best Value Duty under the Local Government Act 1999.

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

### 7.3 EQUALITIES IMPLICATIONS

- 7.3.1 Under the Public Sector Equality Duty of the Equality Act 2010, decision makers 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.
- 7.3.2 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.
- 7.3.3 Protected characteristics defined by law include race and ethnicity, disability, sex, gender reassignment, age, sexual orientation, pregnancy and maternity, and religion or belief.
- 7.3.4 Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law,



assessments must contain sufficient information to enable the local authority to show it has paid 'due regard' to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively. There have been no direct Equalities implications arising from this report.

**Approved by:** Barbara Grant on behalf of Denise McCausland – Equality Programme Manager

## **7.4 HUMAN RESOURCES IMPLICATIONS**

7.4.1 There are no immediate workforce implications arising from the recommendations in this report. Any mitigation on budget implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and procedures and where necessary consultation with our recognised trades unions.

**Approved by:** Dean Shoesmith, Chief People Officer

## **8. APPENDICES**

Appendix A: Interim External Auditor's Annual Report from Grant Thornton

Appendix B: The Council's Response to the Interim External Auditor's Annual Report

## **9. BACKGROUND DOCUMENTS**

None

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# Interim Auditor's Annual Report on London Borough of Croydon

## 2019-20, 2020-21 and 2021-22



# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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. Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the London Borough of Croydon has put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. Our audit of the Council's financial statements for 2019-20 and 2020-21 and 2021-22 is not yet complete. Our value for money assessment for each of those three years is also not yet complete. In relation to value for money from 2020-21 onwards, the National Audit Office requires that where an auditor has significant concerns about a Council's arrangements, they report those concerns promptly rather than wait for all other audit work to conclude. This interim Annual Auditors Report meets that requirement by providing an overview of progress so far in forming a value for money conclusion for 2019-20 and a commentary on value for money arrangements in place during 2020-21 and 2021-22. We also met the NAO requirement to report promptly by publishing Reports in the Public Interest in October 2020 and January 2022 and by publishing Section 24 Statutory Recommendations in March 2023.

Our October 2020 Report in the Public Interest highlighted the size of the London Borough of Croydon's financial gap for 2020-21 and historic failings in governance. Our report made 20 recommendations, eight of which were high-priority. The high-priority recommendations are shown in Appendix B to this report. Following our report, the government (then MHCLG) conducted a non-statutory review of the Council. The non-statutory review concluded in November 2020 that there was no credible alternative option but capitalisation to remedy the Council's 'perilous' financial situation.

In November and December 2020, the Council's s151 Officer issued two s114 notices. These notices made clear to all members of Croydon Council as well as staff and residents that the Council faced an extremely serious financial situation. The Council produced the first version of an Improvement Plan in December 2020, and an Improvement and Assurance Panel was appointed by the Government in January 2021.

A capitalisation direction of £150 million (£m) was requested in December 2020. The Council's Budget Meeting on 8 March 2021 confirmed that, of this amount, £70 million was granted in respect of 2020-21 and that the Secretary of State had confirmed they were minded to approve £50 million in respect of 2021-22. There have since that time been CIPFA reviews, and various other advisory engagements, as well as heavy media scrutiny both from local and national press. Also, in April 2021, the Regulator for Social Housing concluded that the Council had breached the Home Standard and the Tenant Involvement and Empowerment Standard, leading to actual and potential serious damage to Council Tenants.

In January 2022 we published another Report in the Public Interest which highlighted failings in governance over the refurbishment of Fairfield Halls between 2016 and 2019. The refurbishment had a budgeted cost of £30m and an actual cost of £67.5m and had been completed a year later than the 2018 target date. Our Report in the Public Interest in January 2022 made 12 recommendations, seven of which were statutory recommendations. The statutory recommendations are shown in Appendix B to this report.

In May 2022, a new Executive Mayor was elected to the Council. An 'Opening the Books' exercise then started. Findings from the exercise highlighted additional, newly discovered legacy issues. On 22 November 2022, the Council's s151 officer issued a third s114 notice (the third in two years). On 30 November 2022, the Council's Medium Term Financial Strategy for 2023-24 to 2025-26 highlighted that new reserves adjustments of between £9m and £70m could be required for correction of prior year Croydon Affordable Homes LLP and Croydon Affordable Tenures LLP accounting errors. The Council reported that it was carrying £1.6 billion (£b) of external debt, £320m of which was backed by assets in negative equity; that the budget for 2023-24 to 2025-26 was not financially sustainable; and that the Council was spending at least £47m per annum in servicing historic debt.

# Executive summary

Following the November 2022 issuing of the Council’s third s114 report in two years, we published new Section 24 Statutory Recommendations on 20 March 2023. Our letter recommended that:

- The Council should put in place robust arrangements to address and implement the recommendations of the s151 officer set out in her section 114 report; and
- The Council should develop a comprehensive project plan for the improvement of governance arrangements.

When we conducted the testing to support this April 2023 interim Annual Auditor’s Report, the Council was working to address more than 400 recommendations, taking non-statutory review, CIPFA, audit and other external advisory recommendations together. By 16 March 2023, the Parliamentary Under Secretary of State for Local Government and Building Safety had announced in a written ministerial statement that the Secretary of State was ‘minded to’ intervene in the London Borough of Croydon. The council and other interested parties had been invited to make representations on the proposed intervention package by 30 March. The outcome from those representations was still awaited at the time of writing this April 2023 report.

The Council has been working diligently to try to implement the Croydon Renewal Plan since 2020. There has been some success – for example, £140m of assets have been disposed since 2020 to alleviate some of the historic debt burden; and more than £90m has been saved over the course of 2020-21 and 2021-22. The scale of the legacy challenges is considerable though. Within individual areas of improvement work, there has been progress. However, new issues have continued to be uncovered. We anticipate an adverse value for money conclusion for 2019-20 and we anticipate concluding that there were significant weaknesses within arrangements for 2020-21 and 2021-22. Although we have yet to complete detailed work on 2022/23, the improvement trajectory appeared to be continuing, albeit there are many challenges ahead. It is important to note that improved outcomes will not follow improved processes immediately. We make five key recommendations regarding 2020-21 and 2021-22 within this interim Annual Auditors Report. They are summarised, with management responses, in Appendix C.

Our value for money work on pensions arrangements in 2019-20, 2020-21 and 2021-22 and on arrangements for COVID-19 response in 2020-21 is not yet complete. We will report findings on these arrangements when the audit of the financial statements for those years is complete.

## Summary of findings

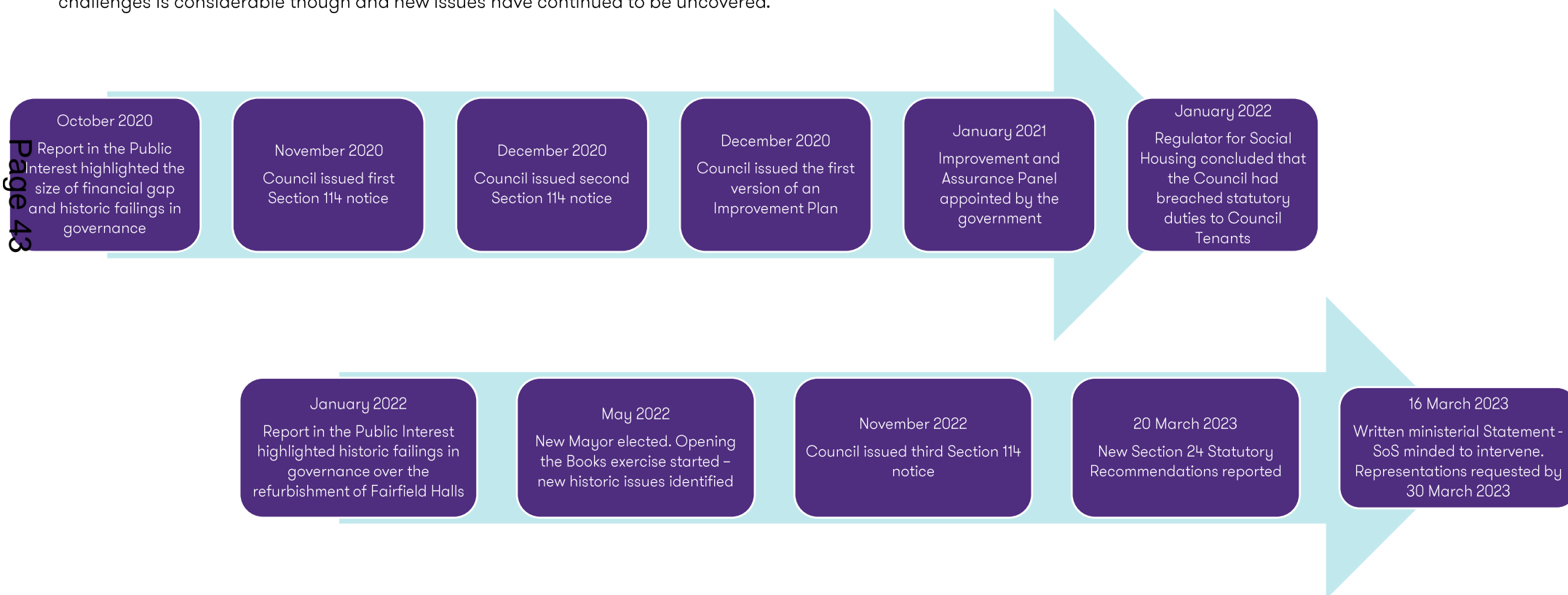
	2019-20	2020-21	2021-22
Financial sustainability	Adverse conclusion expected	Significant weaknesses identified	Significant weaknesses identified
Governance	Adverse conclusion expected	Significant weaknesses identified	Significant weaknesses identified
Improving economy, efficiency, and effectiveness	Adverse conclusion expected	Significant weaknesses identified	Significant weaknesses identified

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive Summary

## Time line of audit, inspection and other key events

The Council has been working diligently to try to implement the Croydon Renewal Plan since 2020. There has been some success – for example, £140m of assets have been disposed since 2020 to alleviate some of the historic debt burden; and more than £90m has been saved over the course of 2020-21 and 2021-22. The scale of the legacy challenges is considerable though and new issues have continued to be uncovered.





# The scope of the auditor's work on value for money arrangements

## 2019-20

Auditors are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## 2020-21 and 2021-22

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which came into effect from audit year 2020-21. The Code introduced a revised approach to the audit of value for money.

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
- Auditors undertaking sufficient analysis on the Authority's value for money arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit

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 the three specified reporting criteria.

In relation to value for money audit from 2020-21 onwards, the National Audit Office requires that where an auditor has significant concerns about a Council's arrangements, they report those concerns promptly rather than wait for all other audit work to conclude. We met this requirement by reporting on 2019-20, 2020-21, and 2021-22 in one joint interim Annual Auditor's Report. We also met this requirement by issuing Reports in the Public Interest in October 2020 and January 2022 and by issuing Section 24 Statutory Recommendations in March 2023.





# The scope of the auditor's work on value for money arrangements



## 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.



## 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.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources. An explanatory note is provided at Appendix D to this report. The different recommendations are 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.



### 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'.



### 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.

# 2019-20 – arrangements for securing economy, efficiency and effectiveness in the use of resources



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that in 2019-20 the Authority made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. For 2019-20, the Code of Audit Practice issued by the National Audit Office (NAO) requires us to report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In October 2020 and January 2022 we published Reports in the Public Interest outlining significant weaknesses in arrangements dating back over a period which included 2019-20. On the basis of these reports, we expect to give a qualified, adverse conclusion on the Council's arrangements in place in 2019-20 for securing economy, efficiency and effectiveness in its use of resources.

## Report in the Public Interest concerning the Council's financial position and related governance arrangements

On 23 October 2020 we published a Report in the Public Interest following concerns being identified around the Council's financial sustainability. Recommendations for improvement had first been raised in 2017-18. The financial position deteriorated during 2018/19, and we issued an adverse qualification to our value for money conclusion. Our recommendations in 2017/18 and 2018/19 were not implemented and the financial position continued to deteriorate during 2019/20. We wrote to the former Chief Executive in April 2020 setting out action we considered to be vital. The Council's interim Chief Executive responded on 28 September 2020. Our Public Interest Report in October 2020 also highlighted that the Council had established a number of companies and that the Council's governance and oversight of the companies showed insufficient rigor and control. Based on the specific examples of Brick by Brick Ltd (incorporated in 2012) and Croydon Affordable Homes LLP (incorporated in 2017), we reported that there was 'little evidence that the complexity and associated risk to the Council's financial position is understood by members or officers'. Our report for 2019-20 made 20 recommendations. This included eight high-priority recommendations. The eight high-priority recommendations are shown in Appendix B to this interim Annual Auditor's Report.

## Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements

On 26 January 2022 we published a Report in the Public Interest following a review of the council's arrangements for the refurbishment of Fairfield Halls, which took place between June 2016 and September 2019. Our report highlighted historic failings in the council's financial, governance and legal arrangements for the Fairfield Halls refurbishment, with weakness in the procurement and contract management of the project also identified. We found that significant amounts of money were spent without proper authorisation. Our report made 12 recommendations, seven of which were statutory recommendations. The seven statutory recommendations are shown in Appendix B to this interim Annual Auditor's Report.

## Conclusion

We expect to give a qualified, adverse conclusion on the Council's arrangements in place in 2019-20 for securing economy, efficiency and effectiveness in its use of resources.

# 2020-21 and 2021-22: Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 27.



# Financial sustainability

## How the body plans and manages its resources to ensure it can continue to deliver its services



We considered how the Council:

**FS1:** identifies all the significant financial pressures it is facing and builds these into its short and medium term plans

**FS2:** plans to bridge its funding gaps and identify achievable savings

**FS3:** plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

**FS4:** ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

**FS5:** identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

### FS1: How the Council identifies all the significant financial pressures it is facing and builds these into its short and medium term plans

Well-documented historic financial mismanagement left London Borough of Croydon facing significant financial pressure during 2020-21. Some positive steps towards improvement were taken by the Council in 2020-21 and 2021-22. However, additional legacy issues have been uncovered. The Council was still facing significant financial pressure at the end of 2021-22 and, indeed, well into 2022-23.

#### 2020-21

Our October 2020 Report in the Public Interest on London Borough of Croydon identified £49.1m of forecast overspend on the Council's social care in 2020-21. The report noted that overspend on social care had been building up for three years, and that rising numbers of Unaccompanied Asylum Seeking Children were also putting pressure on the Council's budget. London Borough of Croydon issued Section 114 notices in November and December 2020 and, in December 2020, moved to request a capitalisation direction of £150m. The first £70m was requested to cover what was by then the total forecast deficit for 2020-21. The remaining £80m was requested to support transition to a sustainable financial footing over the three years 2021-22 to 2023-24 (with £50m requested for 2021-22; £25m for 2022-23; and £5m for 2023-24).

London Borough of Croydon's Cabinet received Finance Performance Reports on a quarterly basis during the first half of 2020-21. From September 2020, Cabinet received Finance Performance Reports on a monthly basis. By the end of March 2021, the Council's year end outturn data showed that it had overspent against the original budget for the year by £65.8m. Whilst this sum is significant, it did mean that not all of the capitalisation requested for the year (£70m) was needed, suggesting that a realistic level of pressure had at least been anticipated for the remainder of 2020-21 when the request for capitalisation was made in December 2020.

### 2021-22

#### Period 1 to 11

Monthly Finance Performance Reports were prepared by the Council for all 11 months of the first 11 months of 2021-22. The Period 11 report forecast a £1.907m net underspend against the budget for 2021-22. The budget for 2021-22 had factored in the benefits of the capitalisation direction, but so small a variance against it still indicates there had been good work though the year in many divisions and directorates in planning for and managing financial pressure.

The Children, Families and Education (CFE) directorate performed particularly well against financial pressure. In Period 11, the directorate reported a forecast underspend of £11.3m against budget. To a small extent (£1m), this included lower than anticipated net costs for Unaccompanied Asylum Seeking Children, reflecting the receipt in year of an additional one-off grant from the Home Office for these children of £2.357m. However, it was better commissioning of placement costs and reduced numbers of children being taken into care that accounted for most of the variance. Nevertheless, £11.4m of overspend in the Sustainable Communities, Regeneration and Economic Recovery directorate largely off-set the gains made in CFE. The directorate's income from parking and traffic assumptions had been overly optimistic.

#### Period 12

By the time of writing this report in April 2023, a Period 12 Finance Performance Report for 2021-22 has still not been prepared by the Council.



# Financial sustainability

There had been delays to finalising 2019-20 and 2020-21 year end financial statements and draft financial Statements for 2021-22 had not yet been prepared.

Notwithstanding the absence of usual year end reporting for 2021-22, in March 2022 the Council Tax and Budget proposals for 2022-23 were published. For 2022-23, London Borough of Croydon assumed the capitalisation direction of £25m would be used and that there would be additional service savings of £55m. Although it acknowledged 2022-23 would be a 'challenging' year, the Council anticipated that with the capitalisation and savings, the budget for 2022-23 could be balanced. However, the Council anticipated a budget gap of £28m opening up again for 2023-24, with another budget gap of £8m for 2024-25. The Council also minuted its view that the one off grant for Unaccompanied Asylum Seeking Children (2020-21: 2.357m) should be annual until a different political solution could be found, as the costs remained difficult to predict.

## Post-year end

The Council Tax and Budget proposals for 2022-23 which London Borough of Croydon prepared in March 2022 showed a conscious effort to follow good practice in identifying financial pressure and building it into budget planning. The proposals noted the tightening financial framework; increased demand for services; inflation; uncertain future public sector funding; and the need to prepare for an Executive Mayor. Despite what was clearly a determined effort to prepare well, the first five months of 2022-23 showed that the budget for the year would be difficult to meet. By September 2022, the Council was forecasting an overspend for 2022-23 of £9.483m. This included £17.4m of gross new, unidentified financial pressure in departments such as parking and traffic, off-set in part by corporate contingencies of £14.8m. A deficit in the Housing Benefit budget was also identified late. The remaining £6.887m of 'overspend' was expected to relate to non-delivered savings.

As an additional factor, ongoing work by independent consultants in connection with historic issues around companies, debts owed to and from the Council; and the Housing Revenue Account Thirty Year business plan meant that new data continued to come to light.

By July 2022, the budget gaps estimated in March for 2023-24 and 2024-25 as £28m and £8m respectively had been revised, to £43m and £16m respectively. On 22 November 2022, the s151 officer issued a new s114 notice, stating that in her opinion, an additional amount of between £9m to £70m was also at risk in connection with other historic accounting errors which had relatively newly come to light. The s114 notice stated that there was no prospect of the Council returning to financial sustainability without **'significant and extraordinary financial support from government above and beyond the usual mechanism of capitalisation directions'**.

On 22 November 2022, the estimated deficit for 2023-24 was £77m. On 30th November 2022, the Council published the Medium Term Financial Strategy for 2023-24 to 2025-26 and stated that the budget was not financially sustainable. In March 2023 we made a statutory recommendation around the need for robust arrangements to address the November 2022 s114 notice.

## **FS2: How the Council plans to bridge its funding gaps and identify achievable savings**

Although over £90m of savings were delivered over the course of 2020-21 and 2021-22, there were elements of non-delivery. In May 2022 Internal Audit concluded that only Limited Assurance could be provided over arrangements for savings plans.

## **2020-21**

The original budget for 2020-21 was presented to Cabinet in February 2020. In October 2020, we reported that our review of the budget identified it relied on assumed savings of £41m being made during the year and a further increased income of £24m being generated during the year. In October 2020, we reported that there had been insufficient Member oversight and challenge when these targets were set within the budget.

# Financial sustainability

At the time, the Council did not have adequate arrangements for in-year reporting and monitoring of progress against targets as savings were delivered through the year. We estimated from previous year data that the Council had a track record of delivering between just £10m and £15m of savings per annum.

After our October 2020 report, the Council took steps towards strengthening arrangements around identifying and monitoring achievable savings plans. The Council set up a Steering Board to oversee the delivery of savings. Savings are now only approved after a Star Chamber review that includes officers and members. Once they are approved, each saving option then has a designated Project Manager and a Senior Responsible Officer who are both held accountable to deliver the savings assigned to them.

## 2021-22

### Period 1 to 11

Arrangements for monitoring and reporting progress with savings plans improved. All 11 Financial Performance Reports for 2021-22 included reporting on savings delivered in the current year and against three-year future targets. The Finance, Performance and Risk Performance reports, introduced for Cabinet from October 2021, also included savings monitoring data and assessment.

The planned directorate savings presented within the Council Tax and Budget Proposals for 2021-22 remained very high, at £44.6m in one year. In addition, corporate savings of £37m were planned for 2021-22. Although Period 12 outturn data for 2021-22 was not yet available when we completed the work to support this report, Period 11 outturn data indicated that £5.3m (12%) of the planned directorate savings for the year were forecast not to be delivered. Non-delivered savings were largely expected to be in the Sustainable Communities, Regeneration and Recovery unit, where parking and traffic fee income has not reached anticipated levels of post Covid recovery.

### Post-year end

Service savings of £24m were planned by the Council for 2022-23, but no net corporate savings were planned. Despite the lower level of savings planned, under-delivery continued to be an issue in 2022-23. Period 4 data for 2022-23 forecast total under-delivery of £6.887m (29%).

In May 2022, Internal Audit issued a draft report on the Star Chamber process introduced in 2020-21 for scrutinising savings plans before they are approved. Internal Audit concluded that only Limited Assurance could be provided. They noted gaps in documentation of scrutiny and in evidence around consideration of threats, risks and opportunities. We are satisfied that, overall, the Council's processes are better than they were in October 2020. However, with the Council facing a perilous financial situation on its core budgets, it will be important that Internal Audit recommendations for continuing to strengthen savings plan approval arrangements are now implemented.

### **FS3: How the Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities**

We identified significant weaknesses in arrangements to support sustainable delivery in 2020-21. Our recommendations were still ranked as AMBER by January 2022. Significant sums have been spent on transformation over a number of years but by the end of 2021-22, there was no clear evidence of efficiencies and demand reduction having been achieved as a result.

## 2020-21

Transformation has been a strategic priority for London Borough of Croydon since December 2017. Some £73m was spent on transformation between December 2017 and March 2019, with the majority (£65m) being spent on Digital, Children's and Adult transformations.

# Financial sustainability

For transformation to be considered effective, we would usually expect to see either reduced demand for services, reduced growth funding, or savings. Our Public Interest Report in October 2020 found not only that the Children's and Adult Services had continued overspending (by £39.2m) over the three-year period, but that there had been no updates to the Transformation Strategy since December 2017; no evidence of effective reporting or monitoring on transformation projects for Cabinet; and no effective reporting on or challenge to outcomes from transformation work since 2017. Far from growth and demand having been engineered down over the time since December 2017 in the key areas that transformation monies were spent on, some £31m of additional funds for growth had in fact been allocated to the 2020-21 budget for two of the areas: Children's Social Care: £10.1m; and Adult Social Care: £21.2m.

Our report in October 2020 recommended that 'The Chief Executive should oversee a review of the outcomes achieved from the use of transformation funding to demonstrate that the funding has been applied in accordance with the aim of the scheme'. Arrangements during 2020-21 were considered to have significant weakness.

## 2021-22

The Council's General Fund Budget for 2021-22 to 2023-24 (published in March 2021), continued to anticipate growth in Children's and Adults Services for 2021-22:

- Children, Families and Education: £20.433m
- Health, Wellbeing and Adults: £29.251m

By January 2022, the third quarterly report on progress with the Croydon Renewal Improvement Plan described our recommendation to review outcomes from transformation as still 'In Progress' (AMBER), with the note that transformation would be dealt with clearly in the Budget report for 2022-23. When Council Tax and Budget Proposals for 2022-23 were published in February 2022, although no further requests were included for Children's Service growth, more growth funding requests for Adult Social Care still remained – with a request for £16.1m over three years. Within the same budget, further transformation funding of £5.9m was requested over two years.

## KEY RECOMMENDATION 1:

With three s114 notices having been issued in two years, and the Council having made it clear that extraordinary government support is required to return to financial sustainability, it will be important that the Council maintains discipline over its own savings and transformation plans. For savings plans, Internal Audit recommendations for improvement in Star Chamber processes should be implemented as a matter of priority. Only plans that are realistic should be approved. For transformation projects, arrangements should be put in place for tracking and challenging outcomes before any further funding is approved.



# Financial sustainability

## FS4: How the Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

For workforce planning, the Council has strategies which align with financial planning. There were arrangements for the Council's Workforce Strategy for 2019-22 to be reviewed annually, with departments and divisions developing annual workforce plans as part of the business as usual planning processes. In March 2021, when the Council Tax and Budget Proposals for 2021-22 were finalised, an additional £1m bid was made (and approved) for funding the cost of building resilience within the Finance section of the workforce as a result.

In the other areas of borrowings, treasury and investment strategies, our October 2020 Report in the Public Interest identified significant weaknesses. The Council has worked diligently to address the recommendations we made in October 2020, but by 30 November 2022, the Council still valued its external debt at £1.6b. The s114 notice issued on 22 November 2022 described much of that debt as 'toxic'. The scale of the debt legacy has been too big to unravel without extraordinary government support.

### 2020-21

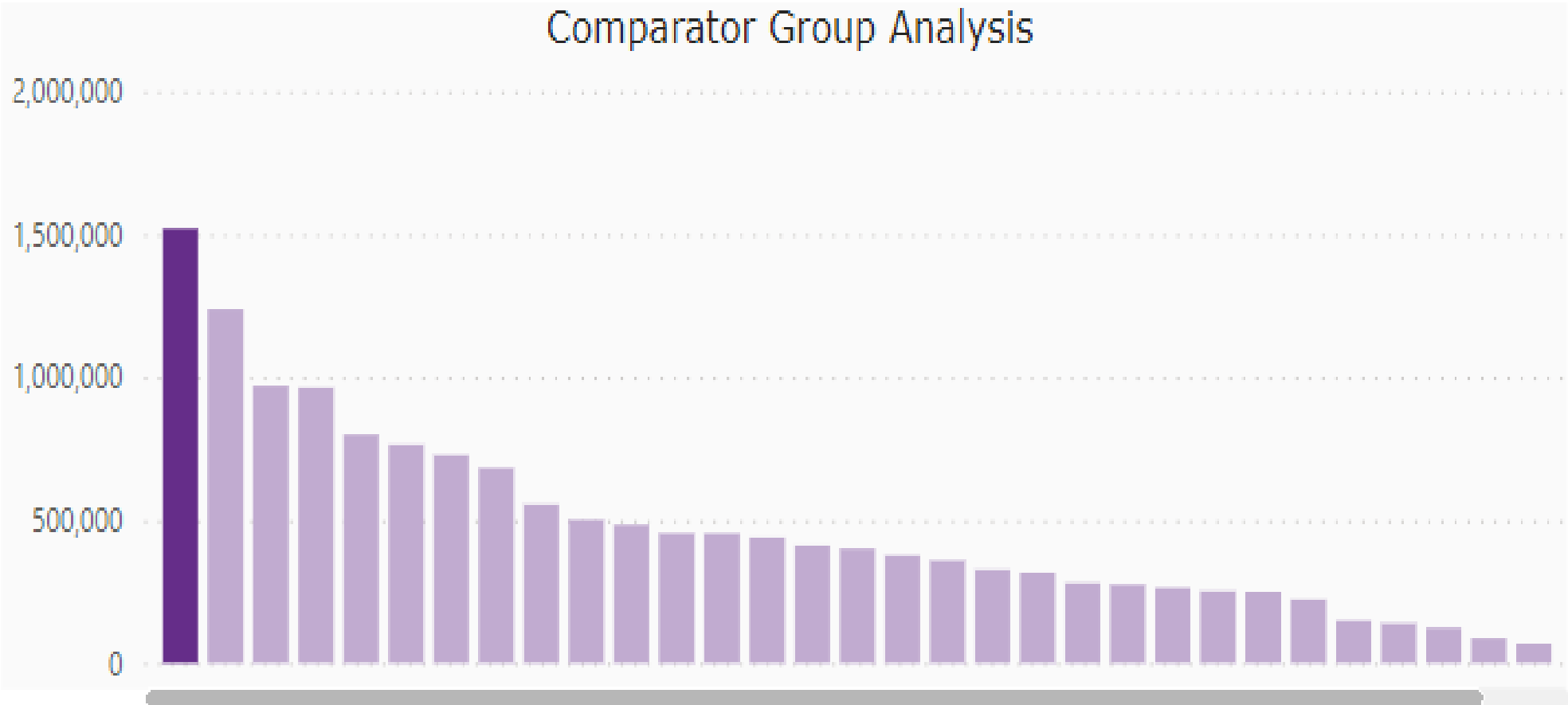
The CIPFA Financial Resilience index for 2020-21 shows that London Borough of Croydon had the highest external borrowings of all London Boroughs in 2020-21 (see Figure 1, page 15). Our October 2020 Report in the Public Interest commented that there had been insufficient oversight in the years leading up to 2020-21 over the capital strategy. The increase in borrowings had been fuelled by high value asset investments which did not always bring the commercial advantage hoped for.

Our Report highlighted a series of significant failings in borrowing, treasury and investment management. We described how the Council had borrowed £10m more than was required in 2020-21 under its Treasury Management Strategy and had a Minimum Revenue Provision (MRP) policy which allowed for no MRP to be provided for borrowings where there were loan repayments from third parties and income from investments.



# Financial sustainability

Figure 1: CIPFA estimate of all London Borough external borrowings, 2020-21  
Source: CIPFA



# Financial sustainability

Our October 2020 report described how the Council had received no loan repayments from Brick by Brick Ltd (which held £227m in loans from the Council at the time). We also described the commercial failure of the high-profile investment in Croydon Park Hotel, [valued at £46m in 2018-19, and went into administration in June 2020].

Our October 2020 report identified ten different recommendations for improvement around managing borrowing, treasury and investments. These included:

- Reviewing holdings with the Revolving Investment Fund and learning from due diligence mistakes in the acquisition of Croydon Park Hotel
- Reconsidering the affordability of the Borrowing Strategy
- Reconsidering equity investment arrangements with and loan repayment performance by Brick by Brick Ltd
- Revisiting the Minimum Revenue Provision
- Providing Members with training in Treasury management

The Council did take its response to our findings and recommendations seriously. In November 2020, the Council commissioned an independent strategic review of Brick by Brick Ltd, Croydon Affordable Homes LLP, the Revolving Investment Fund, Asset Investments and Growth Zone Funds. A review of loan and equity arrangements was specifically included for Brick by Brick Ltd. In February 2021 the Council determined that all payments to Brick by Brick Ltd would stop; a business plan from Brick by Brick for 2021-22 would be requested; and loan arrangements for Brick by Brick's £227m loan (including accrued interest) would be revisited. In March 2021, a revised MRP Policy Statement for 2021-22 was presented to Cabinet for approval. The revised MRP Policy placed higher emphasis on risk assessments for loan repayments, but this in turn increased the financial pressure on the Council. The new MRP proposals include additional costs totalling £5.6m to be reflected in the Council's historic accounts and additional costs of £2.6m is to be built into the Council budget annually from 2023-24 onwards on an ongoing basis.

At the time of conducting our testing, the Council's recommendations tracker showed that the response to our recommendation in October 2020 (that the Council review its equity arrangement and governance for Brick by Brick Ltd) was shown as at a pre-proposal stage. The scale of difficulties the Council faced was too high realistically for arrangements to continue to be anything other than significantly weak in 2020-21, but steps were being taken in the right direction.

## 2021-22

The Capital Strategy was coupled with a new Asset Investment Strategy – with the focus going forward being on disposing of assets to help reduce future external borrowings.

The Council worked diligently throughout 2021-22 to address the recommendations we raised in October 2020 around Borrowing, Treasury and Investment Strategies. Progress that the Council could report by January 2022 included:

- December 2021 – initial paper presented to the Cabinet Member for Croydon Renewal and the Cabinet Member lead for Resources on lessons learnt from the acquisition of Croydon Park Hotel. A review of asset performance was also undertaken, paving the way for a new Asset Investment Strategy in March 2022
- Link Asset Management commissioned for a fuller review of MRP Policy for 2022-23
- Strategic review of assets owned by Brick by Brick Ltd, the material subsidiary which we reported in October 2020 had had insufficient oversight and control. The review of assets is expected to conclude in 2023

However, despite sales of £140m of assets to help reduce the debt burden, by 30 November 2022, the Council was still recording an external debt of £1.6b, with £320m of that amount backed by assets which were in negative equity. The Council's s151 officer described much of the debt as 'toxic' and stated that it left the Council unable to withstand other, wider economic shocks.

# Financial sustainability

Another area where the Council's progress stalled was with the recommended review of holdings with the Revolving Investment Fund. Internal Audit graded progress with this review as AMBER, although management had previously marked it as complete. Overall, we conclude that the Council worked hard to remedy its situation between October 2020 and the end of 2021-22. The scale of the legacy debt challenge was simply too high, however, to tackle in this short a period and without the additional extraordinary support flagged by the s151 officer as necessary in November 2022.

## FS5: How the Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Strong financial resilience depends on strong reserves. The Council's reserves were assessed as very low in 2020-21 although the Council had a stated intention to rebuild resilience in 2021-22. Accounts for 2019-20 and 2020-21 have not yet been audited. Accounts for 2021-22 have not yet been prepared. It was not possible therefore at the time of completing the work to support this report to know for certain what the resilience of the reserves is. These issues represent significant weaknesses in arrangements for governance as well as arrangements for financial sustainability.

### 2020-21

Our October 2020 Report in the Public Interest highlighted that London Borough of Croydon had had 'an unsustainably low level of reserves for some time' and that the Council had 'failed to adequately address the low level of reserves'. We noted that the Council had the lowest level of all London Boroughs of General Fund and Earmarked General Fund Reserves as a percentage of net service revenue expenditure and that the reported level of reserves had decreased year-on-year in each of the previous three years.

In March 2021, in the General Fund Budget 2021-22 to 2023-24, the Council's s151 officer acknowledged that 'the current level of reserves are very low for the size of Croydon and historic mismanagement of this reserve balance has resulted in placing the Council in very weak position'. With audits both for 2019-20 and 2020-21 incomplete at that time, it was furthermore acknowledged that the Council was unable to confirm exactly what the value of its reserves was.

The s151 officer did also note though that from the capitalisation directions agreed for 2021-22 and 2022-23, £20m had been earmarked for rebuilding the reserves in 2021-22 and a further £10m had been earmarked for rebuilding the reserves in 2022-23.

### 2021-22

The s151 officer's stated intention was to rebuild resilience in the reserves during 2021-22, stating in the Budget that some £22m would be applied to this purpose. With accounts still not prepared for 2021-22 and audits incomplete for 2019-20 and 2020-21, it is at this stage impossible to be certain what the Council's true general fund and earmarked reserves position is or whether resilience has indeed been rebuilt. We note, however, that the s151 officer's assessment by November 2022 that a newly identified amount of between £9m to £70m was at risk (in connection with historic accounting errors) is an issue both for financial sustainability and for governance.



# Governance

## How the body ensures that it makes informed decisions and properly manages its risks



### We considered how the Council:

**Gov1:** monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

**Gov2:** approaches and carries out its annual budget setting process

**Gov3:** ensures effectiveness processes and systems are in place to ensure budgetary control

**Gov4:** ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

**Gov5:** monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

### Gov1: How the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Head of Internal Audit was only able to provide limited assurance on risk management and internal control arrangements for both 2020-21 and 2021-22. There are unresolved recommendations from Internal Audit dating back to 2017-18.

#### 2020-21

In 2020-21, the corporate risk register was presented to the General Purposes and Audit Committee twice: In January 2021 and in March 2021. The underlying risk management and recording system was maintained and populated by one officer, relying on interviews with Directors and Executive Directors. The risk registers presented to Committee did not record risk owners; direction of travel; actions for managing risk; completion or review dates; or how risks mapped to corporate goals.

There were procedures in place during 2020-21 for the Whistleblowing Policy to be annually approved by the Ethics Committee – but there are no recorded minutes of this having been done during 2020-21.

The Internal Audit programme of work for 2020-21 was risk-based and delivered by an externally commissioned internal audit provider, reporting to an interim Head of Internal Audit seconded from the external provider. The planned Internal Audit programme for 2020-21 was disrupted by the impact of COVID-19, and 30 draft reports were issued against a target of 66 [45%]. This was not, in itself, uncommon; many Councils experienced Internal Audit disruption during the pandemic.

Of more concern was that the Head of Internal Audit's overall conclusion was that only limited assurance could be provided for 2020-21. This was largely driven by Internal Audit finding significant weaknesses in arrangements for: Contract letting; personal data; schools deficits; governance and control; and temporary accommodation, including repairs and maintenance.

Progress with implementing Internal Audit agreed actions from 2020-21, and indeed from earlier years, has been varied. In February 2023, when unresolved recommendations from 2017-18, 2018-19, 2019-20 and 2020-21 were reported by Internal Audit to the Council's Audit and Governance Committee, the Committee noted that some older agreed actions were not being cleared in a timely manner and specifically requested action and an update on these.

#### 2021-22

The Internal Audit programme of work for 2021-22 was again risk-based and delivered by an externally commissioned internal audit provider. 37 draft reports were issued against a target of 45 in 2021-22 (82%) but the Head of Internal Audit's overall conclusion remained that only limited assurance could be provided. This was despite steps taken to improve processes and reflects that the scale of the challenge the Council faces means it will take more than one year to recover.

Internal Audit reported 2021-22 significant weaknesses in arrangements for: General governance and control; contract letting; privacy notices; identifying savings and monitoring budgets; and temporary accommodation. The themes were clearly similar to the year before.

# Governance

The Council has been working hard to resolve Internal Audit agreed actions dating back to 2017-18. Arrangements include a Corporate Management Team focus group regularly reviewing progress. However, as previously noted, progress has been varied. The Audit and Governance Committee requested (in February 2023) action on the older agreed actions to be reported back to the subsequent meeting in March 2023. Unresolved agreed actions were reported again to the Committee in March 2023. Some progress had by then been made in resolving high-priority 2020-21 agreed actions (75% resolved, compared to 69% one month earlier). However, although updates on progress were provided in a number of cases, there had been no progress with resolving issues from 2017-18, 2018-19 and 2019-20. Work to follow-up on 2021-22 agreed actions had not yet fallen due.

## **KEY RECOMMENDATION 2:**

**The Council should continue to focus on resolving Internal Audit agreed actions, including from 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22.**

## **Gov2 and Gov3: How the Council approaches and carries out its annual budget setting process; and ensures effective processes and systems are in place to ensure budgetary control**

Our October 2020 Report in the Public Interest made it clear that budget setting and monitoring arrangements for 2020-21 were not good enough. We reported that there was a 'failure of governance' in July 2020 and August 2020 when Members were not informed that the budget gap exceeded available reserves. Finance Performance Reports were only presented to Cabinet on a quarterly basis until September 2020.

There were improvements around budget processes from September 2020 onwards. Monthly reporting to Cabinet was introduced. Finance Performance Reports were provided to Cabinet in all eleven months of the first eleven months of 2020-21. Financial data was also included within the quarterly reports on the Croydon Renewal Improvement Plan provided to Cabinet for the first three quarter ends of 2021-22 and within the Finance, Performance and Risk Performance Reports provided from October 2021.

The direction of travel has been positive but during 2021-22, whilst external audit work was ongoing for 2019-20 and 2020-21 financial statements, it was identified that bank reconciliations had not been carried out by the Council for 'a few years'. Our understanding is that the Council has since caught up. We will confirm this when we conduct financial statements audit testing. Budget monitoring is unlikely to have been fully effective with bank reconciliations and year end financial statements incomplete.





# Governance

## Gov4: How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

Our January 2022 Report in the Public Interest made seven statutory recommendations and five other key recommendations around improving decision-making. This was in connection with our review of the Fairfield Halls refurbishment project which started in 2016 and ended in 2019. The project cost more than double the £30m budget; was delayed; and potentially non-compliant with UK law. The Fairfield Halls example of poor decision-making between 2016 and 2019 has already been widely reported. However, at the time of writing this interim Annual Auditors Report (April 2023), the Council had also commissioned an independent investigation into the legality of specific officer actions in connection with Fairfield Halls decision-making (fraud and other possible wrong-doing/misconduct).

Our work in respect of 2020-21 has identified another high-profile example of poor arrangements for decision-making in that year. A high-profile severance payment to the former Chief Executive was approved in August 2020 at a value of more than £400,000. The Council's Appointments Committee has since been advised that the decision was made in a meeting where conflicts of interest were not correctly recorded and that the decision was supported by incomplete information.

There is a risk that the Council's arrangements to terminate the former Chief Executive's employment failed to demonstrate appropriate value for money. In March 2023, we made a statutory recommendation that legal advice now be taken as to remedy.

Separately, we note that over the last three years, there have been 17 data breaches reported to the Information Commissioner by the Council. In the 2020-21 draft Annual Governance Statement, the Council itself recognised that poor data management has contributed to some of the historic poor decisions.

## Gov5: How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

The Council has not yet published audited accounts for 2019-20 and 2020-21 and has not prepared draft accounts for 2021-22. In part, it is new information which has prevented the accounts for 2019-20 onwards from being closed. Our March 2023 statutory recommendations recommended that the Council adopt an action plan for completing the accounts. This will require technical queries to be resolved.

The number of other issues raised across this interim Annual Auditor's Report suggests there were wider issues with underlying cultural standards in 2020-21 and 2021-22. The Council has an Ethics Committee which is responsible for consideration of matters relating to probity and ethics, including matters pertaining to Member conduct and compliance with the Members Code of Conduct. The Council also has an Appointments and Disciplinary Committee and an Audit and Governance Committee. However, the litany of findings from the Public Interest Reports in October 2020 and January 2022 and other advisors and regulators suggests that even where standard processes are complied with, there have been underlying significant weaknesses in organisational culture. The form of procedures often did not follow through to the underlying substance of cultural behaviour.

# Governance

At an operational level, the Council did have processes in place during 2020-21 for declaring conflicts of interest. However, during our work we found other anomalies, in addition to incorrect processes having potentially been used for decision-making around the Chief Executive's severance. For example, in 2020-21, only one gift for £15 was declared on the gifts and hospitality register all year (suggesting a risk that it may be incomplete). In 2021-22, nine Members failed to send in conflict of interest declarations on time and had to be reminded.

The Council is working diligently to try to improve. In March 2022, the Council's arrangements for its Constitution were reinforced to reflect the importance of the Nolan Principles. Nevertheless, the scale of the challenge is daunting given past well documented failures to uphold these principles in the past.

## **KEY RECOMMENDATION 3:**

The Council should continually review arrangements for overseeing standards and codes of conduct. The Ethics Committee, in overseeing standards, should be mindful that the substance of cultural behaviour is as critical as the procedural form.



# Improving economy, efficiency and effectiveness (3Es)

## How the body uses information about its costs and performance to improve the way it manages and delivers its services



### We considered how the Council:

**3Es 1:** uses financial and performance information to assess performance to identify areas for improvement;

**3Es 2:** evaluates the services it provides to assess performance and identify areas for improvement;

**3Es 3:** ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve;

**3Es 4:** ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

### 3Es How the Council uses financial and performance information to assess performance to identify areas for improvement

The Council has worked diligently to move Cabinet performance reporting arrangements from nothing to reasonably comprehensive over a period of just under two years. By the end of 2021-22, stronger arrangements were in place and the Council is positioned to go on in future years to develop powerful modelling tools.

#### 2020-21

At the start of 2020-21, the Council's corporate goals were set out in the 'Corporate Plan 2018-22'. However, there were no arrangements in place for key performance indicator reporting to Cabinet and Council.

When the Croydon Renewal Improvement Plan was presented to MHCLG in December 2020, the goals of the Corporate Plan were replaced by a framework of new 'Priorities and Ways of Working'. The Renewal Improvement Plan brought together in one strategy the Council's response to what had by then reached over 400 recommendations from us as external auditors; an MHCLG Rapid Review in November 2020; CIPFA; and other advisors. The new Priorities and Ways of Working were:

#### Priorities:

- Live within our means, balance the books and provide value for money for our residents.
- Focus on tackling ingrained inequality and poverty in the borough.
- Focus on providing the best quality core service we can afford.

#### Ways of Working:

- Practice sound financial management, being honest about what we've spent and what we can afford.
- Focus on our core services, and a small number of evidence-based outcomes that deliver our priorities.
- Aim to become a much more transparent, open and honest council.

Key performance indicator reporting against the Priorities and Ways of Working was not introduced until 2021-22, but work was ongoing over the remainder of 2020-21 to develop a Cabinet performance reporting framework for each Action in the Croydon Renewal Improvement Plan in future years and to strengthen an existing cycle of planning, monitoring and reviewing indicators.

#### 2021-22

In April 2021, a draft of the new Performance Reporting Framework and Measures was shared with Cabinet. Updates on high level performance were provided to Cabinet in June and July 2021. A full set of performance measures was first reported to Cabinet in October 2021. The report encompassed 112 performance indicators; major projects and programmes; 476 Croydon Renewal Improvement Plan Actions; savings outturn; and risk. A similar report was presented in November 2021 (by which time the number of KPIs had risen to 119) and thereafter an arrangement was established for continued reporting on a quarterly basis. The next 'Finance, Performance and Risk' report was presented to Cabinet in March 2022.



# Improving economy, efficiency and effectiveness (3Es)

Data systems supporting the new Finance, Performance and Risk reports were developed by the Council's Digital team and included performance trackers populated by directorates; overseen by the Project Management Office and an Assurance Panel; and feeding into the Council's data observatory. By using the data observatory, the Council's aspiration is to establish 'one version of truth' and build a bank of data from which more powerful performance modelling can go on to be developed in future years. We are satisfied that the Council has made progress in strengthening arrangements and is positioned to go on in future years to develop powerful modelling tools.

## 3Es2: How the Council evaluates the services it provides to assess performance and identify areas for improvement

As performance reporting arrangements evolved over the two years, the Council's opportunity for evaluation of the services it provides also strengthened. Whilst routine Cabinet reporting and evaluation arrangements were not in place during 2020-21, the tone adopted by Cabinet in December 2020 when the Croydon Renewal Improvement Plan was finalised, showed a clear understanding of the need for evaluation going forward:

'services ..... will only be provided where they can be shown to have a direct benefit in keeping people safe and reducing demand'.

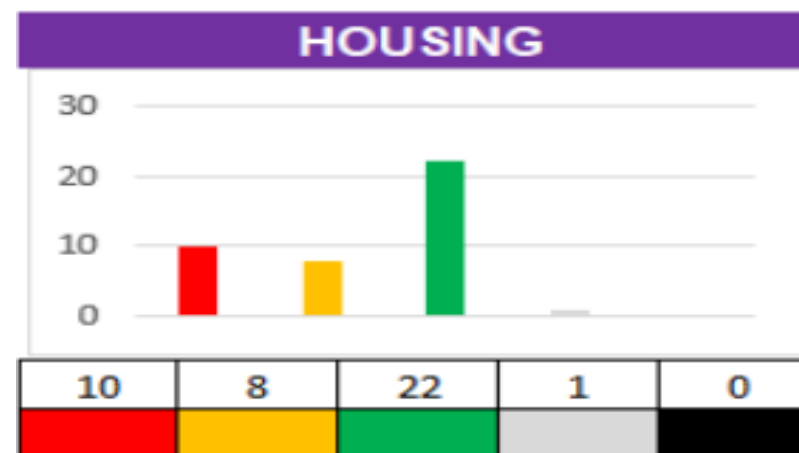
'we will also need to be clear ..... about what we can do, and what we can't'.

The Finance, Performance and Risk reports introduced by the Council during 2021-22 provided a clear platform for evaluation of services. We reviewed the detailed information supporting the last report to Cabinet in 2021-22 as part of our work (Report to Cabinet: March 2022; lagged data date: December 2021). The report included more than 150 corporate core business key performance indicators. These included multiple areas surrounding service delivery, such as: Public realm; community safety; contact centre; early help and children's social care; education; community equipment services; homelessness; resident satisfaction; and repairs.

For the key performance indicators, the report provided numerical and narrative data showing change in performance over time; and benchmarking against other London Boroughs where data was available. Numerical and narrative data was also provided for other Corporate Renewal Plan indicators, including homelessness; street lighting; hate crime; responsive repairs; customer contact; violence with injury offences; building control; freedom of information requests; missed bins; recycling rates; planning applications; building applications; and complaints.

The range of information available to support evaluation clearly improved in 2021-22. Given the volume of data presented, it will be important that context and other wider feedback is taken into account as part of the evaluation process. The March 2022 Finance, Performance and Risk report shows, for example, far more 'Green' than 'Red' performance indicators for housing (see Figure 2). 'Reds' include repairs and urgent repairs though. Events in March 2021 have highlighted how serious the impact of not responding to repair needs can be.

**Figure 2: Housing Performance Indicators, March 2022**  
Source: London Borough of Croydon Finance, Performance and Risk report to Cabinet March 2022



# Improving economy, efficiency and effectiveness (3Es)

**3Es3: How the Council ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve**

There were significant weaknesses within arrangements for working with partners in the housing service dating back across the whole of 2020-21 at least and still not fully resolved by the end of 2021-22. This included arrangements for repairs. In the specific case we discuss, the Regulator for Social Housing concluded that the Council had breached the Home Standard and the Tenant Involvement and Empowerment Standard, leading to actual and potential serious damage to Council Tenants. Many of the Council's functions are delivered in partnership with either commercial organisations or other public bodies. There may be relevant lessons that can be learnt for other partnerships.

## 2020-21

On 22 March 2021, the UK national press reported squalid conditions in a block of flats owned and rented out by the Council on Regina Road, South Norwood. In flats where young children had lived throughout the UK lockdown, the press coverage showed unusable mouldy rooms; the risk of electrocution; and soaking wet floors and furnishings all caused by the long-term ingress of water. An independent investigation carried out by the independent consulting provider ARK Consultancy shortly afterwards found that a water leak in the tower block had gone undiagnosed for four years, despite problems having been reported frequently and repeatedly by residents to the Council's call centre. The tower block repair and maintenance had been managed throughout the period by a contractor on behalf of the Council. The Council's call centre was run by the same contractor. ARK Consultancy's findings were that:

***'The Council does not appear to have a 'mature' partnership relationship with its main contractor. Relationships appear to operate on a client/contractor basis with a focus on monitoring performance indicators rather than actively managing performance. ARK Consultancy would expect discussions to be forward-looking, seeking to identify trends and working together to resolve operational problems and drive continuous improvement'.***

Given that a contractual relationships exists between the Council and its tenants, they count, in a sense, as 'partners' just as much as the maintenance contractor does. The ARK Consultancy investigation noted:

***'an outmoded culture and attitude among a number of Council staff towards tenants. Tenants were often seen as demanding, difficult to deal with and less worthy of respect. Some Council staff lack empathy with tenants, failing to put themselves 'in their shoes' when dealing with problems. These attitudes appear to be going unchallenged'.***

Given that the water leakage was eventually found to date back four years, although press coverage only emerged at the end of March 2021, we deem the significant weaknesses in partnership working which led to it to have been present for the whole of 2020-21 at least.

ARK Consultancy made it clear in their May 2021 findings that a range of issues led to the problems at Regina Road – including capacity, culture and competency within the councils' own teams. Fire safety was a separate but related issue that the ARK Consultancy investigation commented on. Specifically, ARK Consultancy asked for confirmation that Regina Road works identified in a Fire Risk Assessment undertaken in October 2020 had been completed in line with recommended timescale. ARK Consultancy identified that staffing levels and expertise within the fire safety team were an issue and as a result not all fire safety remedial actions were completed within recommended timescales. We are aware that since the time of the ARK investigation, the Council has filled positions within the fire safety team, improving compliance with recommended timescales. However, at the time that ARK completed their work, although short term recommendations had largely been completed and longer term, more costly recommendations, had been flagged to be carried out as part of later, larger refurbishment projects.

Independent consultants were engaged by the Council to carry out an audit of the Councils fire safety management in late 2022 with their report due in early 2023. A further 'critical friend' exercise will then be carried out to audit processes and agree a road map to full compliance.

# Improving economy, efficiency and effectiveness (3Es)

2021-22

In April 2021, at the same time as commissioning the independent investigation into Regina Road by ARK Consultancy, the London Borough of Croydon referred itself to the Health and Safety Executive and the Regulator for Social Housing. The Health and Safety Executive decided against action but on 20th May 2021, the Regulator for Social Housing concluded that the Council had breached the Home Standard and the Tenant Involvement and Empowerment Standard, leading to actual and potential serious damage to Council Tenants.

The Council established a new Housing Directorate; a Housing Improvement Plan; a Housing Improvement Board; and a Housing Improvement Plan Working Group during May 2021. An Interim Executive Director of Housing was appointed in May 2021 and an Interim Head of Repairs was appointed in June 2021. Representatives from the Council and the main contractor also took up post in offices within the Regina Road tower block for a more accessible channel for residents to voice concerns. Regular meetings between Council management and the contractor's management were also re-instated. Nevertheless, progress overall to resolve the situation has been slow. In January 2022, 14 out of 93 planned actions were complete. Actions ARK Consultancy listed for the Council specifically in respect of Regina Road included decanting all affected residents and making good all repairs. Progress with these was slow. A Tenant and Leaseholder Panel update report in January 2022 showed that only 12 out of 26 families at risk from mould and damp had been decanted.

In July 2021, the Council started a housing Residents Roadshow consultation exercise. By October 2022, Council staff had knocked on 2,755 doors and received 661 completed surveys. When results were processed, in February 2022, they showed that 36% of Council tenants still described their experience as poor or very poor. With less than half of all affected families having been decanted after the first nine months of 2021-22 and with 36% of all tenants responding to a survey half-way through 2021-22 to describe their experience as 'poor' or 'very poor', during the year 2021-22 there clearly remained areas of significant weakness in the service.



# Improving economy, efficiency and effectiveness (3Es)

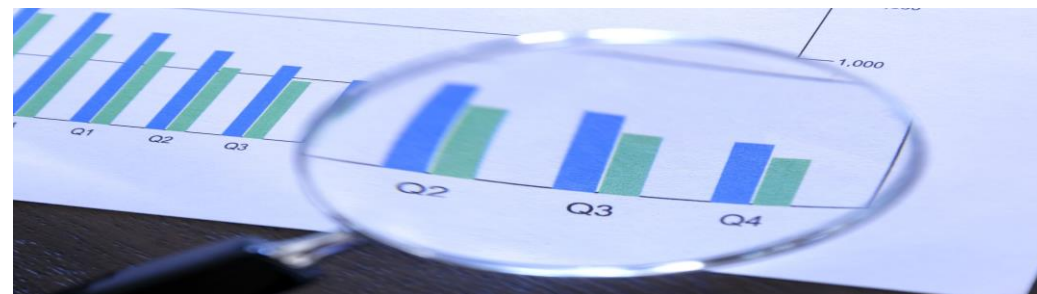
Leaving aside the need to address the immediate situation at Regina Road, we note that the ARK Consultancy investigation report concluded that the problems at Regina Road may be symptomatic of issues across the whole of the Council's housing service. The fact that regular performance calls had to be re-instated between the Council and its main contractor after the press coverage and investigation shows they had been allowed to stop, for a while at least. This may be symptomatic of a wider approach to managing contracts with other partners, in other areas of the Council's business.

After the end of 2021-22, in May 2022, the Council appointed a new permanent Corporate Director of Housing. We note that in June 2022, a decision was taken to re-procure gas safety and responsive repairs functions and (subject to an affordability assessment) to insource call centre functions going forward. For the gas and responsive repairs, the intention is that there will be one cross-borough contract to provide gas related services at an estimated value of £41.9m. Two contracts are planned to provide the remainder of the responsive repairs service, at an estimated value of £221.0m. These will include optional planned works of up to £64m, which would only be instructed following further approval in accordance with relevant governance processes. These steps are positive, but we conclude nevertheless that there were significant weaknesses within arrangements for working with partners in the housing service dating back across the whole of 2020-21 at least and which were still unresolved by the end of 2021-22.

## **KEY RECOMMENDATION 4:**

**Regular engagement with residents should continue. The Council's goal should be to improve upon a performance where 36% of its respondents described their experience with the Council as poor or very poor.**

As the housing contracts are re-procured or insourced, they should be sense checked for lessons learnt from engagement with the previous contractor. Working with partners is more effective where there are shared goals, clear roles and responsibilities, performance metrics that are monitored, and a forward-looking view.



**3Es4: How the Council ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits 2020-21**

The Head of Internal Audit reported for 2020-21 that he had a number of issues with contract letting, monitoring and management across the Council in 2020-21 and that this was the second year running this had been the case. Contract management arrangements for the year were classified by the Head of Internal Audit as an area of significant weakness and signposted in the Council's draft Annual Governance Statement for the year as such. Findings were described as having been across the business. We note that the Facilities Management Hard Surfaces contract received a specific Limited Assurance grading, as did Public Health contracts management. Observations around contract notices, tenders and evaluation appeared across multiple other internal audit reports for the year as well.



# Improving economy, efficiency and effectiveness (3Es)

## 2021-22

The Annual Governance Statement for 2020-21 was published in February 2022 and listed actions that the Council had taken since the end of 2020-21 to address the significant weaknesses reported within contract letting, monitoring and management arrangements. These included: establishing a Strategic Commissioning and Contracts Board in June 2021; and adopting a Contracts Improvement Plan in September 2021. New Tenders and Contract Regulations were also subsequently adopted by the Council on 23 March 2022 and the Council has been working to embed electronic scoring of tenders to eliminate the risk of human error in scoring bids. Despite these positive steps, the Head of Internal Audit reported for 2021-22 that he had again (by what was now the third year running) identified a number of issues within 2021-22 contract letting, monitoring and management and that this remained an area of significant weakness for the Council.

Whilst we recognise steps being taken in the right direction and an appetite for improvement, we conclude that for 2021-22 change would not have been well enough established to prevent there still being a significant weakness within arrangements for 2021-22. Towards the end of 2021-22, in January 2022, our own Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements for the subsidiary delivering the project (Brick by Brick Ltd) was published. The report described how in 2016, a land transfer option had been used to avoid public procurement regulations but how that, as a result, the Council was left open to challenge around state aid and unable to seek proper redress when costs spiralled (d £30m to £67.5m); the project was delayed by a year; and quality issues emerged.

Whilst the circumstances we reported on clearly predate both 2020-21 and 2021-22, that the theme of non-compliance with public regulations can date back so far and affect so high a value of expenditure suggests longstanding underlying cultural attitudes that will take time to tackle. Internal Audit also published reports after the end of 2021-22 which cast further light on procurement arrangements which would have been in place during 2020-21 and 2021-22. In May 2022 they published a report on housing procurement in 2020-21 through Brick by Brick Ltd.

They noted that by May 2022, they had seen no evidence of why a sub-contractor was appointed and weaknesses in arrangements for payment requests and budgetary control. In July 2022, Internal Audit published a report on IT contracts management in 2020-21. They noted that by 2022, for contracts with a combined value of £10m, they had still not seen evidence for contract variations; ordering of services; quality control; complaints; payments; contract performance monitoring; and budgetary control.

We conclude that there were significant weaknesses in arrangements for procurement throughout 2020-21 and 2021-22. We note that at the time of completing our work to support this interim Annual Auditor's Report, there was an investigation ongoing into the risk of illegality (fraud and other possible wrong-doing/ misconduct) in connection with overspends on the Fairfield Halls refurbishment.

### KEY RECOMMENDATION 5:

The Council should continue the work started to strengthen governance over procurement. This will be particularly important as the Council prepares for new procurement legislation and a transition period of six months in 2023, when two different sets of regulations are expected to be in force at the same time. Internal Audit findings around contract letting, monitoring and management arrangements between 2019-20 and 2021-22 should be actioned at the earliest opportunity.



# Opinion on the financial statements



## Audit opinion on the financial statements

- Our audit of the Council's financial statements for 2019-20 and 2020-21 is not yet complete. Our audit of the Council's financial statements for 2021-22 has not yet commenced.

## Progress reports and other findings

- We provided the Council with an Audit Progress Report in October 2021. We published Reports in the Public Interest on the Council in October 2020 and January 2022. We published Section 24 Statutory Recommendations in March 2023.

## Whole of Government Accounts

- To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. Audit work in respect of 2019-20 and 2020-21 and 2021-22 has not yet been undertaken.

## Preparation of the accounts

- The Council website includes a notice that the Council is unable to publish its audited 2020/21 Statement of Accounts by 30th September 2021. The notice states that this is due to a delay in the conclusion of the 2019/20 audit which needs to be completed before 20/21 can begin.
- Draft accounts for 2021-22 have not yet been prepared or published by the Council

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

At the time of writing this interim Annual Auditors Report (April 2023), work to support an opinion for 2019-20 and 2020-21 and 2021-22 was not yet complete.



# Appendices

# Appendix A:

## Responsibilities of the Council



### Role of the Council's Service Director for Finance (Section 151 Officer):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Service Director for Finance (Section 151 Officer) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council's Service Director for Finance (Section 151 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Council's Service Director for Finance (Section 151 Officer) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local Council accounting in the United Kingdom. In preparing the financial statements, the Council's Service Director for Finance (Section 151 Officer) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.





# Appendix B:

## Previously reported high-priority and statutory recommendations

### Report in the Public Interest concerning the Council's financial position and related governance arrangements, October 2020

This report made 20 recommendations for the Council to address. Eight of the recommendations were presented as high-priority. The Council agreed a 99-point Action Plan in April 2020. A report to the Cabinet at the end of 2021-22 noted that 44 of the 99 Actions were confirmed by Internal Audit as complete in March 2022. Our April 2023 assessment of progress against the eight high-priority recommendations made in October 2020 is shown on the following pages of this interim Annual Auditor's Report:

high-priority recommendations October 2020	Page
The Executive Directors need to address the underlying causes of social care overspends: <ul style="list-style-type: none"> <li>• in children's social care and take effective action to manage both the demand and the resulting cost pressures</li> <li>• in adults social care and take effective action to manage both the demand and the resulting cost pressures.</li> </ul>	13
The Council (including Cabinet and Scrutiny and Overview Committee) should challenge the adequacy of the reserves assessment which should include a risk assessment before approving the budget.	17
The Chief Executive should oversee a review of the outcomes achieved from the use of transformation funding to demonstrate that the funding has been applied in accordance with the aim of the scheme.	13
The Council (including Cabinet and Scrutiny and Overview Committee) need to show greater rigor in challenging underlying assumptions before approving the budget including understanding the track record of savings delivery.	10, 11, 12
The s151 officer should review the financial rationale and associated risks and make recommendations to Cabinet and Council on whether the Revolving Investment Fund should continue.	16, 17
The Cabinet and Council needs to re-consider the Treasury Management Strategy for ongoing affordability of the borrowing strategy, the associated risks and identify whether alternative options can reduce the financial burden.	14, 15, 16
The Cabinet and Council should review and reconsider the ongoing financial rationale for the Council in the equity investment arrangement with Brick by Brick.	16
The Cabinet and Council should review its arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, the long-term impact of the subsidiaries on the Council's financial position and how the Council's and tax payers interest is safeguarded.	16

# Appendix B:

## Previously reported high-priority and statutory recommendations

### Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements, January 2022

This report made 12 recommendations for the Council to address. Seven of the recommendations were statutory recommendations around decision-making and capital projects. The Council approved an Action Plan on 3 February 2022. A report to the Audit and Governance Committee on 13 October 2022 showed that Actions for five of the 12 recommendations were RAG rated Green but Actions for the other seven recommendations were RAG rated AMBER. At the time of completing our testing for this interim Annual Auditors Report, the Council had also commissioned an investigation into the legality of specific officer's actions [fraud and other possible wrongdoing/misconduct].

#### Statutory Recommendations January 2022

The Chief Executive supported by the Monitoring Officer and the Section 151 Officer should ensure that Cabinet papers for major projects set out clearly

- the legal powers to enter into a particular arrangement and attendant risk
- how the Council can protect its interests and secure economy, efficiency and effectiveness.

The Monitoring Officer should ensure that:

- contracts are properly executed before entering into arrangements with third parties
- the properly executed documents are stored robustly to allow future scrutiny.
- key requirements underpinning the legal advice are in place before progressing with the arrangement.

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.

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.

The Chief Executive should improve record keeping arrangements so that

- the records supporting key decisions including financial analysis are maintained
- a standard approach to record keeping with monitoring of which decisions have been implemented
- tolerances are established for reporting back changes to Cabinet.

# Appendix B:

## Previously reported high-priority and statutory recommendations

### Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements, January 2022

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#### Statutory Recommendations January 2022

The Chief Executive should work with the Leader to continue to embed:

- a clearly understood distinction between the different roles and responsibilities of Members, officers and representatives of entities akin to Brick by Brick
- clear responsibilities for officers and Portfolio Holders in challenging reports presented to Cabinet and other committees for balance, accuracy and consistency in terms of knowledge.

The Section 151 Officer should ensure financial reporting on significant capital projects is enhanced so that:

- a clear agreed budget for the project is identified and the underlying financial analysis is maintained
- a clear agreed project expenditure amount can be reported through appropriate governance processes
- where there are changes in the original financial assumptions that there is an assessment on the project's financial viability with appropriate reporting
- the revenue impact of any changes in the capital project are addressed in future budget setting.

# Appendix C:

## Key recommendations 20-21 and 2021-22

Page 72

Page	Key Recommendation	Management Comment	Status
13	With three s114 notices having been issued in two years, and the Council having made it clear that extraordinary government support is required to return to financial sustainability, it will be important that the Council maintains discipline over its own savings and transformation plans. For savings plans, Internal Audit recommendations for improvement in Star Chamber processes should be implemented as a matter of priority. Only plans that are realistic should be approved. For transformation projects, arrangements should be put in place for tracking and challenging outcomes before any further funding is approved.		
19	The Council should continue to focus on resolving Internal Audit recommendations, including from 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22.		
21	The Council should continually review arrangements for overseeing standards and codes of conduct. The Ethics Committee, in overseeing standards, should be mindful that the substance of cultural behaviour is as critical as the procedural form.		

# Appendix C:

## Key recommendations 20-21 and 2021-22

Page	Key Recommendation	Management Comment	Status
26	<p>Regular engagement with residents should continue. The Council's goal should be to improve upon a performance where 36% of its respondents described their experience with the Council as poor or very poor.</p> <p>As the housing contracts are re-procured or insourced, they should be sense checked for lessons learnt from engagement with the previous contractor. Working with partners is more effective where there are shared goals, clear roles and responsibilities, performance metrics that are monitored, and a forward-looking view.</p>		
27	<p>The Council should continue the work started to strengthen governance over procurement. This will be particularly important as the Council prepares for new procurement legislation and a transition period of six months in 2023, when two different sets of regulations are expected to be in force at the same time. Internal Audit findings around contract letting, monitoring and management arrangements between 2019-20 and 2021-22 should be actioned at the earliest opportunity.</p>		

# Appendix D:

## An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised or referred to within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	YES	<ul style="list-style-type: none"><li>January 2022 statutory recommendations shown in Appendix B.</li><li>March 2023 statutory recommendations shown on Page 3.</li></ul>
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	YES	<ul style="list-style-type: none"><li>Financial sustainability – page 13</li><li>Governance – pages 19, 21</li><li>3Es – pages 26, 27</li></ul>
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	NO	N/A

# Appendix E:

## Opinion on the financial statements and use of auditor's powers

### Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom: 2019-20; 2020-21; 2021-22.

At the time of writing this report (April 2023), our audits of the financial statements for 2019-20 and 2020-21 were not yet complete. Our audit of the financial statements for 2021-22 had not yet started.

### Statutory Recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

In January 2022 we issued seven statutory recommendations in our Report in the public interest concerning the refurbishment of Fairfield Halls and related governance arrangements. In March 2023 we published two further statutory recommendations around financial arrangements and governance.

### Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have issued two Public Interest Reports since the beginning of 2019-20:

**October 2020:** Report in the public interest concerning the Council's financial position and related governance arrangements

**January 2022:** Report in the public interest concerning the refurbishment of Fairfield Halls and related governance arrangements.

### Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any Court application

# Appendix E:

## Opinion on the financial statements and use of auditor's powers

### Advisory notice

We did not issue any advisory notices

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency
- is about to enter an item of account, the entry of which is unlawful.

### Judicial review

We did not apply for judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.





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## **Appendix B**

### **Recommendations Tracker for the Interim External Auditor's Annual Report**

<b>Ref</b>	<b>Recommendation</b>	<b>Accountable Officer</b>
1.	<p>With three Section 114 notices having been issued in two years, and the Council having made it clear that extraordinary government support is required to return to financial sustainability, it will be important that the Council maintains discipline over its own savings and transformation plans. For savings plans, Internal Audit recommendations for improvement in Star Chamber processes should be implemented as a matter of priority. Plans that are realistic should be approved. For transformation projects, arrangements should be put in place for tracking and challenging outcomes before any further funding is approved.</p> <p><b>Agreed</b></p> <p><b>To be further progressed during 2023</b></p>	Corporate Director of Resources and S151 Officer
2.	<p>The Council should continue to focus on resolving Internal Audit recommendations, including from 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22.</p> <p><b>Agreed</b></p> <p><b>To be further progressed during 2023</b></p>	Corporate Director of Resources and S151 Officer
3.	<p>The Council should continually review arrangements for overseeing standards and codes of conduct. The Ethics Committee, in overseeing standards, should be mindful that the substance of cultural behaviour is as critical as the procedural form.</p>	Chief Executive and Head of Paid Service

	<p><b>Agreed</b></p> <p><b>Ongoing</b></p>	
4.	<p>Regular engagement with residents should continue. The Council's goal should be to improve upon a performance where 36% of its respondents described their experience with the Council as poor or very poor.</p> <p>As the housing contracts are re-procured or insourced, they should be sense checked for lessons learnt from engagement with the previous contractor. Working with partners is more effective where there are shared goals, clear roles and responsibilities, performance metrics that are monitored, and a forward-looking view.</p> <p><b>Agreed</b></p> <p><b>To be further progressed during 2023</b></p>	Corporate Director of Housing
5.	<p>The Council should continue the work started to strengthen governance over procurement. This will be particularly important as the Council prepares for new procurement legislation and a transition period of six months in 2023, when two different sets of regulations are expected to be in force at the same time. Internal Audit findings around contract letting, monitoring and management arrangements between 2019-20 and 2021-22 should be actioned at the earliest opportunity.</p> <p><b>Agreed</b></p> <p><b>To be further progressed during 2023</b></p>	Corporate Director of Resources and S151 Officer

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## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>20 April 2023</b>	
<b>REPORT TITLE:</b>	<b>Update on the Accounts preparation of 2022-23 and prior years accounts</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>Jane West Corporate Director of Resources and Section 151 Officer</b>	
<b>LEAD OFFICER:</b>	<b>Allister Bannin, Director of Finance (Deputy S151 Officer) Ian Geary, Interim Head of Corporate Finance</b>	
<b>LEAD MEMBER:</b>	<b>Councillor Jason Cummings, Cabinet Member for Finance</b>	
<b>DECISION TAKER:</b>	<b>N/A</b>	
<b>AUTHORITY TO TAKE DECISION:</b>	<b>N/A</b>	
<b>KEY DECISION?</b>	<b>No</b>	<b>REASON: N/A</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>No</b>	<b>Public</b>
<b>WARDS AFFECTED:</b>	<b>All</b>	

### 1 SUMMARY OF REPORT

- 1.1** This report provides an update on the work required to close the 2022-23 and prior years accounts. In particular it updates ongoing considerations to be finalised for the accounting treatment of arrangements with Croydon Affordable Homes and Croydon Affordable Tenures.

### 2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1** Note the ongoing work to close the 2022-23 and prior year accounts.
- 2.2** Note the ongoing considerations in relation to the accounting treatment of arrangements with Croydon Affordable Homes and Croydon Affordable Tenures.

### **3 BACKGROUND AND DETAILS**

#### 2022-23 Financial Year

- 3.1** The closure of the 2022-23 financial year is underway, with service areas reviewing the outturn position, and identifying any accruals or adjustments that are required to establish the correct amount of income and expenditure for the year.
- 3.2** The first stage of the production of accounts is to establish and review the provisional outturn against revenue and capital budgets for both the General Fund and Housing Revenue Account (HRA). The provisional outturn will be reviewed by directorate senior management and the Corporate Management Team, prior to being presented to Cabinet by July.
- 3.3** The second stage to produce the accounts is the calculation and addition of technical accounting entries required by various accounting standards. Accounting basis entries are typically transferred to a non-useable reserve and include revaluation gains/losses on property, retirement benefit costs calculated under IAS19 and timing differences relating to the Collection Fund (Council Tax and Business Rates).
- 3.4** The Council cannot publish its 2022-23 financial accounts until these accounting entries are calculated and completed. For example, the accounting transactions that relate to fixed assets (land and property) require the use of a fixed asset register to be calculated. The council's software provider of its asset register can only make available three open financial years at one time. As the 2019-20, 2020-21 and 2021-22 financial years are all still currently open for adjustments, there will not be capacity to start calculating 2022-23 accounting entries until the 2019-20 accounts are concluded. It is expected this will be completed by the end of June, meaning the 2022-23 accounts would be available from the end of July 2023 at the earliest.
- 3.5** It must also be noted that the completion of the 2022-23 financial accounts is dependent on the resolution of queries raised to date (or to come) by the external audits of the prior year accounts. This includes the treatment of Croydon Affordable Homes / Croydon Affordable Tenures (please refer to further details below) as well as other queries which may be raised during the audits of 2020-21 and 2021-22.
- 3.6** The Department for Levelling Up, Homes and Communities (DLUHC) have consulted on a statutory deadline for the production of accounts of May 2023, which would revert back to the deadline in force for the 2017-18 and 2018-19 financial years (prior to the extended deadlines due to the Covid pandemic). The council would not be able to achieve an earlier deadline, but would publish the required statutory notice of delay in the production of accounts by the end of May if required.

#### Croydon Affordable Homes / Croydon Affordable Tenures

- 3.7** The accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures (CAH/CAT) has been under review as part of the 2019-20 audit by the Council's external auditor Grant Thornton.



**3.8** As background, the Council leased 344 dwellings to the two entities on 80 years long leases (with an option to break at 40 years), in return for an upfront lease premium of £111.8m. CAH/CAT were able to pay this to the Council because they had received two sources of funding:

- a grant of Right to Buy receipts from the council for the provision of affordable housing, (£33.51m)
- The sale of the future income stream of the 344 properties to two external funders, in return for an upfront amount (£71.135m).

This was initially facilitated by loans from the council to CAH/CAT (£79.034m), which were repaid upon transfer apart from a residual balance (£8.125m) being repaid over the 40 year life of the leases.

**3.9** The council had made the judgement that the long lease of the 344 dwellings was a finance lease, where substantially all the risks and rewards incidental to ownership were transferred to the CAH/CAT Limited Liability Partnerships (LLPs). This approach resulted in the disposal of the assets from the Council's accounts. The finance leases also resulted in a capital receipt to the Council (£111.8m), which was subsequently spent on both capital expenditure (£38.721m) and revenue transformation expenditure (£73.079m) allowable under the flexible capital receipts regime.

**3.10** The judgement about the arrangement being a finance lease is now under consideration to be changed, due to the following factors:

- The Council will regain the properties at the end of the lease period, and the LLPs have no option to purchase them
- If the break clause was exercised, 40 years is not the majority of the overall life period of the assets being leased, given a proportion of the assets are land and also HRA dwellings are depreciated up to 80 years
- The lease payments may not amount to substantially all of the assets' fair value

CIPFA guidance states that if none of the above tests are satisfied, then a finance lease treatment cannot be used. Furthermore, there are other factors that could suggest the Council has retained the risk and rewards of ownership:

- The Council has retained nomination rights.
- Rent levels are controlled within an "affordable" range set out in the contract terms.
- The Council has guaranteed repayment of income to the funders, protecting the LLP from some of the commercial risks associated with property ownership.

**3.11** Paragraph 3.10 could suggest the lease should be accounted for as an operating lease, which is revenue in nature rather than a capital disposal. However, it is also necessary to consider the overall substance of the arrangements, and not just their form.

**3.12** This involves examining further tests set out in the CIPFA accounting code of practice:

- Does the seller enjoy substantially the same rights to the dwellings as before the arrangement?
- Is the primary reason to achieve a particular tax result, and not to convey the right of use?
- Is an option to repurchase the assets included on terms that make it almost certain?

- 3.13** Because of the way the series of leases involved in these arrangements interact, it is apparent that the transfers between the Council and the LLPs largely cancel out, and what remains in substance is the tenants paying rent to the Council, which the Council is transferring to the funders (Canada Life and Legal & General, whom provided upfront funding in return for income over the lease periods). An option being considered is that the arrangement could be viewed as a passthrough arrangement, where the Council has raised financing but retained economic control of the dwellings.
- 3.14** A passthrough arrangement means the leases by the Council are cancelled out when presenting the accounting position. This change would result in recognising the 344 properties back into the council's accounts as Council assets, as if they had not been sold. This would be accompanied by revaluations and depreciation calculations as required by standard accounting practices.
- 3.15** However, a key outcome of presenting the leases as a passthrough arrangement is that no capital receipt is generated. With the capital receipt being removed, this sum cannot be used to finance revenue expenditure under the flexible use of capital receipts regime during the period 2017-18 to 2019-20. Expenditure of £73.079m was funded in this way and would instead need to be funded from capitalisation direction, as the Council had no alternative method of funding this expenditure.
- 3.16** It would also result in a sum of £38.721m capital expenditure (the non transformation part) being funded from borrowing, instead of capital receipts. Both of these changes would require additional Minimum Revenue Provision (MRP) to be charged to the General Fund in the period 2018-19 onwards, to repay this borrowing. Note: this is not new borrowing in the cash sense: but internal borrowing that reflects the gap between capital expenditure incurred and capital resources available to finance it.
- 3.17** The loan financing from the third party funders (Canada Life and Legal & General) to CAH/CAT would be recognised as loan financing obtained directly by the Council (so show as Council debt rather than CAH/CAT debt).
- 3.18** Loans from the Council to CAH/CAT would be consolidated and therefore not show in the Council's accounts.
- 3.19** It could also result in the grant of right to buy receipts to CAH/CAT to be reversed. The council could account for this money as if it had directly used the Right to Buy funds for the initial acquisition of the 344 dwellings, instead of being funded from a combination of borrowing and capital receipts.
- 3.20** Communication with DLUHC would be required before the Council ultimately decides on the accounting treatment, as it could result in our accounting of right to buy receipts being different than previously reported to DLUHC.

- 3.21** Please note that the finalisation of the accounts is dependent on agreeing the correct accounting treatment for the accounting substance of the CAH/CAT arrangements. This is different to the legal form of the arrangements which do not change. This is likely to require professional external legal and accounting advice as well as discussions with DLUHC.
- 3.22** It should also be noted that although the first transfer of dwellings to CAH and CAT took place during the 2017-18 and 2018-19 financial years, the audits for both of those financial years have been concluded and therefore the accounts for those financial years will not be re-opened. Instead the impact of any potential changes to accounting treatment would only affect the prior year comparator (2018-19) in the 2019-20 accounts (this would include a substantial explanation of any prior period adjustment).

#### Other changes to the 2019-20 accounts

- 3.23** The 2019-20 audit is largely completed, and the adjustments set out below are likely to be made:
- The cost of the Fairfield Halls development of £62.6m as at 31 March 2020 reflected as additional Council capital expenditure instead of a loan to Brick By Brick.
  - The Council's investment in the Resonance Fund shown at Fair Value rather than historical cost, increasing the value by £2m.
  - A number of non-material errors to reduce overall error in the 2019-20 statements.
  - Corrections identified through the Opening the Books work (detail below).

#### Opening the books

- 3.24** The Opening the Books report presented to the previous Audit & Governance Committee (2 March 2023) set out a series of reviews by an external accountancy specialist containing 76 recommendations for the council to implement. It was agreed for this Committee to monitor the Council's progress in implementing them.
- 3.25** Amongst strategic and process recommendations, some specific areas of historical inaccuracy were identified, which will also affect the restatement of accounts for the periods 2019-20, 2020-21 and 2021-22. These were:
- Recharging of costs from the General Fund to the Housing Revenue Account
  - Recharging of costs from the General Fund to capital schemes
  - The level of impairment set aside for debts (bad debt provision, now known as loss allowance)
- 3.26** Work is underway on all three of the items listed above and the adverse impact on the Council's general fund has already been agreed to be funded through the capitalisation directions granted by DLUHC.

## 4 ALTERNATIVE OPTIONS CONSIDERED

N/A

## 5 CONSULTATION

None.

## 7. CONTRIBUTION TO COUNCIL PRIORITIES

The publication and audit of the Council's financial accounts aligns with the Mayor's core outcome of balancing the Council's books, and provides transparency and accountability to residents.

## 8. IMPLICATIONS

### 8.1 FINANCIAL IMPLICATIONS

- 8.1.1** This is a noting report to update on the work to be carried out on the 2022-23 and prior years' financial accounts. Potential financial implications are highlighted throughout the report and the final impacts will be updated once each year's accounts are finalised.

***Approved by:*** Allister Bannin, Director of Finance (for Corporate Director of Finance)

### 8.2 LEGAL IMPLICATIONS

- 8.2.1** Under Section 3 of the Local Audit and Accountability Act 2014, the authority must keep adequate accounting records, and must prepare a statement of accounts in respect of each financial year. Regulation 7 of the Accounts and Audit Regulations 2015 requires the authority's statement of accounts to be prepared in accordance with those Regulations and proper practices in relation to accounts.
- 8.2.2** The terms of reference of Audit and Governance Committee include "oversee the financial reporting and annual governance processes" and "to review the annual statement of accounts and specifically to consider whether appropriate accounting policies and the CIPFA Financial Management Code have been followed, and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council".

**8.2.3** The authority is of course, also under a general duty “to make arrangements for the proper administration of their financial affairs” under Section 151 of the Local Government Act 1972. In addition, keeping adequate accounting records, and following proper practices in relation to accounts may impact on the authority’s ability to deliver its functions in a manner which promotes economy, efficiency and effectiveness, and therefore the consideration of this report also seeks to demonstrate the authority’s compliance with its Best Value Duty under the Local Government Act 1999.

Comments approved by the Head of Litigation & Corporate Law on behalf of the Director of Legal Services and Monitoring Officer (Date 06/04/2023)

### **8.3 EQUALITIES IMPLICATIONS**

**8.3.1** Under the Public Sector Equality Duty of the Equality Act 2010, decision makers 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.

**8.3.2** 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.

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

**8.3.4** Having due regard means there is a requirement to consciously address the three tenets of the Equality Duty within decision-making processes. By law, assessments must contain sufficient information to enable the local authority to show it has paid ‘due regard’ to the equalities duties; and identified methods for mitigating or avoiding adverse impact on people sharing protected characteristics. Where a decision is likely to result in detrimental impact on any group with a protected characteristic it must be justified objectively.

**8.3.5** There are no immediate direct Equalities implications identified within this report. Equalities will need to remain a consideration, as the council seeks to discharge the recommendations referred to in the report at Section 3.24 above.

**Approved by:** Barbara Grant on behalf of Denise McCausland – Equality Programme Manager

## **8.4 HUMAN RESOURCES IMPLICATIONS**

8.4.1 There are no immediate workforce implications arising from the recommendations in this report. Should any matters arise these will be dealt with under the Council's appropriate HR policies and procedures.

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

## **9. APPENDICES**

None.

## **10. BACKGROUND DOCUMENTS**

None.

## LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>	
<b>DATE OF DECISION</b>	<b>20<sup>th</sup> APRIL 2023</b>	
<b>REPORT TITLE:</b>	<b>UPDATE ON THE ANNUAL GOVERNANCE STATEMENT 2021/22 ACTION PLAN</b>	
<b>CORPORATE DIRECTOR / DIRECTOR:</b>	<b>STEPHEN LAWRENCE-ORUMWENSE DIRECTOR OF LEGAL SERVICES &amp; MONITORING OFFICER JANE WEST CORPORATE DIRECTOR OF RESOURCES</b>	
<b>LEAD OFFICER:</b>	<b>STEPHEN LAWRENCE-ORUMWENSE DIRECTOR OF LEGAL SERVICES &amp; MONITORING OFFICER</b>	
<b>LEAD MEMBER:</b>	<b>CLLR JASON CUMMINGS LEAD MEMBER FOR RESOURCES</b>	
<b>KEY DECISION?</b> [Insert Ref. Number if a Key Decision]	<b>No</b>	
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>NO</b>	

### 1 SUMMARY OF REPORT

- 1.1 In the 2021/22 Annual Governance Statement (AGS), the Council developed an Action Plan for 2022/23 to address the gaps in governance identified in the previous year. This report provides an update on the progress made with the Action Plan.

### 2 RECOMMENDATIONS

- 2.1 The Committee is asked to consider and comment on the Annual Government Statement 2021/22 Action Plan Update which is attached as Appendix 1.

### 3 REASONS FOR RECOMMENDATIONS

- 3.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and the proper standards of good governance. The recommendation provides an update on the progress made on the improvement identified in the Council's governance arrangement.

- 3.2 The Committee is responsible for reviewing and monitoring the effectiveness of the Council's governance, risk and systems of internal controls and the implementation of agreed actions. The recommendation provides an opportunity for the Committee to review and comment on progress made in the areas identified for action.

#### **4 BACKGROUND AND DETAILS**

- 4.1 The Council's AGS 2021/22 acknowledge that the Council has been the subject of significant governance failings that has attracted considerable public interest. The Council has worked to continue to deliver the necessary and significant improvements required in its governance arrangement.
- 4.2 An Action Plan has been developed for 2022/23 to address the gaps in governance identified in the AGS. The key themes for action are in areas such as finance awareness and training; service-based budget monitoring and financial management; complaints and information governance; capital projects and boards, budgeting, and financial reporting; contracts execution, management and records keeping; and housing repairs and temporary accommodation. They also include the actions arising from the January 2022 External Auditor Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements (RIPI 2). The delivery of these actions is monitored through the Internal Control Boards, Corporate Management Team, and updates to the Committee.
- 4.3 Attached at Appendix 1 is an Update on the progress made on the delivery of the AGS Action Plan. The key highlights are:
- a) The improved arrangements for management of capital projects and programmes including a new capital strategy and programme management software.
  - b) The ongoing review of the Constitution to improve on the Council's governance arrangement.
  - c) The information management arrangement improvement plan.
  - d) The housing improvement and transformation programme.
  - e) The progress made with the implementation of the RIPI 2 recommendations since the last report to the Committee in September 2022<sup>1</sup>. This includes the roll out of

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<sup>1</sup> The Committee were advised that 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. (Footnotes continue)



the new committee report templates and guidance and training; a review of the process for signing and storage of contract with improvement proposals; a new Information Management Internal Control Board; a new Outside Bodies Protocol for Officers and Members representing the Council in companies, charities, and other external organisation.

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- 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.

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."

## **5. ALTERNATIVE OPTIONS CONSIDERED**

Not applicable.

## **6. CONSULTATION**

6.1 Not applicable.

## **7. CONTRIBUTION TO COUNCIL PRIORITIES**

7.1 The AGS and Action Plan aligns with the Mayor's Business Plan 2022-26 "Outcome 1: The Council balances its books, listens to residents and delivers good sustainable services" and "Priority 4: Ensure good governance is embedded and adopt best practice".

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

8.1.1 There are no financial consideration arising from the recommendation. 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.

### **8.2 LEGAL IMPLICATIONS**

8.2.1 There are no legal implications arising from the recommendations. However, the actions identified in the AGS Action Plan are fundamental to the delivery of a robust and effective governance arrangement and compliance with the various legal obligations. The Committee is responsible for monitoring progress in addressing governance risk related issues, the effectiveness of internal controls and the implementation of agreed action.

### **8.3 EQUALITIES IMPLICATIONS**

8.3.1 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 Annual Governance Statement Action Plan do not give arise to any equality's issues. However, the Council has had due regard to its obligations under the Equality Act in preparing and approving the statement.

## **9 APPENDICES**

Appendix 1 - Annual Governance Statement 2021/22 and RPI2 Action Plan and Progress Update

## **10 BACKGROUND DOCUMENTS**

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## Appendix 1 Annual Governance Statement 2021/22 Action Plan

No.	Governance Issue	Action	Accountable	Responsible	Status update
1	<b>Improve arrangements for management of capital projects and programmes</b>	Review capital programme, establish monthly capital monitoring and strengthen capital project management.	Corporate Director of Resources	Allister Bannin, Director of Finance (Deputy S151 Officer)	<p>The capital programme is reviewed by the Capital Internal Control Board on a monthly basis, providing robust challenge to project managers on project delivery. Capital delivery is reported on a monthly basis to Cabinet through the Financial Performance Report.</p> <p>For 2023/24, as part of the budget setting process, a new best practice Capital Strategy Improvement Plan was prepared and approved by Full Council. This set out the overall capital strategy and capital programme plans. It also set out clearly the governance of the capital programme including, roles and responsibilities, funding and financing, decision making process, risk management and escalation approach, and management and monitoring processes. Link to Capital Strategy 2022-23 to 2026-27: <a href="#">Report and Appendices B to D - Capital ...Capital Strategy 2023.24 and 26-27.pdf (croydon.gov.uk)</a>. Capital Board will look to further improve the governance of the capital programme during 2023-24 taking on board what best practice can be incorporated within the resource constraints given the Council's financial position.</p> <p><b>Verto 365</b> is enterprise project and programme management software that has been purchased by the Council following an open procurement exercise that took place in 2022. Verto 365 is in use in many other local authorities in the UK. The contract was signed in January 2023 and the software is now in the process of being rolled out in phases ('Sprints') across the organisation. The Capital Programme should be built into the system by the close of July 2023, which will enable the Capital Internal Control Board to oversee the delivery of the Capital Programme in a much more consistent and informed way.</p>

2	<b>Ongoing review of Constitution to align with new Executive Mayoral arrangement</b>	Establish arrangements for ongoing review of the Constitution.	Corporate Director of Resources	Stephen Lawrence-Orumwense	Member Constitutional Working Group established and report to the General Purposes Committee. There is an agreed programme for the review of the Constitution. The Council Procedure Rules reviewed, amended and agreed at Full Council in March 23. Other reviews in the pipeline including Contract Regulations, Financial Regulations, Pensions, Planning and Health & Wellbeing Committee.
3	<b>Improvement in awareness and practice in finance management</b>	Implement CIPFA maturity model.  Finance training for non-finance managers.	Corporate Director of Resources	Allister Bannin, Director of Finance (Deputy S151 Officer)	CIPFA has been carrying out a Financial Management (FM) Review to improve alignment with best practice of the CIPFA FM Model. The review commenced in October 2022 and workshops with senior finance officers concluded in April 2023. Draft recommendations have been provided to the council and an action plan to implement the improvements is being developed. CIPFA delivered a programme of training to revenue budget holders during 2022. The council is considering the training required for capital budget holders and project leads.
4	<b>Strengthen governance framework</b>	Establish and implement internal control boards across directorates and functions.	Director of Policy, Programmes & Performance	Reece Bowman	<p>The following Internal Control Boards (ICB) have been implemented and remain under continuous review:</p> <ul style="list-style-type: none"> <li>• Information Management &amp; Transparency</li> <li>• Resident Voice &amp; Improvement</li> <li>• Equality, Diversity &amp; Inclusion</li> <li>• Finance, Risk &amp; Assurance</li> <li>• Corporate Resilience</li> <li>• Health &amp; Safety</li> <li>• Transformation</li> <li>• Performance</li> <li>• Workforce</li> <li>• Capital</li> <li>• Digital</li> </ul> <p>Administrative support is provided by the Corporate PMO, and each ICB submits the minutes of its proceedings to Corporate Management Team (CMT).</p>
		Ensure directorate schemes of management (i.e., delegation) are kept routinely updated.	Corporate Directors	Corporate Directors & Stephen Lawrence-Orumwense	There is an ongoing review of the Directorate Schemes of Delegation which is being led by Legal Services.
5	<b>Review and improve arrangements for health and safety</b>	Review of effectiveness of health and safety arrangements	Corporate Director of SCRER	Nick Hibberd	

6	<b>Improve arrangements for information management</b>	Provide assurance that the Council is operating in accordance with best practice and relevant legislation to include Publication Schemes, Open Data, Data Storage Security, Subject Access Request and Freedom of Information	Assistant Chief Executive	Paul Golland	<p><b><u>Publication Scheme and Open Data pages</u></b></p> <p>The Council has a publication scheme which is a guide to the kind of information the Council routinely makes available.</p> <p>Croydon are compliant with the ICO's model publication scheme in that the basic requirements are being met. Croydon's publication scheme contains information for the following:</p> <ul style="list-style-type: none"> <li>• Who we are and what we do</li> <li>• What our priorities are and how we are doing</li> <li>• Lists and Registers</li> <li>• What we spend and how we spend it (over £500)</li> <li>• How we make decisions</li> <li>• Our policies and procedures</li> <li>• Services provided by the council</li> </ul> <p>Croydon also have a disclosure log for all disclosable FOIs (Freedom of Information requests) The disclosure log is added to daily.</p> <p><b><u>Subject Access requests/Freedom of Information requests</u></b></p> <p>Significant improvements in our SAR (Subject Access Requests) performance have been made in the following areas:</p> <ul style="list-style-type: none"> <li>• Resource – additional FTE and dedicated Data Protection Officer</li> <li>• Training for the Central Information Team</li> <li>• Governance – creation new Information Management Internal Control Board that meets monthly to review Council's information governance arrangements.</li> <li>• Process – new system in place since August 2022 for processing all SARs/FOIs.</li> <li>• Reporting – clear lines of reporting have been defined with regular updates to CMT and IM ICB. weekly reports delivered to the wider organisation.</li> </ul> <p>For more details please refer to the FOI/SAR improvement plan.</p> <p>The Freedom of Information policy is currently being drafted for agreement at the next ICB meeting.</p>
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					<a href="#">FOI SAR Improvement Plan - February 2023(1).pdf</a> (Attached as Appendix 1A)
7.	<b>Maintain and improve arrangements for member support and better member/officers' relations</b>	Ensure that the Council maintains a culture that enables effective governance by periodically reviewing and monitoring how members and officers work with each other and considering where improvements might be made.		Stephen Lawrence-Orumwense	<p>Whilst Members received training on the Member Officer Relations protocol (which outlines the roles and responsibilities of each function/positions, the principles of how members and officers should work together, the expectations of both parties and escalation / complaints process where and if issues arise) as part of the induction programme, a key recommendations from an Internal Audit review, completed Jan 2023, of the Member / Officer Relationship Protocol and wider member training programme, was that the Corporate Induction should better encompass training and communication on the Member / Officer Relationship Protocol to staff. This is being reflected in a review of the corporate induction programme.</p> <p>Worth noting, to help improve communication and information provision in general, a quarterly Democratic Services Member newsletter was introduced mid-2022, giving members reminders to review and disclose interests at meetings, review their registers of interest, access committee reports and up and coming training events organised by the Council or partner organisations, and giving useful on information on other issues, like facilities, equipment and IT guidance.</p>
		Implementation of member induction programme and training, linked to scrutiny improvements, financial awareness, treasury management and budget scrutiny. Also, Officer e-learning module.	Corporate Director of Resources	Stephen Lawrence-Orumwense & Simon Trevaskis	<p>The Member Induction and Training Programme for 2022/23 has successfully delivered training on 28 different topics. The design of the programme was based around the RIPs, Scrutiny Improvement Review and good practice from other authorities. These sessions have included 'Introduction to Local Government Finance &amp; Risk', 'Anti-Fraud &amp; Whistleblowing' and 'Budget Scrutiny'. Sessions that were planned for 2022/23 that have not been held have been carried over into the Training Programme for 2023/24, with repeated sessions of the core and Committee specific training modules. Training has been delivered by a mix of LGA, CfPS, NHS and Croydon Council Colleagues. Councillors also have access to Croydon Learning where they are able to undertake e-learning modules in a number of topics such as Equality &amp; Diversity and GDPR.</p> <p>A Learning and Development Panel (compiling of Members and Officers) has met three times during 2022/23 to monitor</p>

					the delivery of the programme and to suggest amendments. The Panel will meet again in April 2023 to finalise the Training Programme for 2023/24 and to suggest any additional sessions they would like to see repeated.
8.	<b>Officer Induction Programme</b>	Establish and maintain an officer induction and performance management programme.	Assistant Chief Executive	Dean Shoesmith	The corporate induction programme is under review to incorporate the Mayor's vision and Plan. A presentation of the new induction programme with revised content is scheduled for CMT consideration and approval.
9.	<b>Continue to embed good practice in procurement and contract management.</b>	Address areas for improvement in procurement and contracting identified by Internal Audit.	Corporate Director of Resources	Huw Rhys Lewis Director Commercial Investment and Capital	
10.	<b>Improve Scrutiny function.</b>	Adoption and implementation of scrutiny improvement programme, including budget scrutiny.	Corporate Director of Resources	Stephen Lawrence-Orumwense	<p>A Scrutiny Protocol is at final draft stage, which sets the foundations of the working relationship, expectations, processes and procures, between the Scrutiny Function and the Executive. It is envisaged after informal agreement by the Executive and Scrutiny Members, the document will go to Cabinet/Scrutiny Committee and onto Council.</p> <p>Two training sessions were delivered to Members on Budget Scrutiny, and these were delivered by the Centre for Governance and Scrutiny. Scrutiny and Overview co-ordinated Budget Scrutiny across the Sub-Committees, with each looking at specific budget proposals within their remits, and three Scrutiny and Overview meetings focussing on specific elements of the budget.</p> <p>An improved and clarified process for recommendations to Cabinet has been implemented, with recommendations now split into individual appendices by associated report/item; this has led to better accountability for providing responses by the relevant Directorates and Corporate Directors and public transparency.</p> <p>Upon establishment by Scrutiny &amp; Overview Committee, scrutiny and service based officers have provided support and evidence/responses to additional requests from a</p>

					Housing specific sub-committee, which is additional sub-committee running until the end of 2022-23 municipal year.
		A more effective role for scrutiny in the pre-decision scrutiny process.	Corporate Director of Resources	Stephen Lawrence-Orumwense	It has been agreed that the Scrutiny Committee will take a more robust role in the pre-decision scrutiny process. In 22/23, there has been pre-decision scrutiny. For example, Responsive Repair Contracts, People & Cultural Transformation Strategy.
11.	<b>Housing Improvement</b>	Establish, maintain, and implement a programme to deliver on improvement in the housing function and housing standards.	Corporate Director of Housing	Susmita Sen	Housing Transformation Programme approved by Cabinet (December 2022) and endorsed by Independent Housing Improvement Board (HIB). Programme being implemented and is monitored monthly by steering board with updates to HIB and Improvements & Assurance Panel and Cabinet on a regular basis. The Plan can be found here: <a href="https://sway.office.com/igly03GYO8ud7bso?ref=Link">https://sway.office.com/igly03GYO8ud7bso?ref=Link</a> (Attached as Appendix 1B).
12.	<b>Implement the recommendations arising from the Report in the Public Interest relating to the refurbishment of Fairfield Hall.</b>	To develop, maintain and implement an action plan in response to the recommendations. Also, to ensure, learning arising continues to be embedded across the organisation.	Corporate Director of Resources	Stephen Lawrence-Orumwense	See below the Action Plan in response to the External Auditors recommendations. There has been significant progress with implementing the recommendations.

## 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  
 R12 – Executive officers declaration of interest

**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. The Monitoring Officer has in place final report clearance meetings before publication with Legal and Democratic Services Heads of Service to ensure that legal powers and risks are adequately covered in Cabinet reports.

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 new Capital Strategy was approved. This set out a capital programme much reduced in scale and cost compared to previous years. The focus of the Capital Strategy in the short and medium term is delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy including reducing the number of buildings held by the Council.

#### **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

In October 22 a new officer report template and guidance that addresses the issue raised in R1 has been produced. Between October 22 and January 23, the Head of Democratic Services, Monitoring Officer and Deputy Monitoring Officer assisted by colleagues from Finance, Equalities and Procurement has provided training to Officer on the new template that includes guidance on risk and legal powers. A copy of the Presentation Slides 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

For 2023/24, as part of the budget setting process, a new best practice Capital Strategy Improvement Plan was prepared and approved by Full Council. This set out the overall capital strategy and capital programme plans. It also set out clearly the governance of the capital programme including, roles and responsibilities, funding and financing, decision making process, risk management and escalation approach, and management and monitoring processes. Link to Capital Strategy 2022-23 to 2026-27: [Report and Appendices B to D - Capital ...Capital Strategy 2023.24 and 26-27.pdf](#)

[croydon.gov.uk](http://croydon.gov.uk)). Capital Board will look to further improve the governance of the capital programme during 2023-24 taking on board what best practice can be incorporated within the resource constraints given the Council's financial position. The new standard Committee Report template includes all the essential requirements including information that will assist Members to make an informed decision.

**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

At the monthly meetings of the Capital Internal Control Board, the financial performance of the capital programme is reviewed. The board reviews the progress made with delivery of capital projects including consideration of risks, financing and contracts completion and compliance issues.

The Council's Constitution contains the procurement safeguards referred to below including legality and executed contract before commencement of obligations.

Expenditure delivery on capital projects is included in the monthly Financial Performance Report to Cabinet. In 2023/24, the monthly reports will include information on project activity as well as financial spend. These reports will be available for Scrutiny and Overview Committee to review.

**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

In September 2022, the new report template and guidance was taken to Audit and Governance Committee. As indicated above, officer training on the new template was provided in December 22 and January 23.

**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.**

**July 2023**

**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. Monitoring Officer to work with the Head of Democratic Services to agree an action plan to roll this out. A test pilot will be arranged with a Directorate to consider viability.

**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**

**Deadline  
July 2023**

**Accountability  
Monitoring Officer**

**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.**

**Director of  
Commercial  
Investment**

Comments

A review has been undertaken, the details of which are set out below.

### **Current protections/ processes**

#### **Contracts falling within the Tenders and Contracts Regulations (TCRs)**

There are currently protections with the TCRs for procured contracts as follows:

##### *4. Officer Responsibilities*

##### *4.1 Officers involved in the commissioning and procurement process must comply with:*

- *These Regulations;*
- *All UK and European Union binding legal requirements;*

...

##### *4.2 Officers must:*

*a. Have proper regard for all necessary legal, financial and professional advice;*

...

*o. Enter all purchase order information onto 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;*

...

*q. The contract manager should ensure the safe keeping of contract documentation in line with Croydon's document retention policy and uploaded onto the Council's contract management system;*



## *5. Director Responsibilities*

### *5.1 Directors must:*

- a. Ensure that these Regulations are followed and enforced within their areas of responsibility;*
- b. Make the staff aware of the requirements of these regulations;*
- ...*
- g. Monitor compliance and investigate any non-compliance with the regulations and report any findings to the Director of Commercial Investment as Chair of the Contracts and Commissioning Board;*
- ...*
- j. Ensure their contract managers have kept contract documentation in line with Croydon's document retention policy and uploaded onto the Council's contract management system.*

## *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;*
- c. where appropriate the performance bond is duly completed;*
- d. all procedures have been completed to the satisfaction of the Director of Legal Services.*

## *33. Contract Storage*

*33.1 The Director responsible for the service area must ensure that all signed/ sealed Contracts established in accordance with these Regulations are scanned and the scanned copy or a true electronic copy (with signature/ sealed pages scanned accompanying it) is stored on the Council's Contract Management system and that the original copy of the contract has been received by the Deeds team in Croydon Legal Services.*

Although these protections are in the constitution, there is the need to ensure they are complied with. In relation to any non-compliance, Contracts & Commissioning Board /Procurement Board are implementing a log which will be reviewed on a regular basis and escalated, where needed.

#### **Other types of contracts/ agreements:**

The provisions regarding other contracts/ agreements are covered to some extent in the Financial Regulations. The practice and advice from Legal Services to date is to follow the principle of the TCRs that, where a contract has a value of over £100k, it needs approval by Legal and needs to be signed by and authorised signatory in Legal.

There are likely many agreements entered into that do not come to Legal Services for consideration. There is no centralised data available to review the number of matters this might currently apply to.

#### **Process for signing documents by Legal Services:**

- Legal review undertaken
- Final agreement engrossed (not always internally)
- Authority provided
- Signing/sealing form completed, including relevant authority

- Record in the relevant register
- Signed contract scanned, sent to client officer and saved on Visual Files
- Where relevant, hard copy retained, and archive requested

There are currently four registers – Sealing register, Miscellaneous register, Electronic signing register and Browne Jacobson's POA register. The Electronic register and POA register were brought about due to the Pandemic.

Overall, the process works, however issues can arise at some stages for example, lack of appropriate authority to enter into the agreement.

### **Proposals**

1. Training for staff to ensure they understand and follow processes e.g., under the TCRs
2. To implement any relevant provisions into the Financial Regulations for 'other' agreements (e.g. for Capital Projects), similar to assurances in the TCRs. For example, agreements with a value of over 100k should be signed off by Legal.
3. To implement a 'non-compliance' reporting/ escalation system with appropriate oversight (already underway for procured contracts)
4. Clarify who are Authorised Signatories. Please note, the Intranet is confusing at present, as it refers to Authorised Signatories in the context of those authorised under the financial regulations to approve requisitions up to a certain value – please see [here](#). This needs to be clarified (e.g. re-title to 'Authorised Approvers'?)

5. For procured contracts, Scott Funnell to provide a central email address for copies of signed contracts to be sent to in order to be centrally stored
6. Use of electronic signing/sealing platform e.g. Docusign. This will automate the process, reduce delay, simplify the registering system and storage system. Business case needed regarding cost and confirmation whether the Council can seal deeds electronically (it'll only cost effective if this is possible).

The Monitoring Officer is working with the Head of Strategic Procurement and Contracts on R2. This will now be expanded to include the Head of Estates, Asset & Facilities. 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. Electronic copies are stored on Legal Services System (Visual Files Records). Hard copies are stored in the Deeds Room. 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 Capital Projects Performance Report. The terms of reference of the Capital Board will be updated to reflect this.

This is now 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**

Through the CMT and MAB processes, senior officers, the Mayor and Cabinet are kept informed of any legal risk arising from decisions under considerations. This is a business-as-usual requirement and embedded in day to day considerations of key decisions for Cabinet.

Action Plan	Deadline	Accountability
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.	May 2022	Monitoring Officer

*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.		
<b>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.</b>	<b>Immediate</b>	<b>Chief Executive</b>
<i>Comments</i>		
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.		
<b><u>Recommendation 4</u></b>		
<b>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</b>		
<b>Response</b>		
<b>Action</b>	<b>Deadline</b>	<b>Accountability</b>
<b>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.</b>	<b>July 2022</b>	<b>Corporate Director of Resources</b>
<i>Comments</i>		
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)<sup>1</sup> in the Constitution covers the process for assurances prior to proceeding with arrangements with contractors. A reminder note will be sent to staff.

**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. The Capital Board Terms of Reference were updated in September 2022 to incorporate these requirements.

**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**

<sup>1</sup> **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;
- 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
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<b>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.</b>	<b>September 2022</b>	<b>Director of Commercial Investment</b>
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### Comments

There are representatives from Finance, Legal and Procurement at Procurement Board and Capital Board 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. For Procurement Board, there is a log kept of any non-compliances with a view to escalation to CMT and to ensure any systemic failings are rectified. The same should be replicated for Capital Board.

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. A new Information Management Internal Control Board has been formed chaired by the Monitoring Officer to ensure a critical friend challenge and progress with the Council information management agenda.

6.3 A new Member / Officer working protocol will be developed and submitted to Council for adoption into the Council's Constitution. <i>Please note that this action will also support 9.2</i>	March 2022	Monitoring Officer
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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
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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
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.	June 2023	Assistant Chief Executive

**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.**

**June 2023**

**Assistant Chief Executive**

*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. Update (Jan 23) Guidance Note to be prepared by Head of Democratic Services on the arrangements for all delegated decision records.

**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><b>8.1 The Croydon Companies Supervision and Monitoring Panel (CCSMP) 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).</b></p> <p><i>Please note that this action will also support 9.4</i></p>	May 2022	Director of Commercial Investment
<p><b>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.</b></p> <p><u>Comments</u></p> <p>The Council, in line with other local authorities, developed an Outside Bodies Protocol for Officers and Members representing the Council in companies, charities and other organisations external to the Council. The guidance has been reviewed and commented on by the CCSMP and is now due to taken to Ethics Committee in February 23 for further consideration. Once approved, the Guidance will be circulated to all officers and members representing the Council in outside bodies. Update. This has now been approved by the Ethics Committee.</p>	Feb 2023	Monitoring Officer
<p><b>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.</b></p> <p><u>Comments</u></p> <p>Initial training has taken place but there is further training planned and to be commissioned by the Monitoring Officer by June 2023.</p>	May 2023	Monitoring Officer
<p><b>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.</b></p> <p><u>Comments</u></p> <p>The Internal Control Boards have recently been established and a review of their effectiveness is planned by September 23</p>	September 2023	Director of Policy, Programmes & Performance

## 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	Deadline	Accountability
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.	May 2022	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. <i>Please note that this action will also support 6.3</i>	May 2002	Monitoring Officer
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#### 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). <i>Please note that this action will also support 8.1</i>	May 2022	Director of Commercial Investment
<u>Comments</u>		
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	Deadline	Accountability
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**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 of each project, with an appropriate level of monitoring, reporting and resource allocated.**

May 2022

Director of  
Commercial  
Investment

Comments

Capital Board reviewed its terms of reference in September 2022 to incorporate all the RPI2 requirements and will continue to regularly review and update its terms of reference and approach to ensuring the delivery of robust capital governance. **This is completed.**

**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.

<b>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.</b>	<b>Feb 2023</b>	<b>Director of Policy, Programmes &amp; Performance</b>
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Comments

The monthly budget assurance meetings are continuing and their effectiveness continues to grow. As the monthly financial performance report has set out during 2022-23 these assurance meetings have been reviewed and strengthened. They will be kept under constant review to ensure they operated optimally.

**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**

**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.**

**Deadline**

**May / June 2022**

**Accountability**

**Corporate Director of Resources**

Comments

The Section 151 Officer attends Capital Board meetings at which these issues are addressed.

At the monthly meetings of the Capital Board, the financial performance of the capital programme is reviewed. The Board reviews the progress made with delivery of capital projects including consideration of risks, financing and contracts completion and compliance issues.



The Council tax Setting process for 2023/24 included a new Capital Strategy document which joined together the capital programme, asset management plan and treasury management strategy. This alongside the main budget report emphasised the importance of reducing debt through asset disposals, a significantly paired back capital programme and the consequent impact through the treasury management strategy on borrowing costs on the budget and Medium Term Financial Plan.

**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 Financial Performance Report. In addition, **the** Capital Board is developing a separate detailed Capital Projects Performance Report. The focus in the autumn of 2022 shifted to paring back the capital programme and producing an asset management plan and disposals programme. Enhancements to capital reporting will be made in 2023-24 building upon the work undertaken to develop the capital strategy. 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.

END

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## FOI/SAR Action Plan

Actions	Owner	Target Date	Completed	Comment
Complete backlog of work for FOI/ SAR	LE	31st March 2023		Backlog being worked on with significant reduction
Achieve performance Stats	LE	31st March 2023		Improvement in performance is on going
Resource	SC	Complete		
5 Additional FTE	SC	Complete	May-22	Resource dedicated to intime and backlog requests
Dedicated DPO resource	SC	Complete	Sep-22	DPO began in September
Strategic Information Manager	SC	Complete	Oct-22	SIM began in October
Review DPO JD and post responsibilities	DPO	Complete		As above - DPO recruited and working closely with IMT
Restructure & New JD's	PG/SC	Mar-23		Restructure as part of wider CDS restructure
Plan and Design	PG/SC	Complete	May-22	IMT resourced and working effectively tackling issues
Launch Consultation	SC	Mar-23		Restructure as part of wider CDS restructure
Embed new structure	SC	Apr-23		Dependent on restructure consultation
Ensure clear lines of repoting are defined and CMT updates regularly	DPO	Jan-23	In place	CMT report following IM-ICB meetings now in place inaugural meeting held 24/1/23).
Training for IM Team	SC	Jan-23	In progress	External training provider identified and budget obtained (SC).
Training	SIM	Sep-22		First courses scheduled for 17th April -25th April 23
Review and create Training materials for IM staff	SIM	Jan-23		
FOI	SIM	Jan-23	In progress	See row 15
SAR	SIM	Jan-23	In progress	See row 15
Data Breach	SIM	Jan-23	In progress	See row 15
Review and create Training materials for Organisation	SIM	Feb-23		
FOI	SIM	Feb-23		SIM to develop training materials and deliver
SAR	SIM	Feb-23		SIM to develop training materials and deliver
Data Breach	SIM	Feb-23		SIM to develop training materials and deliver
Governance	SC	Jan-23		
IMSG membership schedule 1st Meeting	LE	Complete	Jul-22	Refreshed IGSg to take place 1/11
IMSG ToR	SIM	Complete	Oct-22	Sent to IMSG ahead of meeting
IMT ICB new meeting (ToR, inaugural meeting)	SIM	Jan-23	In place	New chair appointed. Renamed IM Internal Control Board (IM ICB).ongoing monthly meetings scheduled
Identify Champions and create role profile	LE	Complete	Oct-22	Champions on IMSG
Breach Panel	SIM	Complete		Breach Panel regularly consulted for data breaches
Quarterly CMT and DMT attendance	SC	Nov-22		Part of revised communications strategy
Process	LE	Sep-22		
Comms to all requestors	LE	Complete	Feb-22	Templates in Infreemation
Data Cleanse of all open requests and prioritise	LE	Complete	Feb-22	Work completed
Benchmark against other LA's	LE	Complete	Jul-22	Use membership of IGFL
Review Policy for FOI	SIM	Feb-23		To be completed and reviewed by IM ICB
Review Policy for SAR	SIM	Feb-23		To be completed and reviewed by IIM ICB
Review and create Protocols	DPO	Feb-23		List of Protocols being obtained from Legal for review
Review technology	LE	Complete	Jun-22	Templates in Infreemation
Implement new system and request logging	SC/ LE	Complete	Sep-22	Templates in Infreemation
Review work demand	LE	Complete	May-22	Templates in Infreemation
Communications & Engagement	LE			List of Engagement being obtained from Legal for communications
Work with areas highest risk	SIM	Feb-23		Templates in Infreemation
Upskill services to take accountability for response and process	SIM	Mar-23		Templates in Infreemation
Pushing ownership to services	SIM	Mar-23	On going	Templates in Infreemation
Quality of responses and templates	DPO/SIM	Feb-23		Templates in Infreemation
Templates	DPO/SIM	Complete		Uploaded to Infreemation - the new request handling system
Trends	DPO/ SIM	Feb-23		Report to IMTICB
Publication	DPO/SIM	Jan-23	In place	Previous FOIs published at <a href="https://croydon.disclosure-log.co.uk">https://croydon.disclosure-log.co.uk</a> . Will continue monitoring the effectiveness.
Reporting	SIM	Dec-22		Templates in Infreemation
Weekly Reporting initiated for key stakeholders	SIM	Jan-23		Stable format. First reports issued to IM ICB 24/1/23 for approval. First distribution to business w/c 6/2/23
Monitor performance to ensure plan is on track	LE	Complete	May-22	Templates in Infreemation
Casework allocation	LE	Complete	Apr-22	Templates in Infreemation

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# Housing Transformation Programme

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*There are eight workstreams in the Housing Transformation Portfolio:*

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1. Vision, Direction and Transformation Plan
2. Governance & Information Management
3. Customer Excellence
4. Long-term Home and Neighbourhood Planning
5. Asset Compliance
6. Maintaining our homes
7. People Development
8. Managing our Housing Need

## Vision, Direction and Transformation



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### *Workstream Outcomes:*

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- *To have a clear vision and mission for the housing directorate which has been co-created with staff, residents and key partners.*
  - *To have determined the challenges impacting service delivery and service failings and created a programme of transformation*
  - *To create the governance structure to support effective delivery of the transformation programme and housing strategy*
  - *To have set out in a housing strategy the strategic aims for the directorate over the next 3 - 5 years*
- 

### **Projects include:**

**1.1 Vision & Mission Setting:** To conduct a Vision and Mission Setting exercise with customers, staff and key stakeholders to determine the direction and ambition of the housing directorate

**1.2 Root Cause Diagnostic/Discovery:** To complete an as-is assessment of the housing directorate to inform the transformation programme. To be completed by involving staff, customers and stakeholders

**1.3 Housing Strategy:** To compose a Housing Strategy which sets out the long term Strategic Aims of the Housing directorate taking into account the environmental and organisation constraints

**1.4 HIP/Transformation Plan:** To create a plan which identifies the different projects, initiatives, resources, costs, timeframes required to transform the housing directorate including Housing Needs.

**1.5 High-level restructuring & recruitment:** To conduct a review and restructuring of the Housing Directorate divisions following reviews of performance, operating practice and delivery to best deliver efficient and effective services to customers. To stabilise leadership at a senior level to deliver improvements and lead employees in transforming the service.

**1.6 Governance structure for HTP:** To determine an appropriate governance structure which provides assurance, audit and critical review of projects within the transformation programme, feeding into other organisational governance structures and overseeing the delivery of projects with appropriate VFM, engagement and efficiency challenge.

## Governance and Information Management



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### *Workstream Outcomes:*

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- *Clear performance KPIS are created linked to the Housing strategy, Tenant and to function-specific plans - these are then monitored effectively down through to officer objectives*
  - *Governance framework created to service members and stakeholders but also balance officer time*
    - *Resident involvement is purposeful and utilises voluntary time effectively*
  - *Financial information is robust with HRA ring-fenced appropriately, and charges applied for services delivered*
  - *Information on our services as a directorate are clear and easily understood in line with resident's charter*
- 

### **Projects include:**

**2.1 Revised Performance Framework and Business Intelligence:** To devise and implement a Performance framework which sets out clear measures of performance for service areas and enables appropriate objective setting for staff, projects and initiatives with focus on customer services. To refine which KPIS are shared to improve business intelligence.



**2.2 Internal governance review and re-set:** To review and revise the internal governance of the directorate to instill a clear framework of accountability, oversight and challenge giving visibility to staff, senior leaders and managers within the directorate

**2.3 Member & Stakeholder engagement review:** To create an approach to member engagement which manages the needs of members and other key stakeholders whilst balancing the pressures of operational and strategic delivery for employees

**2.4 Review of Tenant Involvement Structures:** Review and improvement of tenant involvement in directorate governance to ensure that the time and contributions of involved tenants and leaseholders are used effectively

**2.5 Financial governance review:** Improved financial governance across the directorate, including:

\*An audit and analysis of the distribution of HRA funding for Croydon, assessing delivery of recharged costs and ensuring HRA funding is ringfenced appropriately and according to statutory guidance.

\*A review of charges for services "provided" to Leaseholders - exploring the "myth" of overcharging or whole charging

**2.6 Website updating and cleaning:** To review the information published on our website to ensure it is accurate, up-to-date and complies with our customer charter.

## Customer Excellence



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### *Workstream Outcomes:*

*To have implemented a new way of operating as a directorate which puts the residents at the heart of service delivery, engages with them effectively and respectfully meeting all expectations of the tenant involvement and empowerment standard.*

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### **Projects include:**

**3.1 Resident Charter development & delivery:** To create, consult and deliver a Resident Charter which sets out the commitments made between the Housing directorate and its residents. To construct and deliver a plan to embed those commitments in the service so they are realised.

**3.2 Resident Engagement Strategy:** To create a strategy which sets out how resident's will be engaged in decision-making, information sharing, and consultation

**3.3 Short-term Customer services Improvement plan:** To create and implement a plan to provide additional support to tenancy services in the short-term prior to new tenancy service model

**3.4 Customer Information review:** To evaluate the information captured for customers, profiling customer information, ensuring characteristics are noted, profiles are used to inform communication channels and service delivery

**3.5 Customer journey review:** To co-review our resident's different pathways through the directorate to create/inform a new operating model. To evaluate the data we receive throughout the journey

**3.6 New Tenancy Service Model:** The creation of a new way of working/operating within the directorate and across the council to reflect our "customer at the heart" ethos

**3.7 Customer Service Training:** Design and implementation of a Customer Service Programme to transform customer interactions

**3.8 Customer Learning & review of process:** Review of the way complaints are received, processed, responded to and inform changes to service

**3.9 “Stop Social Housing Stigma” Campaign:** Becoming an active member of the Stop Social Housing Stigma Campaign - implementing recommendations to change the way tenants are perceived

**3.10 Review of Consumer standards:** Assessment against the four consumer standards to ensure compliance and best practice and implementation of action plan

**3.11 Rent-setting consultation initiative:** Engage with Residents and appropriate Resident groups to discuss options for Rent Setting 2023/24

**3.12 Know our Neighbourhoods programme & Estate Inspections:** To capture information on how neighbourhoods and communities work, infrastructure, demographics, trends in issues and ways to engage. To feed information into neighbourhood plans and make referrals to reactive repairs

**3.13 Community development & inclusion programme:** A programme to develop community links ensuring activities are programmed to develop a sense of community e.g youth, gardening, tidy-ups. Utilise community paybacks. To become BAU

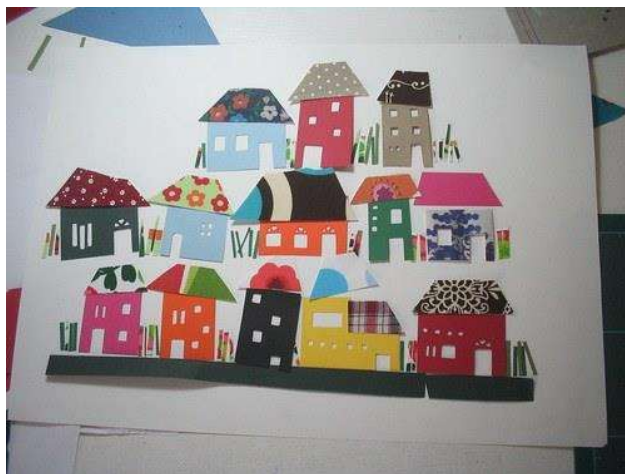
**3.14 Customer Satisfaction standards:** To review our measurement tools for customer satisfaction against the Tenant service standards

**3.15 NEC Migration:** Migrate processes and data from OHMS to NEC Housing in order to exploit the capabilities of a modern system presenting a single view of the customer. The relational database reduces data duplication and allows all service areas to share resident, property and repairs information.

Phase 1 of the project will migrate processes with minimal re-engineering but enabling additional automation and task allocation.

Phase 2 will provide more in-depth process mapping to take advantage of new technologies.

## Long-term Home and Neighbourhood Planning



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### *Workstream Outcomes:*

*To have created a longer-term plan for the management of Assets including Regina Road, LPS tower blocks and other potential regeneration sites. To have structured the Estates and Improvement division to deliver on the Asset Management strategy and Housing Strategy taking into account the Neighbourhood plans that deliver on a holistic view of our communities.*

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### **Projects include:**

**4.1 Resolution programme for Regina Road:** To address the current unsatisfactory situation at the Regina Road estate where three ageing tower blocks require radical action to ensure modern social housing fit for the 21st century.

**4.2 Resolution programme for LPS blocks:** To address the future of the 13 other LPS blocks in Croydon, using information gained from the demolition of the three blocks at Regina Road.

**4.3 Development of Asset Management Strategy:** Asset Management Strategy will need to address 4.1 and 4.2. The remaining 26 tower blocks, and the medium- and low-rise housing (including sheltered housing) will need to be addressed in the Strategy. The Strategy will detail our long term plan for the management of our Council stock (as part of a ten-year rolling programme).

**4.4 Estates and Improvement restructure:** To review the structure of the Estates and Improvement function to ensure it delivers more effectively to: the Housing Improvement Plan and Building and Fire Safety Acts, Charter for Social Housing Tenants

**4.5 Regeneration and New home programme:** To develop a programme of borough wide regeneration and New Home build in line with Mayoral priorities

**4.6 Creation of Neighbourhood Plans:** Use of asset data and neighbourhood data to create plans based on a holistic view of our communities.

## Asset Compliance



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***Workstream Outcomes:** To develop a compliance service with a robust framework for ensuring compliance with legislative and regulatory standards, ensuring safe and compliant homes.*

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### **Projects Include:**

**5.1 Compliance plan for Fire Safety Act 2021:** Creation of a plan to ensure compliance with Fire Safety Act 2021 and associated Fire Safety Regulations 2022

**5.2 Compliance plan for Building Safety Act:** Creation of a plan to ensure compliance with Building Safety Act, and ensure suitable registrations, certification and building safety cases are in place by relevant government deadline

**5.3 Compliance audit:** Review and update compliance policies & subsequent procedures Review and ensure policies and procedures are fit for purpose, compliant and keep residents safe

**5.4 Compliance review against revised Decent Homes Standard:** Ensure compliance with new Decent Home Standards (Currently in consultation review phase)

## Maintaining our Homes



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*Workstream Outcomes: Delivered reactive maintenance of our assets to meet and exceed our obligations to the Home Standard, ensuring supply of homes is optimized for customers and income.*

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**Projects Include:**

**6.1 Repairs re-procurement:** To procure 3 new contracts for repairs, voids and heating. There will be 2 suppliers for repairs and voids; contract 1- 70% of the borough; contract 2- 30% of the borough. There will be one contract for heating maintenance.

**6.2 Repairs Contact Centre:** To in-source the repairs contact centre and to procure a new out of hours service

**6.3 Repairs restructure and behaviour change programme:** To have an effective, motivated and skilled workforce which is able to manage the new repairs contracts and deliver our capital and asset management programmes

**6.4 Voids transformation:** To clear the voids backlog. To reduce the void key to key turn around time and improve the quality of the service.

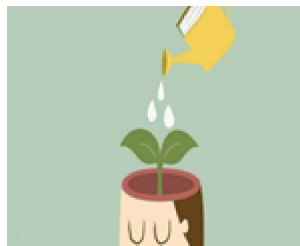
**6.5 Disrepair transformation:** To develop a fit for purpose approach in dealing with and remedying the issues of the disrepair cases and developing an approach to avoid cases being made by residents in the future through improving the conditions of properties and the processes around repairs and maintenance

**6.6 Review of policies, procedures, business processes and customer journeys:** To provide clear guidance on service delivery processes and expectations including from the perspective of the end to end customer journey

**6.7 Review of Capital Delivery contracts:** Assessment of how we deliver Capital investment projects

**6.8 Targeted Approach to Damp and Mould:** To reduce the instances and impacts of D&M

## People Development



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*Workstream Outcomes: To create an engaged workforce with the right skills, effective leaders and an enabling culture to serve the customer well*

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## **Projects Include:**

**7.1 Culture & transformation discovery:** To engage with staff and managers on their vision for the culture of the future, exploring the shortcomings of the culture today

**7.2 Enabling high performing teams and setting behavioural expectations:** To create a programme with an emphasis on "high performing" teams which have clear expectations of behavioural standards at the different levels of staffing groups and tying in with appraisals and 1-2-1s

**7.3 Developing Staff capability:** To undertake a skills audit and create a plan to develop the capability of staff and managers

**7.4 Professionalising the service:** To link in with the CIH professional standards to enhance the technical & behavioural competence of staff.

**7.5 Housing Leaders programme:** To create a leadership programme which elevates the skill sets and leadership styles of managers within the Housing directorate. Programme to focus on managers as enablers and leaders.

**7.6 Talent acquisition: Apprenticeship/Graduate Programme/EVP:** To implement and participate in the apprenticeship and graduate programmes to develop new talent in junior roles, providing fresh outlooks, new skills and contributions.

**7.7 Talent Management:** To identify and enable high potentials to develop in their career paths.

**7.8 Elevating the employee experience programme:** Creating a working environment where the culture is supportive, welcomes challenge and ideas for improving services. Recognises contributions and provides psychological safety

**7.9 Employee Engagement, inclusion and community development:** Development of communities of experts, staff groups and themes which enhance the collaboration across the directorate and the council as a whole

**7.10 Intra-directorate communication and engagement:** Development and implementation of an internal communication & engagement strategy for the Housing directorate

**7.11 Changing Behaviour initiatives - New Operating model:** Taking a focused approach to developing behaviours as part of working on the outputs from diagnostics, culture change workshops and customer surveys - to support the delivery of our new operating model

**7.12 Recruitment campaigns to stabilise workforce following re-structures:** To recruit to vacant roles following re-structures and redeployment to deliver enhanced services

**7.13 Developing early leaders programme:** Programme will also focus on growing talent into managerial roles, providing a range of tools and opportunities to grow internal talent

## Managing our Housing Need



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***Workstream Outcomes:** To proactively manage our Housing Needs Statutory Duty service requirements and deliver an efficient and effective service*

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### **Projects Include:**

**8.1 Housing Needs restructuring:** To re-structure the Housing Needs service to improve the Council's early intervention and demand management. The re-structure will be underpinned by a Homelessness & Rough Sleeping strategy which will provide the strategic direction which drives the transformation projects.

### **8.2 Supported Housing review**

**8.3 DPS – Procurement of contracts:** Purchase and commission a Dynamic Purchasing System to ensure Compliance of procuring contracts for TA acquisition

**8.4 Homelessness Prevention and Rough Sleeping Strategy:** To provide strategic direction to the homelessness service including the establishment of joint-working protocols with internal and external partners

### **8.5 Rough Sleeping transformation plan**

### **8.6 Allocations policy review**

### **8.7 Placements policy review**

**8.8 RSL Partnership:** To improve governance of all relevant contracts and nomination agreements to maximise the properties the Council can use to move people out of temporary accommodation

**8.9 Data Cleanse & Income Collection:** To carry out occupancy checks of emergency and temporary accommodation. To provide accurate information on the reasons for accommodating households

<b>REPORT TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b> <b>20 April 2023</b>
<b>SUBJECT:</b>	<b>Corporate Risk Register</b>
<b>LEAD OFFICER:</b>	<b>Jane West Corporate Director Resources &amp; S151 Officer</b>
<b>CABINET MEMBER</b>	<b>Councillor Jason Cummings, Cabinet Member for Finance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <p>As part of the Audit &amp; 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 April 2023.</p> <p>In line with the Council's commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).</p>	
<b>FINANCIAL SUMMARY:</b> There are no additional direct financial implications arising from noting this report.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

## 1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the corporate risk register as at April 2023

## 2. EXECUTIVE SUMMARY

- 2.1 The report updates the Audit & Governance Committee Members on the corporate risk register (the register) as at April 2023.



### **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, Q4 reviews for 2023/23 have 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. To support this, an upgrade to the current risk system is scheduled which will aid the ongoing review of control measures as well as the roll out of new dashboard style reporting to aid Officers and Members oversee the corporate risk register.
- 3.4 In addition to the activities noted above there have been a number of changes in relation to risk ownership as summarised below 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 Risks escalated to Red status since last review by Members:
- Lack of expert equality and diversity resource means that the Council is unable to deliver against it's Equality Strategy and EDI initiatives.
  - The Council fails to plan for / provide a Designated Disaster Mortuary on behalf of the Senior Coroner.
  - The quality of Adult Social Care data, performance recording and insight impacts on operational and strategic oversight and service delivery.
  - Following the repeal of legislation regarding fixed term parliaments, a General Election could be called in as little as 35 days.

- Kier are successful in the legal proceedings against the Council in respect of the Transforming Highways Maintenance Contract.

3.6 Risks de-escalated from Red Status since the last review by Members:

- Occupational Therapy waiting lists growing beyond service capability.
- Impact of operational policy changes for Metropolitan Police around S135 interventions.
- The ICO applies a statutory notice and other enforcement measures to the Council for non-compliance of statutory regulation.
- Impact of Review of CAH/CAT Lease Accounting Treatment and impact on capital / capitalisation direction.
- Statutory Coroners service overspend due to increased demand pressures.
- The Elections Act 2022 includes significant changes to the electoral registration and voting arrangements.

3.7 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).

3.8 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 direct financial implications arising from noting this report.

4.2 The Council's financial reporting and medium term financial strategy takes account of the risk management framework, to consider the potential financial implications of risks.

(Approved by Allister Bannin, 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 Audit and Governance Committee is required by its terms of reference to monitor the effective development and operation of the Council's risk management arrangements, to monitor progress in addressing risk-related issues reported to the Committee, and to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. Therefore, 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 under the Local Government Act 1999.
- 5.3 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk.. 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

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#### **CONTACT OFFICER:**

Malcolm Davies,  
Head of Anti-Fraud, Risk & Insurance

#### **BACKGROUND DOCUMENTS:**

Appendix 1 Corporate Risk Register  
Appendix 2 Risk Scoring Matrix

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## Appendix 1: Risk Register Red Risks April 2023

Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
CIC0005  Rhys-Lewis, Huw	<p>The investment strategy and income generating properties do not deliver the required financial benefits / targets.</p> <p><b>**Main Risks Colonnades (potential £700k), Davis House (£200k), BWH (Home Office £750k) remainder portfolio (£100k). Issue compounded by the inability of landlords to take swift action through the courts to pursue non-payment remedies**.</b></p> <p>Colonnades, Davis House and wider portfolio currently holding performance, BWH actively marketed and two tenants secured, 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"> <li>Financial loss due to under-performance of assets through non-payment of rents due to failure of tenants, reduced rents or deferments. Impact of new community strategy</li> <li>Service area funding / continuity of delivery could be impacted as a result of lower revenue income to support.</li> <li>Reputational damage due to failure of high profile assets.</li> <li>Political and media scrutiny.</li> <li>Macro economic conditions significantly impact on investment properties and the general rental income across the wider portfolio leading to reduced revenue generation.</li> </ul>	<p>Rhys-Lewis, Huw</p> <p>Last Review: 23/02/2023</p> <p>Last Amended : 15/03/2023 08:31:11</p>	5	5	25	4	5	20

## Existing Controls

- Clear and agreed (Scrutiny & Cabinet) strategy in place. -Strategy incorporates CIPFA recommendations.
- Colonades, Vulcan Way, Imperial Way and Davis House are all on disposals schedule -but have achieved rental increases
- Croydon Park Hotel disposed -
- New ways to utilise properties to secure longer term security being investigated eg Croydon Campus Project -
- 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 .

## Future Controls

- Looking to profile to a lower risk profile through disposal

Review Date

31/03/2023

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CIC0008  Rhys-Lewis, Huw	<p>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.</p> <p>Review &amp; Update - Team Leader (Sustainability &amp; Energy) put into contract with LASER on energy packages. 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.</p>	Financial impact on the council	<p>Rhys-Lewis, Huw</p> <p>Last Review: 23/02/2023 Last Amended : 15/03/2023 08:31:11</p>	5	5	25	5	4	20

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CIC0010  Rhys-Lewis, Huw	<p>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.</p> <p>Requirement for unbudgeted capitol works</p> <p>Reported to CMT/Leader w/c 15/11/2021</p> <p>(Risk generated 19/05/2021).</p>	<ul style="list-style-type: none"> <li>• Council is liable for the outstanding debt.</li> <li>• Political and media scrutiny and interest.</li> <li>• Financial loss on sale of BxB assets.</li> <li>• Loss of interest on loan payments</li> </ul>	<p>Rhys-Lewis, Huw</p> <p>Last Review: 23/02/2023 Last Amended : 15/03/2023 08:31:11</p>	5	5	25	5	4	20

### Existing Controls

- 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.
- Exchange on Kindred House scheme -
- Revised loan agreement to Brick by Brick (excluding Fairfield Halls) -

Loan agreement setting down rights and obligations of parties.

Separate bank account established for accrued interest on loans provided by Council

Regular Operational meetings between company & Council and Shareholder board

## Future Controls

- Forensic Investigation report in respect of Fairfield Halls Report Regular meetings with GLL established and agreement being reached on all outstanding work
- Lion Green Road scheme under review

Review Date

25/04/2023

31/03/2023



	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CIC0012  Rhys-Lewis, Huw	Contract Management and Supply Chain risk, including inflationary pressures, facing council. Implications for revenue and capital programme.  (Risk generated 18/05/2021).	<ul style="list-style-type: none"> <li>• Poor planning risks procurement challenge, poor supplier relations and overspend.</li> <li>• Non-compliance, budget overspend.</li> <li>• MTFS targets not met, poor supplier relations.</li> <li>• Reputational damage.</li> <li>• Political interest and scrutiny.</li> <li>• Media interest and scrutiny.</li> </ul>	Rhys-Lewis, Huw  Last Review: 20/03/2023 Last Amended : 20/03/2023 10:12:46	5	5	25	5	5	25

#### Existing Controls

- Accurate contract register operational. -
- Additional procurement capacity and new structure for C&P implemented -
- Contract actions monitored to ensure that they are delivered on time, - including contract savings programme and statutory/ discretionary assessment;
- Contract Improvement Plan established. -
- Enhanced governance arrangements designed and agreed at CMT -

#### Future Controls

-

Review Date

Page 149

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
HSI0023	Increased volumes of cases relating to damp and mould plus disrepair.	Damp and mould cases are not managed in a timely manner which impacts the resident's health and wellbeing. This could result in increased finding against the council by the housing ombudsman and or regulator.	Tate, Stephen	5	5	25	3	4	12
Tate, Stephen	<p>The tragic death in Rochdale, connected to damp and mould has raised the profile of similar cases across the sector and in Croydon. As a result the SoS and the Regulator for Social Housing has written to all housing authorities asking them to set out their approach to Damp and Mould. The risk to the authority is that not only could the number of reported cases increase, but also that the repair service does not resolve cases in a timely manner that then impacts the health of wellbeing of residents. This could result in adverse findings from the Housing Ombudsman and or the regulator.</p> <p>A significant portion of disrepair cases are linked to damp and mould , therefore this could further increase the risk of number of disrepair cases raised under the disrepair protocol and as a result of The Homes (Fitness for Human Habitation) Act 2018.</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"><li>• 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.</li><li>• 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.</li><li>• The Homes (Fitness for Human Habitation) Act 2018 which came into effect April 2019.</li><li>• 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.</li></ul> <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>Last Review: 27/02/2023</p> <p>Last Amended : 27/02/2023 15:06:22</p>						

#### 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.
  - Develop policy, procedure and action plan to address damp and mould -Since December a review of the procedure has been undertaken a new procedure has been put in place, which priorities cases. This needs to be formalised.
  - New resource to manage damp and mould -New team established, including damp and mould lead, surveyor and admin resource in place from January 2023
  - Reviewed management of damp and mould/disrepair cases by in house team - close working with internal legal team -Additional interim resources brought in to support capacity. Disrepair hub set up with new policy and procedure set up to manage cases.
- Revised approach in place for working with inhouse legal team to ensure cases are effectively managed
- Two weekly review meeting with Corporate Director -Review meetings set up with Corporate Director and team to manage improvement plan for disrepair.
  - Use of additional contractors for disrepair including damp and mould -The number of contractors has been expanded to increase resilience in delivery

**Future Controls**

- Framework for additional contractors Procurement of additional contractors commenced to ensure future resilience in delivery
- Good data about our stock and investment Through our stock condition survey and repairs data ensure we have good information about our stock , that can inform our asset management strategy and future investment in our homes
- Implement an inspection regime that is based upon good data Inspectors to visit neighbourhoods/ similar archetype properties to those where damp has been identified. Complement this with tenancy visits base upon a priority basis
- Improve the voids lettable standard with a focus on damp and mould prvention Review the approach at void stages of the councils homes
- 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  
28/02/2023  
30/03/2023  
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
PH0007  Flowers,Rachel	<p>The indirect impact of a global pandemic the cost of living crisis plus the ongoing war in Ukraine widen health inequalities in both physical and mental ill health and increase demand on all Council services.</p> <p><b>** e.g. overcrowded/poor housing , more people presenting as homeless- those in deprived areas more likely to have underlying conditions; unsecure employment leading to great financial insecurity**.</b></p> <p>(Risk generated 24/03/2020).</p>	<ul style="list-style-type: none"><li>• Increased mortality and morbidity in more vulnerable groups.</li><li>• Adult Social Care pressure.</li><li>• Housing demand.</li><li>• Political and media interest.....</li></ul>	Flowers,Rachel  Last Review: 06/02/2023 Last Amended : 06/02/2023 09:38:05	5	5	25	5	5	25

<p><b>Existing Controls</b></p> <p>- COVID-19 and flu messaging detailed in the NHS Health Check invitation communication -</p> <p>- Epidemiology data provided by, OHD SWL NHS, UKHSA reviewed by the DPH and her team -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.</p> <p>Much of the data can be found in the JSMA/Croydon observatory</p> <p>The mitigation/control measures are around education, housing quality, employment opportunities, access to services, including health services.</p> <p>There is also a regional and national dynamic to the control measures linked to policy ,funding- of the whole local system, both Local Authority and NHS and and grant opportunity</p> <p>- 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</p> <p>- The Outbreak Control Plan can be stood up if and when required - 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</p>									
<p><b>Future Controls</b></p> <p>- No further/future controls identified</p>								Review Date	

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PR0013	Sustainable Parking Services Income	• inability to balance the budget due to Income loss through pay and display and penalty charge notices	Iles, Steve	5	5	25	4	3	12
Iles, Steve	<p>Reduction in income that is generated through charges applied to appropriate parking spaces across the borough.</p> <p>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>Last Review: 31/01/2023</p> <p>Last Amended : 31/01/2023 15:39:02</p>						

#### 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

- Developed a MTFS growth form -Introduced growth to income budgets to align budget for 23/24 and onwards - this control measure is completed and the growth bid forms part of the MTFS 23/24 onwards.

- 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)

#### Future Controls

- 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.

Transformation bid completed and submitted for the funding to undertake the above policy review , governance and board being established.

Review date: - February 2023

Review Date

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"> <li>Major economic, regeneration and social impact on the vitality and viability of the Town Centre and North End</li> <li>Political and media scrutiny</li> </ul>	<p>Cheesbrough, Heather</p> <p>Last Review: 16/02/2023</p> <p>Last Amended : 16/02/2023 09:05:01</p>	5	5	25	4	5	20

<b>Existing Controls</b> <ul style="list-style-type: none"> <li>- 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 .</li> <li>- Communication channels between politicians and officers with CLP remain open and productive . -</li> <li>- 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</li> <li>- Officers and their consultant team seek to hold CLP to account on their plans and to manage the CPO expiry process . -</li> <li>- Regular communication with the Whitgift Foundation -The Foundation is the freeholder of the majority of the site.</li> <li>- Regular meetings with CLP to maintain dialogue between partners . -</li> <li>- Robust record keeping and retention of professional advisor team who have been involved since the beginning of the project -</li> <li>- The Council through its statutory powers - Local Planning Authority (LPA), CPO and land assembly, and as a Highway Authority. -</li> <li>- The ending of the exemption for CLP to pay Business Rates on unoccupied buildings due to the CPO -</li> <li>- The final land transfers under the now expired CPO from the Council to CLP are to be completed in the coming weeks -</li> <li>- 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.</li> <li>- 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</li> </ul>									
<b>Future Controls</b> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- The Council seeks to introduce a new development partner, once the ILTA expires (February 2026). ...</li> <li>- 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</li> </ul>							Review Date 21/04/2023  21/04/2023  21/04/2023 21/04/2023		

	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"> <li>• Qualified accounts provided in respect of 2019/20 or 2021/22</li> <li>• Loss of control of financial position</li> <li>• Political scrutiny applied at local and national level.</li> <li>• Media interest and scrutiny at local and national level.</li> <li>• Continuing financial loss.</li> <li>• Reputational damage.</li> <li>• Potential investigation of historic financial practices.</li> <li>• Impact on reserves</li> </ul>	West, Jane  Last Review: 17/03/2023 Last Amended : 17/03/2023 15:24:37	5	5	25	4	4	16

#### Existing Controls

- Determine the correct use of transformation funding in relation to 2019/20 and 2020/21 audited by Grant Thornton -
- Regular meetings with Grant Thornton and corporate finance team to monitor progress of audit -
- 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 - reviews completed but recommendation need to be implemented

Review Date

31/01/2023

Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
RCS0040  West, Jane	The Council does not achieve financial sustainability and remains reliant on annual extraordinary central government support.  (Risk generated 11/04/2022).	<ul style="list-style-type: none"> <li>• Do not meet terms and conditions set out by DLUHC in Capitalisation Direction Agreements.</li> <li>• Inappropriate financial behaviour and practice.</li> <li>• Political scrutiny applied at local and national level.</li> <li>• Media interest and scrutiny at local and national level.</li> <li>• Impact on reserves</li> <li>• Continuing S114 notices in future</li> <li>• Reputational damage.</li> <li>• Not balancing 22/23 financial year.</li> <li>• Not balancing 23/24 financial year</li> <li>• Not balancing 24/25 financial year and future years</li> </ul>	West, Jane  Last Review: 17/03/2023 Last Amended : 17/03/2023 15:07:16	5	5	25	5	5	25

Existing Controls			
<ul style="list-style-type: none"> <li>- Financial assurance review meetings monthly -</li> <li>- Oversight by DLUHC Improvement &amp; Assurance Panel. -</li> <li>- Public consultation activity. -</li> </ul>			
Future Controls			Review Date
- Budget Working Group to be expanded and tasked with programme managing the delivery of the savings included in the MTFS			24/02/2023
- MTFS process for 2024/25 Preparations to be done in the spring for the process for 2024/25 Council Tax Setting			01/09/2023
Star Chambers with the Mayor and Cabinet over the summer.			
Negotiations with Department for Levelling Up, Housing and Communities on potential debt write off in the spring and summer .			
- Work being undertaken with the Department for Levelling Up , Housing and Communities to balance future year budgets Weekly meetings taking place with DLUHC officers			28/02/2023
Submission to be made by Croydon early in January			
Support from DLUHC to be confirmed in mid February			



	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
ACE0002  Jackson, Elaine	Lack of expert equality and diversity resource means that the Council is unable to deliver against it's Equality Strategy and EDI initiatives.	Failure to meet Public Sector Equality Duty Reputational impact with communities Reputational impact with staff Failure to deliver EDI projects and programmes Legal challenge against decisions	Handford, Gavin  Last Review:  Last Amended : 21/03/2023 09:46:35	4	5	20	4	4	16
<b>Existing Controls</b>  - EDI Board to challenge deliverability against available resources - - EDI Board to support corporate EDI activity, with cascading to directorates - - Equalities Programme Manager to provide challenge on deliverability of ambitions against available resource -									
<b>Future Controls</b>  - New EDI resource to be recruited							Review Date 31/05/2023		

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
ACE0003  Jackson, Elaine	The Council fails to plan for / provide a Designated Disaster Mortuary on behalf of the Senior Coroner.	Failure to meet statutory duties Failure to manage emergency incident Reputational impact Emotional distress to communities and families	Handford, Gavin  Last Review:  Last Amended : 21/03/2023 09:50:34	5	4	20	4	3	12

<b>Existing Controls</b>  - Regular engagement with Senior Coroner -									
<b>Future Controls</b>  - Enter in to external contract for provision of DDM							Review Date 31/07/2023		

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
ASC0039  Robson, Simon	The quality of data, performance recording and insight impacts on operational and strategic oversight and service delivery.	Poor outcome from CQC inspection leading to directorate and council-wide reputational damage. Inability to direct resources effectively to meet business need. Inability to effectively forecast demand management and align allocation of resources to meet business need. Inability to effectively manage staffing caseloads. Inability to deliver accurate national data sets. Inability to deliver accurate data to strategic partners.	Robson, Simon  Last Review:  Last Amended : 07/03/2023 15:31:58	4	5	20	4	4	16

#### Existing Controls

- Change Control Panel in place -
- Children and Adult Systems Board in development -
- CQC Data Workstream in place -
- Data review through monthly Performance Board -
- Development of reporting BI Dashboards with Performance team to support all levels of staff -
- Fortnightly task tray review in place -
- Leicestershire County Council visit to review best practice -

#### Future Controls

- Adult Strategic Systems Service Manager to be appointed
- Principal Social Worker and Head of Service Action Plan To improve quality of recording consistency of data capture , monitored through supervision

Review Date

30/09/2023

30/06/2023

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CDS0003  Golland, Paul	Sustained failure of systems critical to council service delivery as a result of technical failure , lack of support from suppliers or lack of availability of internal resources (staff - i.e. single point of failure). Capital Programme Investment dimension. (Risk generated 15/10/2014)	<ul style="list-style-type: none"> <li>• Increase in complaints/correspondence,</li> <li>• Staff unable to work or work effectively ,</li> <li>• Financial cost to Council - cash flow relationship with contractor, inaccurate calculations and payment.</li> </ul>	Golland, Paul  Last Review: 24/03/2023 Last Amended : 24/03/2023 14:22:01	5	4	20	5	2	10

<b>Existing Controls</b> <ul style="list-style-type: none"> <li>- Contract monitoring in place. -All new contracts involving technology managed via CDS</li> <li>- Contractor liaison. -Regular meetings with Little Fish</li> <li>- Default actions contract. -</li> <li>- Escalate current contractual actions. -</li> <li>- Identify future/alternative service providers -core service delivery contracts currently being reviewed - systems contracts part of ongoing roadmap</li> <li>- Improved infrastructure for Iclipse system, -new hardware platform for the system will improve reliability and maintenance arrangements.</li> <li>Iclipse replaced by NEC Enterprise document management system - hosted by supplier</li> <li>- Increased monitoring and reporting arrangements. -Move remaining services away from Fell Road site to move fell road services to better infrastructure with improved DR and service support.</li> <li>move from data centre to Azure cloud completed</li> </ul>									
<b>Future Controls</b> <ul style="list-style-type: none"> <li>- To conduct a DR test to locate issues and build confidence</li> </ul>								Review Date 31/03/2023	

	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"> <li>Have to retain legacy systems for longer, costing more and breaching tender regulations</li> <li>Cost of programme increases to support project resources for a longer period of time</li> <li>Takes longer to onboard the required resources to deliver the project due to extended internal checks and balances on spending confirmed budget</li> <li>Housing MTFS savings not able to be met until new system is live and sufficiently adopted</li> <li>Reduction in staff morale due to change fatigue and financial pressures</li> <li>Scope creep &amp; 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</li> </ul>	Golland, Paul  Last Review: 03/03/2023 Last Amended : 03/03/2023 15:05:57	5	4	20	4	3	12

<b>Existing Controls</b>			
<ul style="list-style-type: none"> <li>- Ensure project governance arrangements (especially core meetings) are reviewed -/004 - ongoing</li> <li>- Focused engagement for each change in interim officer at Head of Service , Director, and Corporate Director level -</li> <li>- Maintain active RAID log -/002 – ongoing</li> </ul>			
<b>Future Controls</b>			<b>Review Date</b>
- Explicitly highlight and socialise expected end state for each service area /005 – Existing > implementing outcome of review			31/05/2023
05 - review complete, improved service engagement on project - ongoing Target - 31/5/23			
- Responsive Repairs plan baselined for all workstreams 07 - still a concern - mitigation work and planning ongoing Target 30/4/23			30/04/2023

	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"> <li>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</li> <li>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"> <li>System: Idox Uniform used by: Planning, Building Control, Environmental Health, Commercial Licensing, Trading Standards, Food Standards</li> <li>System: Visual Files used by: Legal services and external legal</li> <li>System: Civica Express (Election Management System) used by: Democratic Services</li> <li>System: Business Objects used by: Adults and Childrens Social Care</li> <li>System: Corporate GIS used Corporately</li> <li>System: Capita One used by: Education</li> <li>System: SharePoint used Corporately</li> <li>System: OHMS used by: Housing</li> <li>System: CASPAR used by: Adults Social Care</li> <li>System: Epilog used by: Crematorium &amp; Registrars</li> </ul> </li> </ul>	<p>Golland, Paul</p> <p>Last Review: 03/03/2023 Last Amended : 03/03/2023 15:10:08</p>	5	4	20	3	2	6

## Existing Controls

- 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 - Review of loss of technology under review by Business Continuity Team following Capita print server incident. Following the incident it was identified that services did not in the majority have BCP plans to cover for major /total loss of technology.
- 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

- 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  
08 - ongoing Target 30/6/23
- 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  
07 - ongoing Target 30/6/23
- 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  
04 - progressing but not complete Target 30/4/23
- Review apprenticeship options /09 - CDS capability review commissioned to define support target operating model incl apprenticeships > 31/3/23  
09 - part of capability review Target 30/6/23

Review Date

30/06/2023

30/06/2023

30/04/2023

30/06/2023

- 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 06 - part of capability review Target 30/6/23	30/06/2023
- 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 10 - part of capability review Target 30/6/23	30/06/2023
- 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 05 - ongoing Target 31/7/23	31/07/2023





- 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
- Further Crossing the Threshold Phase 2 to be reported to CMT and rolled out from January 2023	09/02/2023
- Health & Wellbeing Strategy to go to Workforce Board November 2022	09/02/2023
- 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.	31/03/2023
- 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.	30/03/2023
- We will continue to utilise co-creation as a means of involving and engaging the workforce to enable effective culture change .	21/06/2023
- 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

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
CIC0025  Rhys-Lewis, Huw	<p>Croydon Council companies: Robust governance, financial accounting treatment &amp; risk management procedures/frameworks are not activated to safeguard the interests of the Council and it's 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 &amp; Croydon Affordable Tenures and Brick x Brick).</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s): 8,12,17,19 &amp; 20.</p> <p>(Risk generated (26/02/2021)</p>	<ul style="list-style-type: none"> <li>• Significant financial accounting adjustment</li> <li>• Reputational damage.</li> <li>• Political interest and scrutiny.</li> <li>• Media interest and scrutiny.</li> <li>• Council placed in unstable financial position leading to potential bankruptcy.</li> <li>• Potential fraudulent activity.</li> <li>• Continuing and increasing levels of non-compliance.</li> </ul>	<p>Rhys-Lewis, Huw</p> <p>Last Review: 17/03/2023</p> <p>Last Amended : 03/04/2023 08:51:56</p>	5	4	20	4	4	16

<b>Existing Controls</b> <ul style="list-style-type: none"> <li>- Annual business plan of BXB reported to Cabinet. -</li> <li>- Cabinet decision for managed wind down of BxB reached with build out of some sites -</li> <li>- Cabinet member responsibility in portfolio. -</li> <li>- Council taking external advice in respect of Croydon Affordable Homes and Croydon Affordable Tenures -</li> <li>- Dedicated shareholder function in place to manage relationship and risks. -</li> <li>- LBC non-executive directors allocated to serve on all subsidiary Boards. -</li> <li>- 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</li> <li>- Shareholder Representatives and responsibilities identified following review. -</li> </ul>									
<b>Future Controls</b> <ul style="list-style-type: none"> <li>- Implementation of the recommendations of PwC Review of Croydon Companies</li> <li>- Review of governance of external and related companies. Further work/ implementation of the CCSMP structure with Member/Cabinet involvement to enable regular review of the arrangements for all Council companies</li> </ul>								Review Date	
								31/03/2023	

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
EHSCSC0016  Madden, Roisin	Registered and Regulated providers refuse to accept placements of children where the Council is statutorily required to deliver either social care provision leading to the use of unregulated provision.  (Risk generated 23/03/2020).	Children under the age of 16 are placed in semi independent homes which are not regulated by Ofsted therefore there is no formal regulation of the standards of care, meaning that the Council becomes the regulator, leading to potential risk to children through poor quality care, Inspection risk as an indicator that the council's sufficiency strategy is not effective and reputational risk associated with challenge by the regulator.	Madden, Roisin  Last Review: 27/03/2023 Last Amended : 27/03/2023 10:35:02	4	5	20	4	3	12

<b>Existing Controls</b>  - Comprehensive support to placement providers -Providing holistic support to foster carers and residential providers to support their care of traumatised children who can present as challenging in their behaviours as a result of the harm that they have suffered. This support will reduce the likelihood of a placement breakdown which creates the risk of reliance upon unregulated providers of care. - Robust Placement finding activity -Ensuring that the Placements Team build and maintain positive working relationships with care providers in and close to Croydon promoting the value of caring for Croydon children , building confidence in the relationship with Croydon Council.	
<b>Future Controls</b> - Development of Residential Children's Home A project is underway to open a Residential Children's Home specifically for children aged 12 and over where there are risks of extra familial harm. - Introduction of Ofsted Regulation of provision currently categorised at Unregulated Ofsted Regulation commences from September 2023.	Review Date 31/03/2023  29/09/2023

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
FIR0062  Bannin, Allister	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 .  (Risk generated 27/06/2019).	<ul style="list-style-type: none"><li>• Service disruptions or services ceased</li><li>• Key manifesto / corporate objectives not achieved.</li><li>• Resident dissatisfaction.</li><li>• Media and political scrutiny.</li><li>• Legal challenge and associated consequences.</li><li>• Staff reductions / redundancies.</li><li>• Unable to deliver a balanced budget.</li><li>• Section 114 notices continue to be served.....</li></ul>	Bannin, Allister  Last Review: 23/03/2023 Last Amended : 03/04/2023 11:05:18	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 -
- Fair Funding Review, Business Rates Reset, Adult Social Care Reform and other changes to local government finance system delayed -Policy paper for 2024/25 already issued giving reassurance of government funding for that year but there is a subsequent cliff-edge into 2025/26.

**Future Controls**

- 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, the Transformation Programme, exploiting new technology, consolidation of buildings and processes.

Review Date

01/05/2023

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
FIR0063  Bannin, Allister	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.	Bannin, Allister  Last Review: 17/03/2023 Last Amended : 03/04/2023 08:51:24	5	4	20	4	4	16

#### Existing Controls

- Additional discretionary hardship support for Council Tax introduced -
- Council Tax Support Scheme under continual review -
- 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

Review Date



	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PP0009  Handford, Gavin	Improvement Plans and financial savings objectives are not achieved due to poor programme & project management behaviours.  (Risk generated 01/06/2020).	<ul style="list-style-type: none"> <li>• Non delivery of savings plan.</li> <li>• Council budget deficit remains.</li> <li>• Political scrutiny as to why project failed.</li> <li>• Non-achievement of statutory requirements / duties.</li> <li>• Media interest.</li> <li>• Low staff morale.</li> </ul>	Handford, Gavin  Last Review: 21/03/2023 Last Amended : 23/03/2023 08:45:14	5	4	20	4	4	16

#### Existing Controls

- Community of practice established, with regular support and development for project managers -
- 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

- Project management software procured and rolled out for use in all services Procurement complete
- Roll out to run until Sept 2023

Review Date

31/07/2023

	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: 21/03/2023 Last Amended : 21/03/2023 09:59:18	4	5	20	4	4	16

#### Existing Controls

- Corporate PMO established, with agreed framework, roles and responsibilities -Ongoing
  - Internal Control Boards / Programme Boards established -Ongoing
  - 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 -Ongoing

#### Future Controls

- New project management software

Review Date

31/07/2023



Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
PP0025  Handford, Gavin	Following the repeal of legislation regarding fixed term parliaments, a General Election could be called in as little as 35 days. Without having a definitive date for an election before then, it is difficult to plan for an election and in particular secure the necessary venues (e.g. polling stations, count venue).	Late changes to polling stations may cause confusion for voters. A lack of available count venue could delay the count and declaration of results.	Handford, Gavin  Last Review: 01/03/2023 Last Amended : 21/03/2023 10:05:28	5	4	20	4	4	16

<b>Existing Controls</b> <ul style="list-style-type: none"> <li>- Establishment of Returning Officer Group and Elections Operations Group for delivery of May 2024 elections and any snap General -</li> <li>- Polling station and count staff -We maintain a database of potential staff that can be appointed to manage polling stations and support the count .</li> <li>- Polling Stations -Polling stations have been identified and designated through Council. Regular communications take place with these venues. Delegated approval is in place to ensure polling stations can be secured at short notice where required.</li> <li>- Print supply contract -The Council has a multi-year contract in place with professional printers that maintain plans for delivering elections materials at short notice.</li> </ul>			
<b>Future Controls</b> <ul style="list-style-type: none"> <li>- Briefing of Presiding Officers on new Voter ID requirements and confirm their continuing availability for future elections</li> <li>- Count venue A review of potential count venues is being undertaken - no venue selected at present, and suitable venues difficult to secure at short notice .</li> <li>- Production of Work-plan and Risk Register for delivery of May 2024 elections and any snap General Election</li> <li>- Review of Polling Districts and Polling places to come into force December 2023</li> </ul>			
			<b>Review Date</b> 01/07/2023 31/01/2023 28/04/2023 01/12/2023

Risk Ref	Risk Scenario		Assigned To	Current			Future Risk Rating		
	Risk	Impact		Impact	L'hood	Total	Impact	L'hood	Total
PR0020  Iles, Steve	Kier are successful in the legal proceedings they have instigated against the Council in respect of the financial discrepancy (£8,165,967.80) they believe exists in respect of the Transforming Highways Maintenance Contract .  Potential implication for the capital programme to be determined.  (Risk generated 10/12/2019).	<ul style="list-style-type: none"> <li>• The Council will be liable for significant financial penalties.</li> <li>• Reputational damage, media and political scrutiny.</li> <li>• Existing service delivery pressure significantly increased.</li> </ul>	Iles, Steve  Last Review: 13/02/2023 Last Amended : 13/02/2023 08:48:30	5	4	20	5	2	10

#### Existing Controls

- Adjudication with contractor -both parties have provided information for the adjudication and as expected the adjudicator has confirmed what the council believed to be the case, Kier have been asked to provide details of C2 search activity against task order and supporting costs to demonstrate they expended costs.

Government cabinet office - Phil Brookes - also advised on claim - views

1. This is a supplier trying to take advantage of inconsistent contract management
2. The amount claimed bears no resemblance to the cost of providing the information. You are talking about a junior admin assistant and a printer and statutory utility information is usually something that suppliers don 't charge for as it is a safety requirement for the employees and is generally incorporated within the rates for doing the work.
3. The logic of the rate doubling when TFL ended in 2013 is a nonsense.
4. The safety argument that every repair requires the 'stat' information is not correct. The teams are trained to carry out their own risk assessment on every job and for a large proportion of the task orders, I would never expect the team to be supplied with utility drawings.
5. Where Croydon have generally asked for and paid for the services they have been in connection with 'major works' which would be the norm. It appears they have been inconsistent in applying the contract and Kier have tried to use this inconsistency to justify the cost claimed.

- Browne Jacobson are engaged by the Council to advise and guide. -BJs providing support and advice to respond to claim

- Highways Team have collated all supporting evidence / information to provide to BJ's. -on request data gathering and information being provided to management and BJs to support defending the claim

#### Future Controls

Review Date

- Settling final accounts Croydon would like to wrap up the final account for the Contract and are happy to sit down and discuss the remaining outstanding items.

Liaising with the government cabinet office regarding this claim

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
PR0037  lles, Steve	Conduent contract delayed delivery and the impact on income through PCNs	These delays have a risk of preventing the council from using on street CCTV for moving traffic violations, the consequence of this is an impact on income from PCNs	lles, Steve  Last Review: 31/01/2023 Last Amended : 23/02/2023 15:38:03	4	5	20	3	3	9

#### Existing Controls

- Contract management and escalating poor performance through the contract mechanism -- Weekly meetings in place with contractor to go through the programmes for both Lot 1 & Lot 2 programmes focus areas
- Delay in the rollout of camera's due to a software update - implementation plan is in place and reviewed at each progress meeting, reprioritise the camera rollout to new LTN schemes to help with mitigating the potential impact on income.
- EasiPermit - software upgrade to enable automated processing of all permit types for residents, care workers etc.

#### Future Controls

Review Date

13/02/2023

- escalation and contract remedies - BJs through legal have been engaged and are providing advice around formal escalation of Conduents failure to deliver the requirements of the contract.
- Conduent have been instructed to provide a remediation plan to recover the ongoing delays with the role out of new ANPR cameras .
- weekly meetings with Conduents senior management team in place
- compensation claim being developed by the council to recover losses.
- programme delivery mitigation measures - LBC / Conduent - focus on Len changes on priority locations to mitigate financial impact.
- develop programme to deliver optimised camera resolution plan.
- Conduent to secure ongoing maintenance and camera liability for old Seimens cameras and cover costs.
- Conduent to work through locations where new lens are need for new camera's and provide likely upgrade timeframe
- EasiPermit - UAT testing programme submitted
- EasiPermit - plan b option to use online MS form or downloadable form to enable customers to apply for permits

Risk Scenario				Current			Future Risk Rating		
Risk Ref	Risk	Impact		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 now reducing slowly 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: 16/02/2023 Last Amended : 16/02/2023 09:05:13	5	4	20	4	5	20

<b>Existing Controls</b>		
<ul style="list-style-type: none"> <li>- Case officers to prioritise determination of cases and reduce negotiation and amendments to a minimum -</li> <li>- Developed a protocol for application which may engage the Planning Guarantee and continue to implement agreed procedure -</li> <li>- 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 ,</li> <li>- Review MFS on Planner salaries -This will have a budget impact but growth bid could be considered</li> </ul>		
<b>Future Controls</b>		<b>Review Date</b>
- Seek to increase productivity through technology following the recommendation of the PAS review		21/04/2023

	Risk Scenario			Current			Future Risk Rating		
Risk Ref	Risk	Impact	Assigned To	Impact	L'hood	Total	Impact	L'hood	Total
VRN0055  Aspinall, Kristian	<p>Croydon Council's Leisure Contract &amp; Partnership with GLL</p> <p>GLL currently manage New Addington, Monks Hill, Waddon, South Norwood, Thornton Heath, Ashburton Hall, Purley, Croydon Sports Arena and 32 tennis courts on behalf of the council.</p> <p>Due to rise in energy costs, GLL's utility expenses have risen to such an extent that they have expressed their concerns regarding the viability of continuing to run our leisure facilities.</p> <p>The overriding risk is that GLL are unable to fulfil their commitment and cease to manage the leisure facilities before our contract is due to expire.</p> <p>LBC currently does not have the staffing capacity or know-how to manage the major leisure facilities on a practical or operational level.</p>	<p>Closing the leisure centres would significantly impact the well-being and health of the borough's residents, particularly those vulnerable groups who use our facilities. This would have a downstream effect on our health and social care services as residents would not be able to access preventative leisure and exercise.</p> <p>Equally, the council would have to take on the running of the sites, and it does not have the inhouse skills. This would create a significant financial loss to the council more than several million pounds annually, as well as potential TUPE situations for staff. It would also mean to loss of the planned income for the service that starts in 2023.</p> <p>Any closures would have considerable negative publicity locally and nationally.</p>	<p>Aspinall, Kristian</p> <p>Last Review: 16/02/2023 Last Amended : 16/02/2023 09:07:23</p>	5	4	20	5	2	10

#### Existing Controls

- Communication with other London Boroughs -to understand what practices they have employed to reduce their energy costs and what support they may have provided their leisure providers. Whilst the contractual agreement that LBC has with GLL will not be the same as their agreements with other borough's it is likely that some elements of how other local authorities are managing the issue can be shared and used in LBC
- Utility cost saving measures are in place at all the leisure facilities. -This includes covers for the swimming pools which are the single largest utility expense.

#### Future Controls

- A possible "winter program". GLL to re-evaluate their opening hours at the leisure facilities on a case-by-case basis.
- A possible financial package to be agree where the council subsidises temporary energy rises . LBC are looking at more detailed evidence of GLL's financial position with a view of offering financial support specifically for their energy costs .
- Identifying new ways of reducing energy costs.
- Regular meetings with GLL to continue to assess their position

#### Review Date

11/04/2023  
11/04/2023  
11/04/2023  
11/04/2023

# Threat and Opportunity Risk Assessment

## Impact Classification

	Service disruption	Financial Loss	Reputation/ Complaints	Statutory/ legal	People
<b>Extreme 5</b>	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
<b>Very high 4</b>	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
<b>Medium 3</b>	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
<b>Low 2</b>	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
<b>Negligible 1</b>	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

<b>20-25</b>	Those risks requiring immediate management and monitoring
<b>9-19</b>	Those risks requiring management and monitoring but less time critical
<b>1-8</b>	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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<b>REPORT TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b> <b>20 April 2023</b>
<b>SUBJECT:</b>	<b>Anti-Fraud Update Report 1 April 2022 – 31 March 2023</b>
<b>LEAD OFFICER:</b>	<b>Malcolm Davies, Head of Anti-Fraud, Risk &amp; Insurance</b>
<b>CABINET MEMBER</b>	<b>Councillor Jason Cummings</b> <b>Cabinet Member for Finance</b>
<b>WARDS:</b>	<b>All</b>
<p>The work of the Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services. The detection of fraud and better anti-fraud awareness contribute to the perception of a law-abiding Borough.</p>	
<p><b>FINANCIAL SUMMARY:</b></p> <p>The net budget for the antifraud service as a whole for 2022-23 is £0.342m including £0.189m HRA contribution and the service is currently delivering within budget.</p>	

## 1. RECOMMENDATIONS

### 1.1 The Committee is asked to:

- Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2022 – 31 March 2023



## 2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments 1 April 2022 – 31 March 2023

## 3. DETAIL

### Performance 1 April 2022 to 31 March 2023

- 3.1 The CAFT comprises 5 investigators covering tenancy, corporate and financial investigations. Since January 2022 the Croydon team have been supported by interim management support from the London Borough of Lambeth antifraud service. These arrangements will be formalised by way of a S101 agreement establishing a shared service to the mutual benefit of both boroughs with effect from 1 January 2023. The anti-fraud service investigates allegations of fraud or corruption which affect the Council's business. In addition, the team generates an income by providing services to other London Boroughs. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 The team has returned to the full range of duties and ways of working including visiting residents and businesses and face to face interviewing within the civic centre.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below detailing the number of successful outcomes and their notional value. Table 2 shows a breakdown of all cases investigated/closed by the team irrespective of outcome.

Table 1 – Key performance indicators

	21/22 PERFORMANCE	ANNUAL TARGET 21/22	22/23 PERFORMANCE
Successful Outcomes	119	100	51
Identified Overpayments & Savings	£1,055,620	£850,000	£694,155

Table 2 - Breakdown of Total Cases actioned 2022/23 compared to 2021/22

2021/22	2022/23
Blue badge 19 Corp. Other 4 Council tax rebate 21 Covid19 additional restriction grant 8 Covid19 discretionary grant 4 Covid19 small business grant 15	Blue Badge 22 Council Tax Reduction 2 COVID Small business grant 1 Financial Investigations 10 Housing Application 10 Housing Illegal Sub-let 11

Direct payments 1 Financial investigation other 37 Financial investigation - trading standards 3 Housing application 17 Housing illegal sub-let 18 Housing non-occupation 10 Housing other housing fraud 4 Housing right to buy 6 Housing succession 5 National fraud initiative 2018/19 2 No recourse to public funds 4 Planning 1 Safeguarding 5 Single person discount fraud 4 Staff - internal misconduct 7 <b>Total 200</b>	Housing Non-Occupation 6 Housing Other Housing Fraud 1 Housing Right to buy 6 Housing Succession 8 National Fraud Initiative 3 Pensions 1 Planning 1 Single Person Discount 2 Staff - Internal misconduct 9  <b>Total 93</b>
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### 3.4 Case Study:

#### Housing Successions Vetting.

The shared service with Lambeth has already seen a number of changes to the way the Corporate Anti-Fraud team operates; the review of all tenancy succession applications is an example of the positive development of the service.

Applications for succession of a tenancy may be received after a tenant has passed away. The basic conditions for the succession of a tenancy to be granted are that the successor has been resident at the tenanted address, with the tenant, for at least 12 months prior to the date on which the tenant passed away. Historically, CAFT has reviewed applications referred by colleagues in Housing where there were suspicions of fraud, but from October 2022, all applications for succession have been referred to CAFT for review. The table below shows the increase in the volume of succession applications that have been referred to CAFT for review:

<b>Dates</b>	<b>Number of cases set up</b>	<b>Under investigation</b>	<b>Recommendation to serve notices ongoing</b>	<b>Closed Unsuccessful</b>	<b>Closed with Recovery</b>
2021-22	9	0	2	4	3
2022-23	57	16	14	24	3

Of the cases referred in 2022-23, a vast majority were passed to CAFT during the period from October 2022. In terms of successful outcomes, although these are currently low, there are still a lot of investigations ongoing and a similar number where recommendations have been made. It is more than likely that a significant number of those with recommendations will result in properties not being allocated due to issues identified during the investigations. We should be in a position to provide more meaningful data later in the year when more investigations have been resolved.

The value of the exercise will be seen by those families currently on the waiting list who will be allocated a home, rather than this being succeeded by family members who have submitted fraudulent applications in the knowledge that they have no entitlement to succeed.

#### **4. INVESTIGATIONS**

4.1 Fraud investigations relate to a broad section of service areas within the Council including:

- Environmental enforcement
- Housing
- Parking
- Trading Standards - trademark and rogue trader cases
- Planning – enforcement cases
- Licensing
- Internal cases
- Safeguarding cases
- Revenues & Benefits
- Financial investigations

#### **5. LOCAL GOVERNMENT TRANSPARENCY CODE**

5.1 Members will be aware of the Local Government Transparency Code 2015 which requires Councils to publish data about various areas of their activities. Included in the code is detail on Counter Fraud work, most of this information has always been reported to committee; however below are some additional areas which we are required to make public. The figures detailed below are for the last full year from 1 April to 31 March 2023:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	2
Total number of employees undertaking investigations and prosecutions relating to fraud	9
Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	8.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	8
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	7.4

## **6. FINANCIAL AND RISK ASSESSMENTS**

- 6.1 The net budget for the antifraud service is £0.342m for 2022-23 including £0.189m HRA contribution and the service is currently delivering within budget.
- 6.2 There are no further financial implications than those already detailed within the report.
- 6.3 Comments approved by Lesley Shields, Head of Finance for Assistant Chief Executive and Resources on behalf of the Director of Finance. 12/04/23

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

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Corporate Director of Resources and Chief Finance Officer has a statutory responsibility under Regulation 4 of the Accounts and Audit Regulations 2015 to determine the Council's financial control systems, and those systems must include measures "to enable the prevention and the detection of inaccuracies and fraud". In addition, under Section 151 of the Local Government Act 1972 the Council must make arrangements for the proper administration of its financial affairs.
- 7.2 The Council also has a duty under the Crime and Disorder Act 1998 section 17 to exercise its functions with due regard to the need to do all that it reasonably can to prevent crime and disorder in its area.

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

## **8. HUMAN RESOURCES IMPACT**

- 8.1 Other than the cases identified in this report which have been managed through the appropriate policies and procedures there are no other 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 Office on behalf of Dean Shoesmith, Chief People Officer)

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

- 9.1 There are no further considerations in these areas.

## **10. EQUALITIES IMPACT ASSESSMENT**

- 10.1 There are no equality implications in this report. An EQIA has been carried out on the Anti Fraud policy and will be revised in due course

Approved : Denise McCausland Equalities Programme Manager.

## **11. DATA PROTECTION IMPLICATIONS**

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

No, this report is for information only.

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

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Jane West, Corporate Director of Resources & S.151)

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**CONTACT OFFICER: Malcolm Davies (Head of Anti-Fraud, Risk & Insurance)**