

## **Draft ANNUAL GOVERNANCE STATEMENT (AGS) 2022/23**

### Introduction

1. Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and high standards of good governance. The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus)(Amendments) Regulations 2020, require the Council to conduct a review, at least annually, of the effectiveness of its systems of internal control and to prepare an Annual Governance Statement (AGS) reporting on the review along with the Statement of Accounts.
2. This Annual Governance Statement is informed by, amongst others, the: Secretary of State for Levelling Up, Housing & Communities' Minded to Letter (March 2023) and Directions (July 2023); Chief Finance Officer Section 114(3) Report (November 2022) and Full Council Decision (December 2022); Opening of the Books initiative (2022/23); and the External Auditors Section 24 Statutory Recommendations (March 2023) and Interim Annual Reports 2019/20, 2020/21 and 2021/22. Also, the Corporate Directors' Assurance Statements and the Annual Report of the Head of Internal Audit 22/23. This Statement reflects the Council's assessment of its governance arrangements as of 31<sup>st</sup> March 2023 and identifies actions already undertaken and plans to address areas of weakness.

### Summary

3. The Council's decision-making and internal control arrangements are designed to ensure the highest standards of good governance for a public body. They make certain the Council carries out its duties in accordance with the law and that public money is properly accounted for, as the Council works to deliver the Mayor's Business Plan and achieve the best outcomes for residents within its resources. During 2022/23 and arising from the previous years (2021/22 and 2020/21), the Council has experienced significant challenges in its financial governance and sustainability and in the performance of its services. In response it has and continues to deliver much required transformation and improvement to the design of some services, systems, management practice and culture. Also, the Council has taken significant strides to hold to account those responsible for its financial crises. In brief, the key highlights are:
  - a) In July 2022, the Executive Mayor's 'Opening the Books' project was launched. This exercise identified substantial financial accounting corrections that have had a significant impact on the Council's budget. It has also clarified how structural issues in the Council's finances, such as its level of non-asset backed debt (or negative equity) are holding the Council's financial recovery back.
  - b) In November 2022, the Chief Finance Officer issued a report under Section 114 (3) of the Local Government Finance Act 1988 that the Council's available resources were unlikely to meet planned budgetary demands in the financial year 2023/24 and beyond. There was no prospect of returning to financial sustainability without significant and different support from government above and beyond their current model of Capitalisation Directions. In December 2022, Full Council accepted the report of the Chief Finance Officer which meant the stringent financial controls through the Spend Control Panel and

Recruitment Control Panels should continue, and that different financial support be sought from government.

- c) In March 2023, the Council's External Auditors Grant Thornton published a Section 24 Schedule 7 Local Audit and Accountability Act 2014 Recommendation Report on the Council's historically inadequate arrangements and capacity in the financial years 2019/20, 2020/21 and 2021/22. The recommendations included a root and branch review of financial management in all service departments; resolve the accounting arrangements in respect of Croydon Affordable Homes; invest significant extra resource (when possible) in finance capacity, internal audit and risk management; develop an action plan to clear the three outstanding years of accounts and audit by June 2024; and ensure that the lessons learned from the former CEO's termination payments are applied to all future Chief Officer severance payments. These recommendations are being progressed by the Council through an action plan. Following the Council's review of the termination payments to the former CEO, changes have been made to the Council's policies and practice on settlement payments.
- d) In April 2023, Grant Thornton, issued an Interim External Auditor's Report for the financial years 2019-20, 2020-21 and 2021-22 pending completion of their final assessments. The External Auditor Report's findings on financial sustainability, governance and improving economy, efficiency and effectiveness are for 2019/20 adverse conclusion expected; for 2020/21 'significant weaknesses identified', and 2021/22 'significant weaknesses identified'. The Report's recommendations were accepted by the Council and is now being progressed.
- e) In February 2023, the Council published the Independent Investigation Report by Richard Penn which, amongst other issues, considered the culture, behaviours and practices of both chief officers and elected members that led to the Council's governance and financial collapse. The report makes several recommendations in respect of actions to be considered in regard to former Officers and the ex-Leader and Cabinet Members of the Council. The Council has fully acted on these recommendations.
- f) In March 2023, the Council received the Independent Report by Kroll Associates into any wrongdoing relating to the refurbishment of Fairfield Hall. This was commissioned following the publication of the Report in the Public Interest into the refurbishment of Fairfield Halls in February 2022. The Council took the necessary steps to ensure those responsible for the Council's governance and financial crises could be held to account and this included deciding to refer the Penn and Kroll reports and other appropriate reports to the Metropolitan Police and a number of individuals to their relevant professional bodies and institutes.
- g) In December 2022, the Council's Cabinet approved the Housing Transformation Programme which was endorsed by the independent Housing Improvement Board (HIB). The Programme is being implemented and is monitored monthly by Steering Board with updates to HIB, Improvement & Assurance Panel and Cabinet on a regular basis.
- h) The Annual Report of the Head of Internal Audit for the year ending March 2022/23 provided only 'Limited Assurance' that the system of internal control accorded with proper practice. Several internal audit reports have nil or limited assurance. However, the

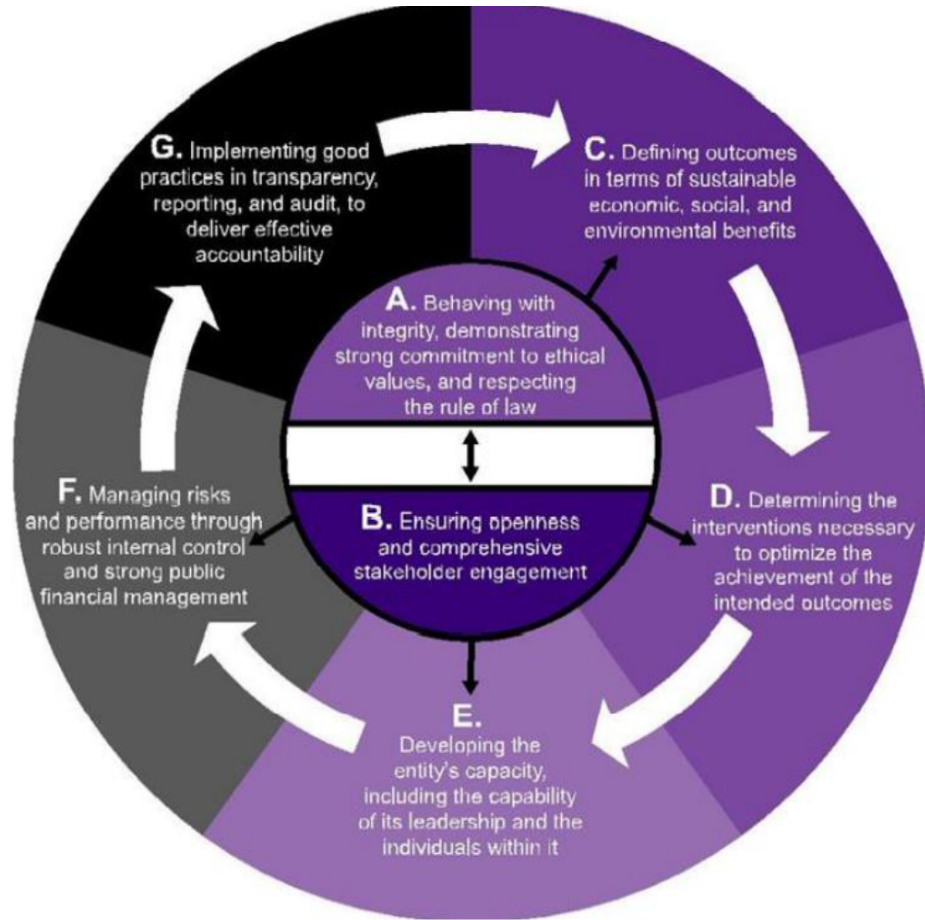
report provides that the corporate governance framework complies with the best practice guidance and that the risk management processes are effective and provide regular information on key risks and issues. These are detailed in paragraphs below.

- i) In July 2023, following the Minded to Letter in March 2023 and determination that the Council was not meeting its Best Value Duty, the Secretary of State (“SoS”) issued Directions to the Council requiring certain actions be taken to comply with its Best Value Duty. This included action on the Council’s finances, housing service and transformation. The Council continues to lead in its recovery and improvements. The SoS appointed Improvement & Assurance Panel has the power of last resort to instruct the Council to take action to meet its Best Value Duty should they deem it necessary.
4. Through its governance and internal control arrangements, the Council has identified these, and other significant challenges and risks and the necessary improvements required across its functions. In 2021/22, the Croydon Renewal and Improvement Plan was the major programme to, amongst other goals, strengthen governance and financial practice in response to the two Reports in the Public Interest and embed new ways of working to put the Council on a more sustainable financial footing. In 2022/23, following the election of the Executive Mayor and new administration, the Croydon Renewal Plan has been subsumed within and replaced by the Mayor’s Business Plan 2022-2026 which sets out the strategic outcomes and priorities of the Council ranging from maintaining financial grip to delivering good sustainable services across its functions. These two plans were pivotal to the progress made in the delivery of the improvements identified in the 2021/22 AGS Action which is attached as Appendix 1. There is still significant work to be done to embed best practice in the management of the Council’s finances, housing services, information management and to meet its best value duty. These are part of the 2022/23 AGS Action Plan and which is attached as Appendix 2.

#### The Principles of Good Governance

5. The Council’s Code of Governance sets out the Council’s commitment to uphold the highest possible standards of good governance. These standards are designed to ensure that the Council conducts its business in accordance with the law and that public money is properly accounted for, as the Council work to achieve the best outcomes for residents within the resources it has.
6. The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how these relate to each other.

DIAGRAM



7. The Council’s Code of Governance (available here [link.....](#)) identifies how component parts of Croydon’s Governance Framework that include rules, policies, procedures, protocols, practice, and values, align with and meet the seven principles of good governance in the International Framework. The Code was reviewed and updated in 2022/23 as part of the annual governance review.

The Governance framework

8. The Council’s Governance Framework (available here [xxxxxxxxxxxxxx](#)) was reviewed in 2022/23. The framework is the set of structures, rules, processes, procedures, and values by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads the community of Croydon. It includes the Council’s governance structure at Member level i.e., Full Council, Executive Mayor and Cabinet, Scrutiny and Overview, Ethics, Audit and Governance and other Committees, and at Officer level i.e., Chief Executive, Corporate Management Team, Directorate Management Teams, Internal Control Boards, Transformation Boards, and the role of Statutory Officers. Also, it incorporates and references relevant governance documents such as the Constitution, HR Handbook, Audit Charter, Risk Management Strategy and Project and Programme Management Framework.

### The Constitution

9. The Council's arrangements for decision making and conduct of its statutory functions are contained in its Constitution available [here](#) xxxxxxxxxxxxxx. It sets out the various bodies (referred to above and below) that are responsible for certain functions, the rules of procedure under which they operate, and the protocols, codes of conduct and good practice that must be adhered to, to ensure effective governance. The Constitution is reviewed and updated regularly through the Constitution Working Group and the General Purposes Committee, and any amendment approved by Full Council. [See AGS Action Plan in Appendix 1 for progress made with the review of the Constitution].
10. Full Council which comprises all 70 Members (Councillors) plus the Executive Mayor, is responsible for making non-executive decisions such as the Budget and Council Tax setting for the Authority or approving the policies, plans and strategies that are specified in the Council's Budget and Policy Framework detailed in article 4 of the Constitution. The Executive Mayor is responsible for making all executive decisions which are generally decisions that are not the responsibility of Full Council.
11. The Council publishes a 'Forward Plan' that details the key decisions to be made by the Executive Mayor in relation to executive matters.
12. Full Council delegates various non-executive functions to Committees, Sub-Committees and to Officers for the efficient conduct of business. These Delegations are set out in 'Responsibility for Functions' contained in Part 3 of the Constitution. As with the Scrutiny and Overview Committee, seats on the non-executive committees are allocated between the political groups in proportion to their respective numbers of Members.
13. The Audit and Governance Committee together with its independent chair is responsible for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan. The Audit and Governance Committee Annual Report for 2022/23 is available here xxxxxxxxxxxxxx.

### Overview and Scrutiny

14. The Council has a Scrutiny and Overview Committee whose role is to scrutinise the decisions of the Executive Mayor and to contribute to policy review and development. The 2021/22 AGS Action Plan included plans to improve the scrutiny function. The progress made on this are set out in Appendix 1.

### Codes of Conduct

15. The Council has adopted a Code of Conduct for Members (including Co-opted Members). All Members are required to undertake to observe the Code of Conduct when they accept office as Councillors or are appointed to a committee. The details of Members' interests are published on the Council's website.
16. The Council has determined that its Ethics Committee shall be responsible for receiving and considering reports on matters of probity and ethics and to consider matters relating to the Members' Code of Conduct. The Monitoring Officer conducts investigations into complaints on Member conduct and, where appropriate, convenes meetings of the Hearings Panel.

17. The Council has appointed several Independent Persons who are consulted on investigations on Member conduct complaints and may advise on other standards matters.
18. The Monitoring Officer reports to the Ethics Committee on a quarterly and yearly basis on complaints received for alleged breach of the Code of Conduct and on any trends and lessons learnt.
19. The Council also has a Code of Conduct for Officers: all staff are given their own copy as they are inducted into the organisation. This Code was reviewed in 2021/22 to ensure consistency of arrangements for reporting interests, gifts and hospitality for Members and Officers.
20. The Codes are supported by Protocols such as the Protocol on Staff / Member Relations and the Planning Code of Good Practice, which are all contained within the Constitution. The Protocol on Staff / Member Relations was reviewed during 2021/22. The Planning Code of Good Practice was to be reviewed as part of the 2022/23 review of the Constitution. This has now been deferred to 2023/24.
21. An innovative and unique officer 'Guardians programme' was implemented in 2021/22 and promoted via a series of webinars, as part of the changes to the Council's culture, shifting the workplace to becoming more psychologically safe for staff to enable them to raise issues and concerns and give confidence if whistleblowing was needed that they would be supported. The Guardians who are volunteer trained council staff, to provide other council staff with a safe space to share concerns about behaviour or the culture at Croydon. The Guardians can signpost staff where appropriate to mechanisms within and outside the Council where they can get advice about situations that cause them concern, such as perceived bullying or inappropriate behaviour. This is an approach which is recognised as contributing to the development of an open culture. It was modelled on the NHS duty of candour and the speak out champions.

#### Officer-Level

22. The Chief Executive is the most senior officer in the Council. The Chief Executive and the Corporate Directors may exercise any functions of the Council or the Executive which have been delegated to them and they in turn may delegate decisions or functions to one or more officers in any of the Council's directorates, except when prohibited to do so by the Constitution or law.
23. The current Council structure, approved by Full Council on 5 July 2021, provides for a corporate management team, with seven members as its core membership, and six directorates. The law also requires the Council to appoint certain statutory chief officers that are responsible for the governance of the Council and have specific statutory powers. Similarly, the Council must name the 'proper officers' to undertake specific statutory functions. Each of the above are described in more detail below:
  - a) **Chief Executive:** The most senior officer in the Council is the Chief Executive Officer (and Head of Paid Service). Certain matters not reserved to the Council, the Executive Mayor, are decided by the Chief Executive acting under delegated powers, and the Chief Executive is responsible for deciding how executive decisions are implemented.
  - b) **Corporate Management Team (CMT):** This is the Council's senior management team, consisting of the Chief Executive, the Assistant Chief Executive and the **five** Corporate Directors. Reporting into CMT are the respective Directorate Management Teams, Internal Control Boards and Transformation Boards. The minutes and papers of CMT are distributed to all directors.

**c) Directorate Management Teams (DMTs):** These are the management teams within each of the Council's six directorates, each headed up by either a Corporate Director or the Assistant Chief Executive and consisting of Directors and, heads of service where they report directly to the Corporate Director or the Assistant Chief Executive. These directorates are the:

- Adult Social Care and Health Directorate
- Assistant Chief Executive's Directorate
- Children, Young People and Education Directorate
- Housing Directorate
- Resources Directorate
- Sustainable Communities, Regeneration & Economic Recovery Directorate

Each directorate has its own underlying departmental management structure reporting to the DMT. Each directorate determines how they ensure that health and safety matters and equality, diversity and inclusion and major projects and programmes are addressed at the directorate level. Some can incorporate them within their regular DMT agendas others may find it more appropriate to have sub committees from their main DMT.

**d) Internal Control Boards (ICB) –** The ICBs are corporate officer boards which operate alongside the respective directorate structures providing governance over cross directorate matters and include the:

- Capital Board
- Commissioning and Contracts Board
- Corporate Resilience Board
- Digital Board
- Equality, Diversity & Inclusion Board
- Finance, Risk & Assurance Board
- Health & Safety Board
- Information Management Board
- Performance Board (paused)
- Procurement Board
- Resident Voice and Improvement Board (paused)
- Statutory Officers Board (Group)
- Workforce Board

Each ICB has terms of reference and includes membership from each directorate management team and other officers and is accountable for the delivery of allocated corporate strategies on behalf of the Council. The minutes of each Board are presented at the CMT and shared with all directors. Each ICB's terms of reference require the consideration of escalation to the next CMT meeting of matters of concern.

The ICBs can also act as a 'Programme Board' in the overall Project & Programme Management Framework for cross-departmental pieces of work, with highlight reports, exception reports, plans and logs being reported to these meetings. Where projects or programmes are specific only to a directorate, the Directorate DMT may act as Programme Board.

e) **Statutory Chief Officers:** The statutory chief officers are the:

- Head of Paid Service (Local Government and Housing Act 1989, s 4)
- Monitoring Officer (Local Government and Housing Act 1989, s 5)
- S151 (or Chief Finance) Officer (Local Government Act 1972, s 151)
- Director of Children's Services (Children Act 2004, s 18)
- Director of Public Health (National Health Service Act 2006, s 73A(1)); and
- Director of Adult Social Services (Local Authority Social Services Act 1970, s 6(A1))

These are officers that the Council must appoint, some of which may be combined and some of which cannot, but they all have additional personal responsibilities. These officers have statutory mechanisms for bringing concerns to the attention of the Council, and for requiring the Council to consider their decisions and actions publicly. Each of these officers has special employment protection to enable them to fulfil their statutory duty and highlight their concerns.

There are a number of other statutory officer roles that a local authority must have in place, (such as, but not limited to, a Scrutiny Officer, a Caldicott Guardian, a Head of Internal Audit and a Chief Information Officer) but these are not chief officer posts in their own right. All however attend the Statutory Officers Group meetings.

f) The three chief officer roles with leading responsibilities relating to governance are the:

- **Chief Finance Officer** – who is responsible for finance and expenditure. The Council designated the role of the Corporate Director of Resources as the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.
- **Monitoring Officer** – who is responsible for lawful behaviour. The Council designated the role of the Director of Legal Services as the Monitoring Officer in accordance with Section 5 of the Local Government and Housing Act 1989.
- **Head of Paid Service**- who is responsible for the overall functioning of the Council and the allocation of resources. **The Council designated the role of the Chief Executive as Head of Paid Service** – in accordance with Section 4 of the Local Government and Housing Act 1989.

24. Each of these statutory officers has the power to refer certain matters to the Council. During 2022/23 there were regular meetings of the Statutory Officers Group chaired by the Chief Executive, to discuss relevant issues and the effective functioning of their roles and liaised regularly between meetings on matters affecting the governance of the authority. The Statutory Officers ensure the provision of professional advice on all decision-making reports to ensure legal, financial, risk management and equality implications are addressed, including compliance with the Public Sector Equality Duty.



25. The Chief Executive chairs a weekly meeting of the Corporate Management Team to consider key items of business and ensure the organisation is delivering the Mayor's Business Plan and the Council's priorities. Each Corporate Director holds weekly Directorate Management Team meetings. These are used to support internal control processes (e.g., budget and risk management, equality, diversity and inclusion compliance, monitoring of complaints, health and safety, and performance indicators) as well as business within the department. Directors are then responsible for cascading information down to Heads of Service via their divisional management teams to ensure effective delivery of Council services and decision making in accordance with the scheme of delegation. There is a meeting each month of CMT and Directors and a meeting each month of CMT, Directors and Heads of Service to aid corporate understanding and knowledge of the whole council's activity and to build a shared leadership and senior management cadre.
26. The Statutory Officers and Directors with responsibility for the development and maintenance of the Council's governance keep the effectiveness of the Council's governance framework under review. The processes which maintain the effectiveness of the governance framework include:
- a) The Council's Constitution, which sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making, ensuring compliance with established policies, procedures, laws and regulations;
  - b) The Council's internal management processes, such as performance monitoring and reporting, monthly budget monitoring and assurance meetings, the staff performance appraisal framework and monitoring of policies such as corporate complaints and health and safety policies;
  - c) Mandatory training for officers and a 'Re-Induction' of all managers to focus on key accountabilities and corporate objectives as part of the appraisal process is planned for the forthcoming year as part of changing and improving the culture of the Council;
  - d) The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution. The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2013);
  - e) Quarterly review by the CMT and DMTs of departmental and corporate risk registers;
  - f) The annual report of the Head of Internal Audit, the opinion of the external auditors in their reports and annual letter and dedicated CMT meetings on specific matters highlighted;
  - g) Findings from fraud and whistleblowing investigations;
  - h) The work of Scrutiny and Overview Committees and the Audit and Governance Committee; and
  - i) Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

#### Corporate Directors Assurance Statements

27. The 2022/23 AGS has been underpinned by Corporate Director Assurance Statements. The feedback from the Statements received suggest that there are gaps in areas such as regularity of budget assurance meetings; awareness and understanding of Contract & Tender Regulations and Financial Regulations; Health & Safety Management and Monitoring; and delivery capacity across the Council. These need to be addressed in the 2022/23 AGS Action Plan.

## Council Priorities/Mayor's Business Plan

28. In December 2022, Full Council adopted the Mayor's Business Plan 2022-2026 (available here <https://www.croydon.gov.uk/mayors-business-plan-2022-2026>) which sets out the strategic outcomes and priorities of the Council. The five Outcomes are:

- The Council balances its books, listens to residents and delivers good sustainable services.
- Croydon is a place of opportunity for business, earning and learning.
- Children and young people in Croydon have the chance to thrive, learn and fulfil their potential.
- Croydon is a cleaner, safer and healthier place, a borough we're proud to call home.
- People can lead healthier and independent lives for longer.

Each outcome is underpinned by a subset of priorities. For example, Outcome 1 has the following Priorities:

- Get a grip on the finances and make the Council financially sustainable.
- Become a council which listens to, respects and works in partnership with Croydon's diverse communities and businesses.
- Strengthen collaboration and joint working with partner organisations and the voluntary, community and faith sectors.
- Ensure good governance is embedded and adopt best practice.
- Develop our workforce to deliver in a manner that respects the diversity of our communities.

There is a detailed delivery plan, which has been used to inform the development of service plans across the organisation, and performance indicators have been developed to track delivery against these commitments.

## Medium Term Financial Strategy 2022-2026

29. On 22 November 2022, the Council's Section 151 Officer issued a Section 114 Notice to make it clear to all Members of the Council that it faced an extremely serious financial situation with significant estimated unfunded financial deficits forecast from 2023/24 onwards. This is the Council's third S.114 Notice over a period of 3 years. Alongside the S114 Notice, the Council's Medium Term Financial Strategy was published and subsequently presented to Cabinet on 30 November 2022 which set out in detail the financial projections for the Council through to 2025/26. It also identified that there were still legacy gaps in the Council's open financial accounts going back to 2019/20 estimated at £74.6m for which government support needed to be sought. Earlier, in June 2022, the Executive Mayor announced the Opening the Books Project, and which subsequently identified fundamental shortfalls in the Council's finances.

30. The MTFS demonstrated significant gaps in the Council's budget each year for 2023/24, 2024/25 and 2025/26. Previously the government had assisted the Council by granting Capitalisation Directions of £150m over the period from 2019/20 to 2023/24 of £70m, £50m, £25m and £5m which gave the Council space to reduce its core operating costs through the transformation and savings programmes by financing ongoing annual revenue spend from capital resources including borrowing, an action which goes against normally accepted good financial practice.

The MTFS identified that the impact of the Capitalisation Direction approach is to continue to push up the Council's debt into the future. Continuing to use the Capitalisation Direction

approach was one of the major reasons that the Council's fundamental financial unsustainability was continuing to grow. The MTFs noted that the Council currently holds £1.3b of general fund borrowing. This level of borrowing requires annual debt financing charges of £58m. Therefore, the Council faces an existential question, which requires a new model of extraordinary financial support to be sought from the government.

31. The government granted the Council the flexibility to set a council tax increase of up to 10% beyond the Referendum Cap of 5% in 2023/24, so 15% in total providing £22m per annum additional income. The Council requested a write off of £540m of the Council's debt during 2023/24 to restore financial sustainability by reducing the annual cost of the Council's debt by £38m thus reducing the council's debt levels to be in line with other councils, (albeit still at the upper end of that comparison). As it was very unlikely a debt write off could be achieved by mid-February 2023 in time for the Council to set the Council Tax, the request was for a bridging Capitalisation Direction in 2023/24 of £63m to allow the Council to set a balanced budget (the base model £85m gap reduced by the 15% Council Tax proposed above). The request noted that should the Council Tax increase of 15% and the 2023/24 debt write off be agreed, no further Capitalisation Directions would be required for future years as the Council would be able to become financially sustainable.
32. A request has also been made of government to provide the Council with a Capitalisation Direction of £161.6m to cover the historic finance issues that have been revealed through the Opening the Books programme. The Council needs to correct a range of misstatements in its legacy accounts from 2019/20 which are currently still not fully closed. This was more than the £74.6m previously identified in the MTFs Update report in November 2022. The Council's Provision for Bad Debt was found to be understated by £46m rather than the £20m previously assumed and a decision was made to include the potential £70m gap in the accounts caused by earlier wrongful accounting for Croydon Affordable Homes and Tenures, instead of the £9m previously assumed. With three years of accounts still open, there remains a risk that further legacy issues will be uncovered.
33. The Council's financial position is completely unsustainable without new action being taken. There should be a shared solution between government, the Council and residents as council taxpayers and as service recipients. This is being worked through, initially with the limited tools available such as significant savings proposals, increased council tax levels and capitalisation directions. The Council continues to speak with government about different financial support to reduce the huge and ongoing financial cost of the Council's debt burden such as the write off or the award of an annual exceptional grant equivalent to the ongoing debt charges generated by the toxic negative equity. The Council is also committing to reduce its operating costs by at least £20m per year which is significantly more than the savings being delivered by most London Boroughs. It recognises the financial pressures that council taxpayers are facing in this period of economic challenge and the impossibility of the full solution being increases in Council Tax or cuts to services. The Council's unprecedented debt burden is symptomatic of an authority failing to meet its best value duty. It will need to be resolved for the Council to come out of the current statutory intervention.

#### SoS Directions and Improvement & Assurance Panel.

34. Following the 'minded to letter' on 16<sup>th</sup> March 2023 and the Council's response on 31<sup>st</sup> March 2023, on 20<sup>th</sup> July 2023 the Secretary of State for Levelling Up, Housing and Communities ("the SoS") issued Directions to the Council on the actions to be taken to comply with its Best Value

Duty. The Directions and its accompanying documents can be accessed at [Statutory intervention: London Borough of Croydon - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/100000/statutory-intervention-london-borough-of-croydon-2022-23.pdf). The SoS Directions requires the Council to, amongst other matters, continue to address the culture of poor financial management; improve the capacity and capability of the housing service; restore public trust and confidence by transforming the Council's activities, practices, and omissions to ensure that they are compatible with the best value duty; and secure that functions are exercised in conformity with the best value duty thereby delivering improvements in services and outcomes for the people of Croydon. The Directions are expected to remain in force until 20<sup>th</sup> July 2025. But it could be amended or revoked at an earlier date by the SoS if appropriate.

35. The Council is now the subject of formal statutory intervention. The Council is still responsible for all decision making relating to its powers, functions and responsibilities and continues to lead on its recovery and improvements. The SoS has appointed an Improvement & Assurance Panel with the power of last resort to instruct the Council to act if failing comply with the Best Value Duty. The Panel also provide external advice, expertise and challenge to the Council and assurance to the Secretary of State on the Council's progress with the actions required to meet the Best Value Duty.
36. A newly required Exit Strategy which will be jointly produced between the Panel and the Council will include the plan of action to secure compliance with the SoS Directions. This will form a significant part of the AGS Action Plan for 2022/23.

#### Croydon arm's length companies

37. The Committee on Standards in Public Life report dated January 2019 made a best practice recommendation regarding separate bodies created by local authorities and how such bodies should be referenced in the Council's AGS together with the transparency expected from those bodies, namely that, *'Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place'*.
38. Croydon Council acknowledges that it has an 'arm's length' interest in the following organisations:
  - a) Croydon Council owns a 100% stake in the development company Brick By Brick Croydon Limited, which was established to deliver housing across a number of Council owned sites in the Borough. The Council took a decision in February 2021 to trade out 23 sites to completion and dispose of all of its remaining sites. It is anticipated that this process will be completed in 2023/24. Regular Brick by Brick Update reports have been shared with Cabinet periodically with the last update made to Cabinet in July 2023. Progress on winding down the company and expected financial implications have been shared with Cabinet with a clear trail of all loans and interest paid by Brick by Brick back to the Council.
  - b) The Council has a 99% membership of LBC Holdings LLP which itself holds 10% holdings of the other LLPs in the structure. An independent charity, Croydon Affordable Housing, holds a 90% membership in each of the LLPs (other than LBC Holdings LLP). The Council has entered 80years leases and 40years loan transactions (amongst other agreements) with Croydon Affordable Homes LLP ('CAH') and Croydon Affordable Tenures LLP ('CAT'). A review of the financial accounting position in respect of CAH and CAT was completed by

PWC in February 2022 and is necessary as part of finalising the accounts for 2019/20 and 2020/21. Failure to correctly account for the monies exchanged with this company contributed significantly to the need for the further capitalisation direction referenced above.

- c) Croydon Council held 40% of control of the board of Octavo Partnership Limited, which was created to deliver school improvement services across the Borough of Croydon and beyond and sells discretionary support services to schools directly whilst delivering statutory services on behalf of Croydon Council. Services were brought inhouse and the company dissolved in September 2021. Financial activity in 2021/22 was not considered material.
- d) Croydon owns a 100% stake in YourCare (Croydon) Ltd, a company that carries out sales of aids to daily living equipment to the public. The company is in the process of dissolution and the process for liquidation started in September 2021. Turnover and balances are not considered material. The service has now been insourced with no further exposure to the Council.
- e) The Council holds 100% stake in three companies related to the Taberner House development and these include Croydon Central Management Company, Croydon TH Ltd and Croydon TH Commercial Ltd. The Council is in the process of transferring its equity interest to the investors of the Taberner development and it is expected this will be concluded by end of 2023/24.
- f) The Council holds 100% stake in several Charitable organisations, each of which have been established over some time. A list of these Charitable organisation is provided below
  - The Wettern Tree Garden Trust
  - Queenhill Road Playground
  - Rotary Field, Purley
  - Woodcote Village Green
  - Willian Webb, Land forming part of the Promenade de Verdun
  - Garwood's Gift in connection with Lloyd Park
  - Charity of James Spurrier Wright
  - The Betts Mead Recreation Ground

39. The Croydon Companies' Supervision and Monitoring Panel, chaired by the Chief Finance Officer, ensure good governance of the Council's external entities. The Panel reports at least biannually to the Executive Mayor and Cabinet, making recommendations as appropriate. The Executive Mayor and Cabinet were presented with a report May 2023 with regards to the companies monitored by the Croydon Companies' Supervision and Monitoring Panel. The Council has strengthened its governance arrangements and oversight of Brick by Brick Croydon Ltd with a Brick by Brick Shareholder Cabinet Advisory Board and a Board of Chair and non-executive Directors is in place at Brick by Brick.

#### Reports in the Public Interest and Croydon Renewal & Improvement Plan (Mayor's Business Plan)

40. During 2020/21, following the first Report in the Public Interest relating to the Council's financial position and various other governance related reports, the Council fully recognised the scale and significance of issues to be addressed and the systemic change required. In December 2020, it adopted actions to address areas for improvement through the Croydon

Renewal and Improvement Plan, a major programme to deliver savings, strengthen governance and financial practice and embed new ways of working to put the Council on a more sustainable financial footing. The Croydon Renewal Plan is an umbrella term that covers the financial recovery plan, the submission to the MCHLG (now DLUHC) for a capitalisation direction and actions to respond to the RIPIs. Updates were provided to the Cabinet and the Audit and Governance Committee on progress in addressing the RIPI action plans. Internal Audit independently assessed the quality of the delivery on the actions. As advised above, the Croydon Renewal Plan is being replaced by the Mayor's Business Plan which sets out the Council's strategic outcomes and priorities which include balancing the books, embedding good governance, and providing sustainable services.

41. In January 2022, the Council's external auditor, Grant Thornton, issued a second Report in the Public Interest (RIPI 2) concerning the refurbishment of Fairfield Halls and related governance arrangements. The report detailed significant concerns regarding the decision making, value for money, behaviour and governance arrangements for chief and statutory officers and members that were associated with this major project during the financial years 2016/17 to 2019/20. On 3 February 2022, the Council accepted in full the Report and its recommendations. It also agreed that the action plan be included in the Croydon Renewal and Improvement Plan, which is now captured in the Mayor's Business Plan. The recommendations and action plan were built into the 2021/22 AGS Action Plan and progress made is set out in Appendix 1. The Kroll Report referred to below was commissioned following concerns raised in the RIPI 2 report.

#### Housing Improvement

42. Following the coverage of chronically poor housing conditions at Regina Road in March 2021, the Council committed to the creation of the independently chaired Housing Improvement Board and the development and implementation of the Housing Improvement Plan in May 2021. The Cabinet had agreed that the purpose of the Plan would be to address the failings of the housing service highlighted in the ARK Consultancy Investigation into Conditions at 1-87 Regina Road, South Norwood. Since July 2021, the housing service has developed and begun to deliver the Housing Improvement Plan. Improvements to the Council's housing service have remained a concern of the Improvement and Assurance Panel. The Housing directorate self-referred to the Regulator for Social Housing who declared the council was in breach of the Home and Tenant Involvement and Engagement standards. The housing directorate's improvement planning must provide a path to compliance. In March 2022, the Council agreed the content of the Plan. In March 2022, Cabinet also required quarterly updates on the implementation of the improvement plan and that going forward it would include commentary from the Housing Improvement Board. In July 2022, proposals were approved to considerably strengthen the Housing Improvement Plan.
43. In December 2022, a new Housing Transformation Programme was approved by the Mayor in Cabinet and endorsed by the independent Housing Improvement Board (HIB). There are a total of 67 projects across eight workstreams. Progress updates on high impact projects is presented to Cabinet through the regular channels and is also scrutinized by the Housing Improvement Board. Since December 2022, workstreams have been finalised with workstream leads and a clear programme plan. The Transformation Steering Board, which oversees the delivery of the Housing Transformation Programme is held monthly. Representatives from Directorates across the Council also participate in and attend the Steering Board meeting. On 26<sup>th</sup> July 2023, a progress update report on the Housing

Transformation Programme was considered by the Mayor in Cabinet. Housing Improvement is in the 2021/22 AGS Action Plan and progress made indicated above is also set out in Appendix 1.

#### Performance and risk management

44. A Performance reporting framework created in April 2021 to ensure delivery of a robust suite of corporate performance reports remains in place. This reporting mechanism ensures that what the data is telling us is visible to everyone and open to challenge. Directorate and statutory performance reporting are a suite of measures from the Mayors Business Plan report 2022-26, operational performance reports and statutory measures. These reports are presented at monthly Directorate Management Team meetings to allow a process of review, check, and challenge by the Corporate Director with their Directors. Relevant data, based on the principle of exception reporting, from these reports will then be incorporated into the monthly performance report presented to the Corporate Management Team monthly. Corporate Directors / Directors are responsible for discussing the contents of departmental and statutory performance reports with the relevant Cabinet Member to ensure line of sight and accountability. This allows Members the opportunity for discussion and challenge of performance where required and to understand potential risks. Corporate Directors are responsible for the dissemination of these reports for discussion at Divisional Management Team meetings to ensure all managers and Heads of Service are sighted.
45. A performance report is presented to the Cabinet on a quarterly basis, this report will now be based around the Mayors Business Plan 2022-26 transitioning from the previous reporting on the Croydon Renewal Plan which went to Cabinet on a monthly basis initially. Reports to the Chief Executive are also created using the data from the suite of reports as detailed above, with the focus being on one Directorate per report. This allows for informed one to one session between the Chief Executive and the relevant Corporate Director.
46. The Council's risk management process is designed to identify, assess, and manage significant risks to the Council's objectives including risks associated with delivering the Mayor's Business Plan. The process includes a risk management policy statement, corporate /directorate risk registers, and appropriate staff training delivered to risk owners (Directors and above).
47. During the 2022/23 period, the Council has continued to embed an approach to risk management consistent with the 'Three Lines of Defence' model recognised by the Institute of Internal Auditors and HM Treasury 'Orange Book' standards, as good practice. The first 'line of defence' is implemented by the risk owners (the Council's directorates, Corporate Directors, Directors and Heads of Service as appropriate) to ensure an effective control environment, implement risk management policies in relation to their roles and responsibilities, being fully aware of the risk factors to be considered in every decision and action. The second line of defence is the maintenance of a risk management framework and compliance functions, in supporting structured risk management implemented by risk owners. The third line of defence is implemented by both internal and external audit who take an independent view of the application of risk management, reviewing and evaluating the design and implementation of risk management and the effectiveness of the first and second lines of defence.
48. All corporate/strategic risks are formally reviewed and signed off quarterly by the risk owner on the council's corporate risk management system 'JCAD'. In turn, all risks are reviewed

quarterly by the Directorate Management Teams and assurance given/obtained by the Corporate Director. CMT and the Audit and Governance Committee then review all red rated risks. In addition, risk management 'deep dives' on individual risks are undertaken by the Audit and Governance Committee as well as the monthly review of corporate 'red' risks by CMT.

49. The action plan in response to the first RIPI included actions to increase ownership of and capability for risk management across the Council, including risks of non-delivery of financial savings. This included:
- An externally-led 'health check' review of the Council's risk management framework and implementation was conducted in 2022/23. This included interviews with key Members and Officers to ensure that the council's approach to risk management was sound and developing in the right areas.
  - A number of recommendations were made as a result of the that review, including the establishment of a refreshed risk management champion network across directorate areas which was established during the year.
  - 1-1 training sessions have been provided for all relevant officers, Corporate Directors and Directors on an on-going basis on the identification of risks and use of the corporate risk management software JCAD.
  - Continued assurance that risk considerations are identified at the outset of all new decisions, both for the individual decision and its impact on the whole of the Council by way of the risk and financial impact sections of Member reports.
  - All new programmes of work continue to be subject to sign off at a Programme Steering Group to ensure appropriate consideration of risk.
  - Terms of reference for the Audit and Governance and Scrutiny and Overview committees ensure clarity of roles and responsibilities in relation to risk. The newly established Officer Finance, Risk & Assurance Internal Control Board oversees the risk management framework and implementation in Croydon including receiving a quarterly update on the review of risks across the council.

#### Procurement & Project Management

50. A Procurement Internal Control Board meets monthly with director-level attendance to ensure compliance with the Council's Contract and Tender Regulations, holding managers to account and providing challenge to ensure that the use of waivers is minimised. Internal Audit identified a number of improvements required to tender evaluations, contract frameworks, systems and documentation. These are being addressed through the contract's improvement plan.
51. In 2021 the Council has identified a need to develop a more strategic overview of the pipeline of commissioning and contracts. This has resulted in the introduction of an annual procurement plan which is presented to the Mayor in Cabinet for approval before the start of the financial year and updated at least on a quarterly basis. The Council has in place a Contracts Register which is reviewed and updated regularly. The procurement ICT system is currently being reviewed as part of the Council's Oracle ERP Improvement Programme.
52. The integration of the VERTO a programme management tool continues through the PMO (Programme Management Office) which is there to support various workstreams covering Capital delivery and Transformation work streams

#### Complaints, Fraud and Whistleblowing



53. The Council's formal complaints policy sets out how complaints can be made by the public, what should be expected in terms of response and the residents' rights of escalation. Lessons learned from complaints are fed back to services regularly and included in the quarterly and annual reports that are presented to directorate management teams and CMT.
54. The Local Government and Social Care Ombudsman (LGO) issued 4 public reports about the Council during 2022/23. The Council accepted the Ombudsman's final reports and recommendations, and the Ombudsman confirmed their satisfaction with the actions taken. The LGO annual report is discussed at CMT and taken to Scrutiny and Overview for review and challenge lessons learned. Significant work is being undertaken to improve the quality of complaint responses and the response times. Face to face training is undertaken, online training packages implemented, weekly reports are sent to all service and management detailing current open and overdue complaints, service improvement meetings are held directly with services, monthly DCO bulletins are sent to all complaint handlers and quarterly and annual performance reports are presented to DMTs and CMT. Complaint handling is also a key aspect of the Housing Improvement Plan.
55. Audit & Governance Committee to continue to oversee the Anti-fraud and Corruption Policy and Strategy and Anti Bribery and Anti Money Laundering policies. In addition, the committee receives regular reports in relation to the activities of the shared Croydon/Lambeth anti-fraud service, which was established January 2023. The aim of the shared service has been to target pro-active anti-fraud initiatives in addition to reactive investigations. Examples of this introduced during the year has included the formal vetting of all staff for fraud concerns before they are taken on by the council and the formal vetting of all housing succession applications for fraud issues. The service also interfaces with the council's Whistleblowing Policy which enables staff, partners, and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified and is supported by a whistle blowing hotline supported by a third sector partner.
56. During the year the Council commissioned Kroll Associates (UK) Limited ("Kroll") to undertake an independent, fact-finding review of the circumstances and decision-making process leading up to and following the Council's approval for Brick by Brick Ltd (a company wholly owned by the Council) to undertake the refurbishment of the Fairfield Halls, and which was the subject of the second RIPI report. The aims of the investigation include to provide clarity over the probity and integrity of decision making around the Fairfield Halls project, the reasons for the cost overrun and late delivery and the governance failures and whether there is evidence of potential wrongdoing by relevant individuals. In March 2023, the Council received the Report by Kroll into any wrongdoing relating to the refurbishment of Fairfield Hall. The Council is taking the necessary steps to ensure those responsible for the Council's governance and financial crises are held to account and this includes referring the Richard Penn and Kroll reports to the Metropolitan Police and to relevant professional bodies and institutes. Also, in February 2023, the Council published the Independent Investigation Report by Richard Penn which amongst other issues considered the culture, behaviours and practices by officers and members that led to the Council's financial collapse. The report makes several recommendations in respect of actions to be taken against former Officers and Cabinet Members of the Council. Through the Appointment & Disciplinary Committee, all the recommendations have been actioned.

## Health and Safety

57. Responsibility for health and safety ultimately rests with the Chief Executive. To ensure this responsibility is discharged effectively across the Council the Corporate Health and Safety Internal Control Board and directorate subgroups were established. Their role includes the monitoring of statistics, safety audit reports and trends of accidents and near misses, dangerous occurrences and notifiable diseases and making recommendations for and monitoring progress on corrective action on unsafe and unhealthy conditions and practices. The Board also monitors the effectiveness of health and safety training and communications and escalating any issues to CMT as appropriate. The Board is chaired by a corporate director and attended by directorate representatives, the corporate health and safety team and trade union representatives. The minutes of the Health and Safety Board are presented at CMT with any urgent items immediately escalated to the next CMT meeting and shared with all directors. Improvements in the arrangements for Health and Safety is in the 2021/22 AGS Action Plan and progress made are set out in Appendix 1.

## Information Governance

58. The Information Management Internal Control Board (IMICB) leads the Council's strategic approach to governance of information management. Chaired by the Council's Monitoring Officer and membership includes Chief Information Officer and Senior Information Risk Owner (SIRO), the Caldicott Guardian, Data Protection Officer, Information Manager, and key service leads. The Board's role is to support the Council to ensure compliance with Data Protection, Freedom of Information (FOI) and Caldicott requirements and assist in making good Information Management (IM) part of the culture of the Council. The Board reports to the CMT in respect of IM issues/incidents and has an overview of the Council's compliance with policies, procedure and guidance and commissions reviews of policies, procedure and guidance as appropriate.
59. The Council is not meeting targets for responses to FOIs and Subject Access Requests. Steps have been taken to improve capacity and the management of the processes to secure compliance with statutory requirements. This area was flagged up in the 2021/22 AGS Action Plan and progress made are set out in Appendix 1. However, in September 2022, the Information Commissioner's Office (ICO) issued a Practice Recommendation to the Council to direct it to improve its compliance with FOIs. Due to a decline in compliance, in June 2023, the ICO issued an Enforcement Notice to the Council to comply with the FOI request requirements and to devise and publish an up-to-date action plan and supported by a 'lessons learned' exercise. In 2023/24, the Council must continue at pace with its plans to improve practices and secure compliance with FOI and Subject Access Request. The Information Management ICB will oversee and monitor delivery of the improvements required.

## Safeguarding

60. The Council's approach to safeguarding both in relation to vulnerable adults and children is led by the Corporate Directors for Adult Social Care and Health, and Children, Young People and Education respectively and is also subject to the relevant statutory inspections.
61. Croydon Safeguarding Children Partnership (CSCP) is the multi-agency arrangements in place to ensure Croydon's children are safeguarded. It is an equal partnership between the three statutory partners (Local Authority, Health & Police) with an Independent Scrutineer. In November 2022 the partnership commissioned an Independent Review of its effectiveness

which found that *“The CSCP supports the delivery of safe multi-disciplinary practice in the Borough”* and *“Benefiting significantly from highly experienced and competent leaders, the partnership demonstrates a capability to identify and focus on those issues relevant to the needs of local children and young people.* Additionally, the operating procedures for the CSCP were revised and agreed by the CSCP in March 2023 ([CSCP Arrangements 2023](#)). The CSCP business plan reflects the quality assurance & audit work it carries out, including the Section 11 Audits which enable the CSCP to be assured of the safeguarding arrangements for organisations working with children. Where the safeguarding arrangements are not sufficiently robust, those organisations are committed to action plans which are regularly reviewed. The CSCP Executive has quarterly updates to ensure line of sight.

62. The CSCP is producing an annual report for the year 2022-23 which will be reviewed at Corporate Management Team meeting in October 2023, Scrutiny Overview Committee in November 2023, and Cabinet in November 2023.
63. Croydon Safeguarding Adults Board (CSAB) is the multi-agency arrangements in place to ensure Croydon’s adults are safeguarded. It is an equal partnership between the three statutory partners (Local Authority, Health & Police) with an Independent Chair. The CSAB ensures there is effective communications with Croydon residents, between professionals, agencies and different Boards and Partnerships. The CSAB continues to work closely with the Croydon Safeguarding Children Partnership in order to have oversight of cross cutting safeguarding agendas such as transition between children’s and adults’ services.
64. The CSAB is producing an annual report for the year 2022-23 which will be reviewed at Corporate Management Team meeting in October 2023, Scrutiny Overview Committee in October 2023 and Cabinet in November 23.

#### Learning and organisational development

65. A Members’ induction and training programme training was developed for implementation after the local government election in 2022. This formed part of the AGS Action Plan for 2021/22. The progress made is set out in Appendix 1. In addition, an ongoing programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.
66. The development of the programme is overseen by a member-led Member Development Panel and includes training identified.
67. Staff development needs are identified through the Council’s Appraisal Scheme. The Council’s Learning and Organisational Development service delivers and/or commissions a suite of elective and mandatory courses, children, and adult social care specialisations in a variety of formats, including e-learning through a centralised learning management system. Work is underway to revise the corporate virtual induction programme ‘Welcome to Croydon’. The new contents cover three key thematic areas: (i) managers’ induction checklist, to ensure effective compliance (ii) mandatory training for new staff on fundamental topics such as health and safety, information governance, and equality and diversity (iii) understanding the council – to ensure effective orientation and understanding of the council, its decision-making processes, governance, and compliance. This will be delivered to all new staff joining the Council, supplemented by department-specific elements.

## Working in partnership

68. A number of the Council's services are delivered in partnership with commercial organisations and, increasingly, with other local public sector organisations, and the voluntary, community and faith sector. In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected councillors, sit on the various committees and forums that are responsible for these.
69. The borough has themed partnerships (including the statutory Health and Wellbeing Board, Safer Croydon Partnership, Croydon Safeguarding Children Partnership and Croydon Safeguarding Adults Board) that bring together the Council and representatives of the emergency services, health, education, business, faith, voluntary and community sectors involved in decision making that affects the wellbeing of those who live, work, are schooled in and visit Croydon. The partnerships ensure a focus on local priorities.
70. These partnerships undertake a range of partnership activities and consultation exercises to enable all residents and customers to contribute to and shape the strategic themed plans such as the Health and Wellbeing Strategy and the Safer Croydon Partnership Community Safety Strategy. In addition, the Council undertakes surveys with residents who provide the Council with reliable feedback on important issues that help improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability, and encouraging open consultation.
71. The Health and Care Act has led to the introduction of statutory arrangements for integrated care systems (ICSs) from April 2022. In Croydon, this has meant moving from Croydon Clinical Commissioning Group (CCG), to a South West London Integrated Care System (SWL ICS). In South West London there are six ICS Places: Croydon, Kingston, Merton, Richmond, Sutton and Wandsworth. The Croydon arrangements are delivered through the One Croydon Partnership and the Croydon Health and Care Board of which the Executive Mayor is Co-Chair.

## Internal audit

72. The Council maintains an Internal Audit service delivered by Mazars as part of 'The Apex Framework' providing local authorities including Croydon with internal audit resources in a tried and tested framework that operates in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2019)*. The Council's contract with Mazars is cliented by the Corporate Director of Resources.
73. Internal audit is responsible for monitoring the quality and effectiveness of the Council's governance, risk management and controls. An internal audit plan is compiled annually for the work to be undertaken, which is submitted to the Audit and Governance Committee for review and approval. The plan is informed by the results of the previous year's audit and follow-up work by Internal Audit, the Council's risk registers and discussions with senior managers, directors and members of the Council's CMT. The Head of Internal Audit is a standing member of the CMT and can attend at any time and ask for items on the agenda. The post reports to the Corporate Director of Resources but also has access to the Chief Executive at any time.

74. The outcome of the internal audit risk-based work is reported to all relevant Corporate Directors and Directors and regularly to the Audit and Governance Committee. Implementation of recommendations is monitored, and progress regularly reported to the Audit and Governance Committee.
75. In addition to the quality assurance processes in place, the Internal Audit function is reviewed by the external auditors as part of their annual audit process and every five years by an external body to assess compliance with the Public Sector Internal Audit Standards (this is next due for Croydon in 2023).
76. The Annual Report of the Head of Internal Audit for the year ending 31 March 2022/23 provided only 'Limited Assurance' that the system of internal control accorded with proper practice. 64% of the overall audits undertaken had 'Limited' or 'No' assurance, with 71% of internal audits of systems falling into these categories. The following system audits from the Annual Report had limited or no assurance:
- Health and Safety: Incident Reporting (in draft) (No)
  - HEAT – Assessment Management (Emergency Accommodation Assessment) (in draft) (No)
  - Housing – Tenancy Checks (in draft) (No)
  - Housing Disrepairs (in draft) (No)
  - Journals: Impact on Budget Management (in draft) (No)
  - Legal Recharges (No)
  - Adult Social Care Payment Processes (in draft) (Limited)
  - Agency Use and IR35 (Limited)
  - Anti-Social Behaviour: Referrals and Case Management (in draft) (Limited)
  - Brokerage (Quality of Care Market) (in draft) (Limited)
  - CES – Banking Compliance (in draft) (Limited)
  - Children's Social Care Payment Processes (in draft) (Limited)
  - Continuous Auditing Q1/Q2 (two audits) (Limited)
  - Continuous Auditing Q3/Q4 (two audits) (Limited)
  - Fire Safety (FRAs) (in draft) (Limited)
  - Housing – Leaseholder Service Charge (Limited)
  - Housing Register – Assessments (in draft) (Limited)
  - Information Governance: SARs/Fols (in draft) (Limited)
  - IT Services – Project Management (in draft) (Limited)
  - IT Vulnerability Management (in draft) (Limited)
  - Parking Enforcement (inc. Budget Modelling and Reconciliations (in draft) (Limited)
  - Payment to Schools (Include Licensed Deficit Process) (in draft) (Limited)
  - Planning Enforcement – DM Systems Link to Systems and Processes in Enforcement (in draft) (Limited)
  - Safeguarding – Partnerships & LADO (Limited)
  - School Admissions (Including Appeals) (in draft) (Limited)
  - SGO Allowances (in draft) (Limited)
  - SLWP Income Collection and Payment of Funds (in draft) (Limited)
  - TFL Reclaims (in draft) (Limited)
  - The Role of the DPO (in draft) (Limited)
  - Traded Services – Education (in draft) (Limited)

The assessment of Corporate Governance showed an improvement from the limited assurance reported in 2022/23 annual Head of Internal Audit report, reporting that the corporate governance framework complied with the best practice guidance issued by CIPFA/SOLACE.

During the year, Internal Audit identified the following significant control weaknesses:

- general compliance issues in basic areas of governance and control;
- a number of issues with contract letting, monitoring and management across the organisation;
- issues over information governance, including the role of the data protection officer and the process for responding to freedom of information requests;
- issues over budget monitoring and management, and
- issues over tenancy and temporary accommodation tenancies, including over the allocations, recording and checking of these and arrangements for repairs and maintenance.

77. The Council has action plans to address these issues and Internal Audit will continue to be involved in further audits of these areas. During 2022/23 CMT regularly reviewed the management actions arising from internal audits, helping ensure that historic and current actions were being implemented and improvements to systems and controls were made as appropriate.

#### External audit

78. In 2022, the external auditor raised concerns relating to the settlement agreement reached with the former chief executive of the Council and requested that the Council assure itself that the settlement is lawful. The Council's Monitoring Officers reported on 27 April 2022 and 13 October 2022 to the Appointment and Disciplinary Committee on the issues raised by the External Auditor. On 9 November 2022, the Appointment and Disciplinary Committee approved the response to the External Auditors queries and agreed that the response be submitted to Full Council for noting. The Committee also decided that "For the avoidance of any doubt, and for the reasons set out in the Monitoring Officer's findings, the Committee does 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 Monitoring Officer found that the Appointments Committee at the time had the requisite decision-making powers to approve the settlement agreement with the former Chief Executive. The Committee was acting within its constitutional authority. Based on the information and advice in the officer report at the time, the Committee's decision was not irrational. It is within scope of the decision that a reasonable local authority could have made at that time and with the information provided. The decision made to approve the terms of the settlement at the time (albeit tainted by poor and inadequate advice in the officer report) was lawful. However, for the avoidance of any doubt, for the reasons with the Monitoring Officer report and considering the Reports in the Public Interest in 2020 and 2021, the Council should not have agreed to settlement payments."

79. The Monitoring Officer also found that the Council must clearly demonstrate that lessons have been learnt and that it has now embedded best practice in the form of the statutory guidance on severance payments. The exit of the former Head of Paid Service has significant local and wider public interest. There should have been proper records kept of the conversations between the Leader, Monitoring Officer, former Chief Executive, Section 151 Officer, and

Director of HR relating to the exit. There should have been some initial enquiries to establish the facts and to inform any future decision making. The Leader of the Council chaired the committee which made the decision without any consideration of any conflict of interest. Legal advice (Counsel's opinion) should have been sought on merits, chances of success and quantum of damages of any potential ET claim. This should have informed the decision on settlement. The ethos of the Openness and Accountability in Local Pay Guidance, as the title clearly suggest, is that there should be more transparency and scrutiny of senior officer's exit payment. There should be compliance with the constitutional and statutory requirements for notice and agenda papers to be sent to members in advance of the meeting. Democratic Services should have attended the closed session of meetings to make sure proper minutes are taken of the deliberations that informed the decision made. There must be consideration given to managing any conflicts of interest arising. The Council now has measures in place to address these findings.

80. In March 2023, the Council's External Auditors Grant Thornton published a Section 24 Schedule 7 Local Audit and Accountability Act 2014 Recommendation Report on the Council's historically inadequate arrangements and capacity in the financial years 2019/20, 2020/21 and 2021/22, to prepare reliable financial statements and supporting working papers. The recommendations included a root and branch review of financial management in all service departments; resolve the accounting arrangements in respect of Croydon Affordable Homes; invest significant extra resource (when possible) in finance capacity, internal audit and risk management; develop an action plan to clear the three outstanding years of accounts and audit by June 2024; and ensure that the lessons learned from the former Chief Executive termination payments are applied to all future Chief Officer severance payments. The Council has accepted the recommendations and indicated which have been completed and which will be progressed in 2023/24 and form part of this AGS Action Plan. The recommendations relating to the payment to the former Chief Executive have been implemented and resulted in changes in policy and practice.
81. In April 2023, Grant Thornton, issued an Interim External Auditor's Report for the financial years 2019-20, 2020-21 and 2021-22 pending completion of their final assessments. The Report findings on financial sustainability, governance and improving economy, efficiency and effectiveness are for 2019/20 adverse conclusion expected; 2020/21 significant weaknesses identified, and 2021/22 significant weaknesses identified. The Report makes recommendations to the Council which have all been accepted. They relate 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. These are now the subject of action plan which is being progressed.

## Conclusion

82. The Council has an effective decision-making and internal control arrangement designed to ensure the highest standards of good governance. The Council's governance structures at Member level (i.e., Full Council, Executive Mayor and Cabinet, Scrutiny and Overview, Ethics, Audit and Governance and other Committees), and at Officers level (i.e., Chief Executive, Corporate Management Team, Directorate Management Teams, Internal Control Boards, Transformation Boards and Statutory Officers), and the accompanying governance documents are effective. They make certain the Council conducts its business in accordance with the law

and that public money is properly accounted for, as the Council work to achieve the best outcomes for residents within the resources it has.

83. The Council has worked to continue to deliver the improvements required in its governance arrangements and services to residents. These are outlined in the paragraphs above and are referred to in some detail in the 2021/22 AGS Action Plan attached as Appendix 1. During 2022/23 the failings in previous years (2021/22 and 2020/21) were fully analysed as part of the Opening the Books programme which revealed in great depth that the Council continues to face serious and fundamental challenges with its finances, that culminated in the SoS statutory intervention and Directions. The Council is satisfied that its governance arrangements are fit to deal with the expectations arising from the SoS Directions and other improvements required. An Action Plan has been developed for 2023/24 to address the gaps in governance identified in this Statement. The key themes for action include financial management, housing services, transformation, and information governance. The Action Plan is attached as Appendix 2 and includes ongoing and outstanding activities and carried over to 2022/23. The delivery of these actions will be monitored through the ICBs, CMT and regular updates to the Audit and Governance Committee.

Signed by ..... Date.....

Katherine Kerswell  
Chief Executive

Signed by ..... Date.....

Jason Perry  
Executive Mayor



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

**Green** - Completed

**Amber** - Ongoing

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

No.	Governance Issue	Action	Accountable	Responsible	Status update	Assessment of Impact / Outcomes Achieved
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</p>	<p>Better oversight of and monitoring of capital programme and budget.</p> <p>Earlier detection of slippages and remedial action.</p> <p>Enabled reallocation of unused capital funding.</p> <p>More robust budget monitoring.</p>

					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.	
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 work programme for the review of the Constitution. As part of this programme, the Council Procedure Rules were 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.	<p>The Constitution better reflects the executive mayoral arrangement and the political make up of Full Council.</p> <p>Better resident engagement through changes to the rules on petition.</p> <p>Better management of the agenda of Full Council meetings.</p> <p>But further work required, as this is an ongoing task.</p>
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.	Enhancing and promoting the financial literacy of Council Officers.
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> </ul>	The ICB are now fully embedded in the Council's governance arrangement and fundamental in bringing about improvement across

					<ul style="list-style-type: none"> <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>	<p>the Council's functions and responsibilities.</p> <p>Better oversight and monitoring of improvements across the Council.</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	<p>Corporate Health &amp; Safety Board meets every 6-8 weeks.</p> <p>Each directorate has established a directorate level Health &amp; Safety Board with the chairs of directorate boards attending the Corporate Board</p> <p>Corporate Health &amp; Safety Policy has been reviewed.</p> <p>The corporate health &amp; safety team are undertaking a rolling programme of audits of services and a review of risk assessments undertaken by services.</p> <p>A corporate Health &amp; Safety Strategy is under development.</p> <p>A fire &amp; building safety working group has been established to respond to requirements of new building safety act – remains in early stages of the group forming.</p>	Better awareness of health and safety requirements and arrangements.

					<p>Further work required:</p> <ul style="list-style-type: none"> <li>• Continuing with the progress made on health and safety reporting and monitoring.</li> <li>• Improving the consistency and quality of health &amp; safety response across services.</li> <li>• Creating a consistent and corporate approach to reviewing service-level risk assessments.</li> <li>• Review fire evacuation policies for operational buildings.</li> <li>• Improving the timeliness of responding to actions identified with health &amp; safety audits</li> </ul>	
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. 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> </ul>	There is still significant work required to improve on information management arrangement. Recent action plan is intended to deliver on this.

					<ul style="list-style-type: none"> <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> <p><a href="https://www.croydon.gov.uk/sites/default/files/2023-07/FOIA-Improvement-Action-Plan-Final.xlsx">https://www.croydon.gov.uk/sites/default/files/2023-07/FOIA-Improvement-Action-Plan-Final.xlsx</a> (Attached as Appendix 1A)</p>	
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>As part of their induction programme, Members received training on the Member Officer Relations protocol. The protocol outlines the roles and responsibilities, principles of how members and officers should work together, and expectations of both parties and escalation / complaints process where and if issues arise. However, a key recommendation 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</p>	There is an effective arrangement/protocol in place for better officer member relations.

					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 information on other issues, like facilities, equipment and IT guidance.	
		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 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.</p>	<p>Better understanding of members of their roles and responsibilities.</p> <p>Better understanding of how the Council works.</p> <p>Better awareness of Members Code of Conduct.</p> <p>Better understanding of their roles and responsibilities in respect of relevant committees appointed to.</p> <p>Better understanding of the Council's financial position.</p>
8.	<b>Officer Induction Programme</b>	Establish and maintain an officer induction and performance management programme.	Assistant Chief Executive	Dean Shoesmith	<p>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 has been provided to CMT</p> <p>From 1 April 2023 a simplified appraisal process has been introduced to improved completion compliance and improve performance management. A survey of</p>	

				<p>the appraisal experience has been recently undertaken.</p> <p>Further work is to be completed in the coming year to develop an in-person induction experience, led by senior managers, to ensure staff understand how the council operates, setting the right culture from the outset to ensure compliance, and building an open and trusting relationship.</p> <p>The council has co-created and developed with the workforce, and other key partners (trade unions and staff networks), a comprehensive four-year People and Cultural Transformation strategy, consisting of seven strategic objectives (supporting pillars) covering leadership and management, workforce EDI, health and wellbeing, skills and performance, attraction and retention, pay and rewards, and employer brand.</p> <p>The strategic objective pillars of leadership and management, as well as skills and performance are critical to ensure a well-led, well-skilled, workforce led in an open, honest and transparent way. The accompanying action plan sets out a clear four-year delivery plan to make significant leadership and workforce improvement, with development of skills in a systematic way, putting residents and customers at the heart of the council's work with emphasis on customer service skills. In terms of people management, ACAS has been commissioned to provide essential employment relations skills, seeking to improve competence and compliance. Simultaneously, the council has been reviewing and simplifying the HR policy framework to ensure better implementation, efficiency and workforce governance. An aspiring managers' programme is also in development to ensure all staff who wish to enter into management as provided with a thorough overview, including the council's governance framework, as well as a complementary new managers' induction programme.</p>	
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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	<p>The Procurement Improvement Plan has identified priority areas for development, including Procurement to Pay (P2P) processes and system improvements, establishing a Contract Management Framework and enhancements to Procurement Governance.</p> <p>P2P improvements have been made, with a Requisitioner Network established in February 2023, the updating of the P2P handbook in March 2023 and an update of the P2P intranet pages. A ORACLE/ Procurement systems based improvement workshop was established in March 2023 with the intention of improving the connectivity between ORACLE and procurement systems and processes.</p> <p>A new Council Contract Management Framework was introduced at Cabinet in November 2022. This is being rolled out through a Contract Management Network, to be launched in April 2023, and overseen at a corporate level by a Contract Management Assurance Board also starting in April 2023.</p> <p>New Procurement governance processes were introduced which included an annual procurement plan. Further improvements are scheduled in 2023/ 2024</p>	
10.	<b>Improve Scrutiny function.</b>	Adoption and implementation of scrutiny improvement programme, including budget scrutiny.	Corporate Director of Resources	Stephen Lawrence-Orumwense	<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</p>	<p>Better scrutiny function and arrangements.</p> <p>Improved knowledge on budget scrutiny and process.</p> <p>Enhanced profile of the scrutiny function.</p> <p>Greater accountability of the Executive through the improved Scrutiny.</p>



					<p>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 Housing specific sub-committee, which is additional sub-committee set-up in 2022 and continuing in 23/24 municipal year.</p> <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>The Chair of Scrutiny Overview attends Cabinet regularly to report on the work of scrutiny and champion the scrutiny function. The Chair of Scrutiny also meets quarterly with the Executive Mayor to discuss the scrutiny work programme.</p>	
		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	<p>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 &amp; 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). The progress on the housing transformation plan is reported regularly to Cabinet.</p>	<p>Closer relationship with customer through insourcing of contact centre</p> <p>More effective contract management of repairs contracts through contract management hub</p>

				<p>The improvement plan has delivered a number of key project deliverables as outlined in the Cabinet paper in July 2023 (insert link) and October 2023 (insert link). Significant achievements include:</p> <ul style="list-style-type: none"> <li>• Co-designed Resident Charter</li> <li>• New Housing Strategy (consultation complete)</li> <li>• New Homes survey</li> <li>• New Vision and Mission</li> <li>• HRA review and clawback</li> <li>• Estates cleaning standards – co-created utilising photobook</li> <li>• Estate walkabout programme</li> <li>• Customer data review to target visits with residents to gather missing data as part of 3 year programme</li> <li>• Customer Care training (end of tendering process)</li> <li>• Bespoke Damp and Mould training for staff across the directorate</li> <li>• ASB SLA with Community and Violence reduction unit</li> <li>• SLA with corporate fraud</li> <li>• Grounds maintenance SLA to be signed this month including utilising other providers</li> <li>• Stock Condition Survey – Savills 5% complete with further 30% due by end of 2023</li> <li>• Directorate senior leadership restructure</li> <li>• Housing Needs restructure</li> <li>• DPS for Temp Accom providers due to be procured</li> <li>• Voluntary Undertaking due for submission Sept 2023</li> <li>• Three new Repairs contractors mobilised</li> <li>• Contact Centre in-sourced</li> <li>• New Contract Management Hub</li> <li>• Regina Road successful ballot</li> <li>• NEC system phase 1 implementation completed</li> <li>• Rent Increase consultation rolling programme</li> </ul>	<p>More visible improvements to estates through estate walkabout programme</p> <p>78% new tenancies satisfied with our services Impact of prevention model due to be assessed for Housing Needs – reduction anticipated in wait times for appointments.</p> <p>Specific internal service level agreements detailing services provided against HRA recharging.</p> <p>DPS will ensure compliance of temporary accommodation providers.</p> <p>New homes to be provided on the Regina Road estate following successful ballot.</p> <p>Improvements to Voids properties and new tenancies following establishment of lettable standards.</p>
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					<ul style="list-style-type: none"> <li>• Homelessness and Rough Sleeping strategy being devised for Mar 2024</li> <li>• Establishment of Voids Lettable Standard, co-designed with residents, to ensure fit-for-purpose homes</li> <li>• Resident Engagement Strategy devised by TPAS and due to be presented to Cabinet in Dec 2023</li> <li>• Recruitment of Customer Insight Manager to address approach to and backlog of complaints and utilizing information to impact service.</li> </ul>	
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.	Better officer reports and executive decision making.

## **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

R7 – Record keeping arrangements  
R9 – Roles and responsibilities  
R11 – Financial reporting on significant capital

R4 – Payments to third parties

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.**

**April 2024**

**Director of**  
**Commercial**  
**Investment &**  
**Capital**

### 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 \(croydon.gov.uk\)](#). 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.**

April 2024

**Monitoring  
Officer**

**Director of  
Commercial  
Investment &  
Capital**

Comments

There are currently no Council major capital projects. However, these requirements will be adhered to. Also, 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 all capital projects is included in the monthly Financial Performance Report to Cabinet. In 2024/25, the monthly reports will include information on major 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 2022 and January 2023.

**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. This has been amended to Share Point in Microsoft Teams.**

**December 2023**

**Monitoring  
Officer**

*Comments*

The plan now is to use Share Point in Microsoft Teams. This will be rolled out in December 2023 by the Head of Democratic Services and to include a protocol for usage to manage version control. Currently a test pilot.

**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 / Improvement Work to Date

### Deadline

### Accountability

The Monitoring Officer through the review undertaken and referred to below is satisfied that the arrangement is in place to meet the requirements of this recommendation. The Monitoring Officer meets regularly with the Head of Service in Legal Services responsible for property, contracts, and planning matters to ensure that the key legal requirements and advice are adhered to and any issues of concern including risks are flagged and resolved.

July 2023

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 &  
Capital

### Comments

A review has been undertaken, the details of which are set out below. The proposals arising from the review is to be implemented by December 2023.

### 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 Director of Commercial Investment & Capital to take forward the above proposals. 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 major projects contracts have been signed, that they are stored securely and that all legal requirements were met prior to the project proceeding.’

The terms of reference of the Capital Board have been 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 is yet to be reported to the Statutory Officers' Board. This is now planned for the November/December 2023 meeting.

### 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  
May 2022**

**Accountability  
Monitoring Officer**

**3.1 The Monitoring Officer will review the Council's Constitution, particularly Part 5A, the Protocol on Decision Making. This review will have particular regard to setting out proportionate thresholds for decisions to be reported back to the relevant decision-making body when advice (legal or otherwise) upon which the decision was based significantly changes. The review will also consider introducing a time limitation on the delegated decisions that are made by Cabinet in order to ensure they remain relevant and are used appropriately. This will also be included in the new Report Writers Guide.**

### Comments

Completed – a revised Part 5A was approved by Council in March 2022. This included addition of text to require Corporate Directors to keep the implementation of decisions under review and ensure that circumstances relevant to the decision continue to apply. Where there has been a material change of circumstances, a further report must be made to the decision-making body prior to implementation.

**3.2 A standing item will be included on the Statutory Officers' meeting to identify if there have been any significant changes to advice underpinning Cabinet decisions.**

**Immediate**

**Chief Executive**

Comments

This will usually be discussed at Corporate Management Team which includes the Head of Paid Service, Chief Finance Officer, and Monitoring Officer. Cabinet will be updated on material changes in the circumstances given rise to decisions made and such that will require a review of the decision.

**Recommendation 4**

**The Section 151 Officer should ensure that prior to making payments to third parties that appropriate legal documentation is in place such as a properly executed contract or a properly executed loan agreement**

**Response**

**Action**

**4.1 The Section 151 officer will undertake a review of the Council's existing processes for ensuring payments to third parties meet the required governance controls such as a signed and dated loan agreement or contract. This review will make any recommendations that are necessary to ensure that there are proportionate thresholds, checks and balances on payments to third parties. The Council will also take further action to enhance and ensure compliance with these processes.**

**Deadline**

**July 2022**

**Accountability**

**Corporate  
Director of  
Resources**

Comments

The Section 151 officer confirmed that this task has been completed. A further assurance will be sought by commissioning an internal audit of these processes.

In relation to procured contracts, the requirements of the Tenders and Contracts Regulations (Regulation 29)<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.

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<sup>1</sup> 29. Contract Pre-conditions and Preliminaries

**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 November/December 2023.

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**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.

### **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.**

#### **Response**

The Council's Constitution, in particular, the Contract & Tender Regulations clearly sets out the required process and arrangements for entering contracts with third parties. This requires considering and applying the procurement and subsidy control rules. The Council usually engages inhouse or external legal advisers who would advise on any procurement and subsidy control issues arising from the proposed contract and whether lawful to proceed. As indicated above, these issues including any apparent risk are flagged up in the decision-making reports. There are gaps in the Council's Constitution relating to grants, but this will be picked in the incoming review of the Contracts & Tender Regulations and the Financial Regulations.

The Procurement Team maintains a log of expired contracts that are not compliant with Contract & Tender Regulations and with a view to taking the necessary action to manage any risk and secure compliance (through variation and extensions).

<b>Action</b>	<b>Deadline</b>	<b>Accountability</b>
<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. This review is now linked to wider ORACLE/ Procurement improvement plan which is on-going.</b>	<b>April 2024</b>	<b>Director of Commercial Investment &amp; Capital</b>

### 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.

<b>Action</b>	<b>Deadline</b>	<b>Accountability</b>
<b>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.</b>	<b>July 2022</b>	<b>Assistant Chief Executive</b>
<u>Comments</u>  This has been completed.		
<b>6.2 A new system of internal control officer boards have been implemented following a review of core business meetings and forums (Capital, Health &amp; Safety, Equality Diversity &amp; Inclusion, Finance &amp; Assurance, Performance, Digital, Resident Voice and Corporate Resilience). To be implemented are boards on Information Management and Workforce).</b>	<b>July 2022</b>	<b>Director of Policy, Programmes &amp; Performance</b>
<u>Comments</u>  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.		
<b>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></b>	<b>March 2022</b>	<b>Monitoring Officer</b>
<u>Comments</u>  This has been completed and was approved by Full Council in March 2022.		

**6.4 A new assurance framework will be developed and reported on annually to the Audit and Governance Committee July 2022**

**Corporate  
Director of  
Resources**

Comments

The Council's governance framework has been reviewed and informed by the NAO's Three Lines of Defence model.

**Overall Assessment of Impact/Outcomes Achieved**

**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**

Through the Mod.Gov Committee Management Software, the Council's Democratic Services keeps and maintains all records of key decisions taken by the Executive and Officers under Delegated Authority. This includes reports by officers, decision notices and minutes of meetings. Through this software historical records of committee meetings can access. There is an established method for record keeping of these decisions in Mod.Gov. The relevant Corporate Director and/or Director is responsible for monitoring and implementing the decision taken by the Executive. This includes reporting back to the Executive if circumstances have changed that necessitates re-consideration of the decision made. The Head of Democratic Services to prepare a guidance note on the arrangement for providing and maintaining record of officer delegated decisions.

Action	Deadline	Accountability
<p>7.1 A review will be undertaken by the Council's Information Management Team of record keeping across the Council for key decisions, delegated decisions and Cabinet decisions in general and record keeping of formal internal control boards. The review will make any necessary recommendations regarding proposed future systems of control, in particular to ensure required or agreed future reporting requirements are adhered to through the forward plan and these will be reported to the Audit and Governance Committee and Cabinet.</p>	December 2023	Monitoring Officer
<p>7.2 This review to provide assurance that the Council is operating in accordance with the relevant legislation including the good practice recommendations in the Information Commissioner's Office "S46 Code of Practice - Records Management" issued under section 46 of the Freedom of Information Act 2000.</p>	December 2023	Monitoring Officer
<p><u>Comments</u></p>		
<p>This task has been allocated to the Monitoring Officer who is responsible for Democratic Services and which in turn is responsible for record keeping of Executive decisions. Guidance has been initially reviewed by the Head of Democratic Services available on the intranet, and between Oct and Nov 2023 is holding meetings with Head of Services throughout the Council to identify current arrangements and any training needs / gaps.</p>		

**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
<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). <i>Please note that this action will also support 9.4</i></b>	<b>May 2022</b>	<b>Director of Commercial Investment and Capital</b>
<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>	<b>Feb 2023</b>	<b>Monitoring Officer</b>

### Comments

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.

**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.**

**May 2023**

**Monitoring  
Officer**

Comments

Initial training has taken place but there is further training planned and to be commissioned by the Monitoring Officer by December 2023.

**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.**

**September 2023**

**Director of Policy,  
Programmes &  
Performance**

Comments

The Internal Control Boards have recently been established and a review of their effectiveness is planned by September 23

**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
<b>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.</b>	<b>May 2022</b>	<b>Monitoring Officer</b>

### Comments

This task is completed. A revised member handbook developed including role descriptions. All members were given access to the handbook following the elections.

<b>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></b>	<b>May 2022</b>	<b>Monitoring Officer</b>
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### Comments

This task is completed. Member/Officer protocol approved by Full Council in March 2022.

<b>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.</b>	<b>May 2022</b>	<b>Director of Commercial Investment and Capital</b>
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<b>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></b>	<b>May 2022</b>	<b>Director of Commercial Investment and Capital</b>
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Comments

Completed

**Recommendation 10**

**The Chief Executive should review the terms of refence 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.

<b>Action</b>	<b>Deadline</b>	<b>Accountability</b>
<b>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.</b>	<b>May 2022</b>	<b>Director of Commercial Investment &amp; capital</b>

Comments

Capital Board reviewed its terms of reference in September 2022 to incorporate all the RIPI2 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.

**10.4 The current monthly budget assurance meetings chaired by the Chief Executive and Corporate Director of Resources will be reviewed to assess effectiveness after its first year of operation.**

Feb 2023

Director of Policy,  
Programmes &  
Performance

Comments

The monthly budget assurance meetings are continuing and their effectiveness continues to grow. 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. 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 monitoring and reporting have been made in 2023-24 through the introduction of the Verto software system to monitor project delivery and risks, 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**

<b>Action</b>	<b>Deadline</b>	<b>Accountability</b>
<b>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.</b>	<b>May 2022</b>	<b>Monitoring Officer</b>

### **Comments**

This task has been completed and approved by Full Council in March 2022

<b>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.</b>	<b>May annually</b>	<b>Head of Internal Audit</b>
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Comments

This is planned for the end of the financial year.

<b>12.3 CMT, DMTs and all internal governance boards will have declarations of interest added as a standing item to their agendas.</b>	<b>May 2022</b>	<b>Director of Policy, Programmes &amp; Performance</b>
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Comments

This has been actioned and completed

<b>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.</b>	<b>May 2022</b>	<b>Chief Executive</b>
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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**

## Appendix 2 Annual Governance Statement 2022/23 Action Plan

No.	Governance Issue	Action	Accountable	Responsible	
1	<b>Financial management</b>	Implement the External Auditors Section 24 statutory recommendations that are still outstanding.  Implement the External Auditors Interim Report for the financial year 2019/20, 2020/21 and 2021/22 recommendations.	Corporate Director of Resources	Allister Bannin, Director of Finance (Deputy S151 Officer)	
2	<b>Capital Projects and Programmes</b>	To continue to improve on arrangements for the management of major capital projects and programmes.	Corporate Directors	Allister Bannin, Director of Finance (Deputy S151 Officer)	
3	<b>Ongoing 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)	
4	<b>Housing Improvement</b>	To continue to improve the housing function and housing standards for residents through the Housing Transformation Programme	Corporate Director of Housing	Susmita Sen	
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>Strengthen governance framework</b>	Ensure directorate schemes of management (i.e., delegation) are reviewed and updated.  Ongoing review and updates to the Constitution	Corporate Directors & Monitoring Officer	Corporate Directors & Stephen Lawrence-Orumwense	
7	<b>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	

		Fully implement the Action Plan arising from the June 2023 Enforcement Notice by the Information Commissioners Office.			
8	<b>Officer Induction Programme</b>	Establish and maintain an officer induction and performance management programme.	Assistant Chief Executive	Dean Shoesmith	
9	<b>Procurement and contract management.</b>	Address areas for improvement in procurement and contracting identified by Internal Audit.	Corporate Director of Resources	Huw Rhys-Lewis	
10	<b>Recommendations arising from the Report in the Public Interest relating to the refurbishment of Fairfield Hall.</b>	To continue to implement the 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	
11	<b>Secretary of State Directions to comply with Best Value Duty</b>	To implement the Action Plan (i.e., Exit Strategy) to secure compliance with the Secretary of State Directions	Chief Executive and Corporate Directors	Katherine Kerswell	

**End**