

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION:	28 November 2024	
REPORT TITLE:	Value for Money Findings Report for 2023-24	
CORPORATE DIRECTOR:	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy s151)	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION?	No	Reason: N/A
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1** This report presents the Interim Auditor’s Annual Report for the year ended 31 March 2024 from the Council’s external auditors (Grant Thornton UK LLP). This includes the Value for Money assessment of the Council’s arrangements.

2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1** consider and note the Interim Auditor’s Annual Report for 2023-24 (Appendix 1).
- 2.2** note the two continuing key recommendations relating to “Financial Sustainability” and “Improving economy, efficiency & effectiveness” set out on slide 22 of Appendix 1; and
- 2.3** note that progress in addressing these key recommendations will be reported to Audit and Governance Committee through the Annual Governance Statement update reports.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The terms of reference of the Audit and Governance Committee include to “oversee the financial reporting and annual governance processes” and “to review the annual statement of accounts and specifically to consider whether appropriate accounting policies and the CIPFA Financial Management Code have been followed, and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”.

4 BACKGROUND AND DETAILS

- 4.1** The Interim Auditor’s Annual Report for the year ended 31 March 2024 from the Council’s external auditors (Grant Thornton UK LLP) is provided in Appendix 1.
- 4.2** The Annual Report includes two continuing key recommendations relating to “Financial Sustainability” and “Improving economy, efficiency & effectiveness” set out on slide 22 of Appendix 1. The Council’s ongoing actions to address these recommendations is also set out on slide 22, and progress will continue to be monitored and reported through the Annual Governance Statement updates to the Audit and Governance Committee. The auditors will also report on progress on these recommendations during the course of the following year’s audit.
- 4.3** The Accounts and Audit Regulations 2015 have been amended by ‘The Accounts and Audit (Amendment) Regulations 2024’ and came into force on 30 September 2024. These set out the “backstop” dates for outstanding historic financial years’ accounts, including 28 February 2025 for 2023-24. No audit work will be completed for the 2023-24 financial statements. However, external audit has been able to complete the value for money review for 2023-24, as presented in the attached Interim Auditor’s Annual Report (Appendix 1).
- 4.4** The overall summary of the Value for Money assessment of the Council’s arrangements (slide 7 in Appendix 1) demonstrates that “Financial Sustainability” and “Improving economy, efficiency & effectiveness” continue to be “Red” rated owing to continuing significant weaknesses in 2023-24. These relate to requiring exceptional financial support from Government to set a balanced budget (owing to the disproportionate level of debt) and continued improvement required in the Housing Service.
- 4.5** However, no significant weaknesses in “Governance” arrangements were identified for 2023-24, changing this rating from “Red” to “Amber”. The Council continues to make improvements in this area as demonstrated and reported through:
- Annual Governance Statement updates to this Committee
 - Revenue and Capital Monitoring Improvements updates to this Committee

- Improvements to the Financial Performance reporting to Cabinet (with information on the Collection Fund and Treasury Management added from the start of 2024-25 reporting)

5 ALTERNATIVE OPTIONS CONSIDERED

5.1 None.

6 CONSULTATION

6.1 None.

7. CONTRIBUTION TO COUNCIL PRIORITIES

7.1 This report supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 The two ongoing recommendations from the Interim Auditor's Annual Report for 2023-24 are accepted in full and progress on their implementation will be monitored and reported through the Annual Governance Statement updates to the Audit and Governance Committee.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer), 17/11/2024.

8.2 LEGAL IMPLICATIONS

8.2.1 Under Section 3 of the Local Audit and Accountability Act 2014 ("the 2024 Act") the authority must keep adequate accounting records, and must prepare a statement of accounts in respect of each financial year.

8.2.2 Section 20 of the 2014 Act sets out the general duties with which a local auditor must comply when auditing the accounts of a relevant authority. It requires the auditor to be satisfied that the Council's accounts(the statement of account and accounting records) comply with the relevant enactments, that proper practices have been observed in the compilation of the statement of account and that he statement of accounts presents a true and fair view; and the Council has made proper arrangements for securing economy, efficiency and effectiveness (value for money for the use of its resources. Where a local auditor has completed an

audit of the accounts, the auditor must enter on the statement of accounts – (a) a certificate that the auditor has completed an audit in accordance with the 2024 Act, and (b) the auditors opinion on the statement. However as the Council has not provided draft accounts for 2323/24 Grant due to historic legacy issues Thornton have not commenced the audit of the 2023/24 financial statements.

- 8.2.3** As the Council is required to keep a separate Pensions Fund under the Local Government Pension Scheme the local auditor is required to provide a separate opinion on that part of the statement of accounts. The auditors work on the Council's pension fund's 2023/24 financial statements is in progress.
- 8.2.4** Regulation 7 of the Accounts and Audit Regulations 2015 as amended by 'The Accounts and Audit (Amendment) Regulations 2024' ('the Regulations') requires the authority's statement of accounts to be prepared in accordance with the Regulations and proper practices in relation to accounts.
- 8.2.5** Regulation 9 sets out the requirements for the signing and approval of the statement of accounts.
- 8.2.6** Regulation 9A sets out the requirements for the publication of statements of accounts, annual governance statement and narrative statement for the financial years 2015 to 2028.
- 8.2.7** In particular, regulation 9A(2) provides that the where an authority has not published its accountability statements for a financial year beginning in 2015, 2016, 2017, 2018, 2019, 2020, 2021 or 2022, it must do so after approving the statement of accounts in accordance with regulation 9(2) but not later than 13th December 2024.
- 8.2.8** Regulation 9A(6) provides that where an authority fails to comply with Regulation 9A(2) the authority must,
- (a) on or as soon as reasonably practicable after the last publication date, publish a notice stating—
 - (i) that it has not been able to publish its accountability statements,
 - (ii) its reasons for this, and
 - (iii) that it acknowledges that it must publish its accountability statements as soon as reasonably practicable,
 - (b) on or as soon as reasonably practicable after the last publication date, send a copy of the notice mentioned in sub-paragraph (a) to the Secretary of State, and
 - (c) as soon as reasonably practicable publish its accountability statements.

8.2.9 The terms of reference of the Audit and Governance Committee include to “oversee the financial reporting and annual governance processes” and “to review the annual statement of accounts and specifically to consider whether appropriate accounting policies and the CIPFA Financial Management Code have been followed, and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council”.

8.2.10 The authority is also under a general duty “to make arrangements for the proper administration of their financial affairs” under Section 151 of the Local Government Act 1972.

8.2.11 In addition, keeping adequate accounting records, and following proper practices in relation to accounts may impact on the authority’s ability to deliver its functions in a manner which promotes economy, efficiency, and effectiveness, and therefore the consideration of this report also seeks to demonstrate the authority’s compliance with its Best Value Duty under the Local Government Act 1999.

Comments approved by Gina Clarke, Corporate Lawyer, Corporate Law and Litigation on behalf of the Director of Legal Services and Monitoring Officer, 21.11.2024.

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate HR implications arising from the content of this report. Should any matters arise, these will be managed in line with the appropriate Council policies and procedures.

Comments approved by Dean Shoesmith, Chief People Officer, 18/11/2024.

8.4 EQUALITIES IMPLICATIONS

8.4.1 The Council has a statutory duty to comply with the public sector equality duty set out in section 149 of the Equality Act 2010. The Council must therefore have due regard to the need to:

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

8.4.2 Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges.

9. APPENDICES

9.1 Appendix 1 - Interim Auditor's Annual Report for 2023-24

10. BACKGROUND DOCUMENTS

10.1 None.