

REPORT TO:	Cabinet 24 January 2022
SUBJECT:	Report in the Public Interest October 2020 – Quarter 3 Update
LEAD OFFICER:	Richard Ennis, Interim Corporate Director of Resources (Section 151)
CABINET MEMBER:	Cllr Hamida Ali, Leader of the Council
WARDS:	All

SUMMARY OF REPORT:

The report provides an update in response to the Council's Report in the Public Interest October 2020. Of 37 recommendations remaining open at quarter two, 7 have moved to complete, pending evidence.

Subsequent to feedback from the Scrutiny and Overview Committee, recommendations will not be moved to complete until embedded in the organisation as 'business as usual'. Therefore, 4 recommendations have reverted to in-progress.

34 recommendations remain open at quarter three, however, 14 relate to training which is either planned or underway.

Updates have been supplied by the relevant Senior Accountable Officer (SAO), against every recommendation.

This report will be presented to Full Council on 31st January, to General Purposes and Audit Committee on 3rd February and Scrutiny and Overview Committee on 8th February.

COUNCIL PRIORITIES 2020-2024

This covering report provides an overview of the work that has been progressed to achieve the recommendations as set out in the Report in the Public Interest October 2020. It focuses on the actions that have been progressed since the update that went to Cabinet on the 18th October 2021.

The Action Plan for the Report in the Public Interest October 2020 has been incorporated into the Croydon Renewal Plans and represents one of the 11 programmes of work being delivered.

The action plan covers a wide range of areas including financial management, governance, staff training, assets and budget development all of which are core elements of any strategy to ensure services are delivered responsively with a focus on value for money for our residents.

FEEDBACK FROM SCRUTINY AND OVERVIEW COMMITTEE

In relation to Quarter 2 report to 18 October Cabinet, Scrutiny and Overview Committee expressed concern that some items in the reporting framework were marked as complete, when they still needed to be embedded in the organisation as 'business as usual'. In response to the concerns raised officers have taken steps to strengthen the challenge to officers across the organisation who provide updates on delivery progress, including seeking evidence from them that can confirm delivery.

FEEDBACK FROM GENERAL PURPOSES AND AUDIT COMMITTEE

In relation to the Quarter 2 report to 18 October Cabinet the Committee requested the following:

Transformation Funding –The report on the review of schemes previously funded from Transformation funds is presented to the meeting of the General Purposes and Audit Committee in October 2021.

The Council used c£29m of capital receipts to fund transformation spending in 2019/20. As part of the 2019/20 audit external auditors raised concerns in relation to the accuracy of the application of the capital receipts to fund transformation projects. Concerns raised included poor business case production coupled with lack of rigour in testing if the transformation spend met the criteria for applying capital receipts to fund revenue projects. A total of £7.49m of transformation spend was classified as misstated as the Council was not able to produce relevant supporting evidence to indicate accurate use of capital receipts. This was flagged at the October 2021 GPAC meeting and going forward Council officers will ensure robust business cases are developed and the expenditure is accurately tested to ensure it meets the criteria for using capital receipts.

Transformation Funding is scheduled for General Purposes and Audit Committee agenda February 03rd 2022.

CareCubed tool – That a briefing on the effectiveness of the CareCubed tool in procuring and managing delivery of specialist care placements in line with projected costs is provided to the meeting of the General Purposes and Audit Committee in October 2021

Officers have reviewed October and November GPAC agenda and have found no mention of this item. Democratic Services have been asked to confirm this request is outstanding.

At the 6 December 2021 Disabilities Joint Commissioning Board, it was minuted the Board would inherit oversight and continued decision making on the tool/future procurement options beyond year two of the contract.

Croydon Park Hotel – The report on lessons learned from the purchase of Croydon Park Hotel is presented to General Purposes and Audit Committee in November 2021.

A paper is being presented to the Cabinet Member for Croydon Renewal and the Cabinet Member lead for Resources on 21 December 2021. The objective is that this paper is progressed to General Purposes and Audit Committee at the earliest opportunity. The focus of the paper is:

- Review of lessons learned from the acquisition of Croydon Park Hotel with a view to strengthen due diligence and governance arrangements going forward.
- Property Investment Performance - in particular focussing on the performance of Colonades, Vulcan Way & Imperial Way, as well as reflection on why L.B. Croydon investment performance might differ from private sector investment performance. This will include matters such as the imposition on our operators of London Living Wage, selection of occupiers aligned to corporate objectives and administration.
- Update on emerging Asset Strategy, which shall update and continue the work from the Interim Asset Disposal Strategy (Feb 2021).

FINANCIAL IMPACT:

This report will have no direct financial impact on the borough as its focus is on updating against the recommendations as accepted by the Council in November 2020. Some of the recommendations implemented will have an attached financial cost. This will be included in the costs of the overall improvement plan being developed for the Council.

Any costs incurred previously or in the future to deliver the action plan have or will have gone through the Council's existing controls to ensure the expenditure is essential and represents good value for Croydon. Any costs will need to be contained within the existing approved budget for 2021/2022 to ensure Members are sighted.

The external auditor's costs have totalled £98,275 to 30 September 2021.

KEY DECISION REFERENCE NO.: Not a key decision

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out below:

1. RECOMMENDATIONS:

- 1.1 Note and agree on the progress the Council has made in regard to achieving the recommendations set out by external auditor in the Report in the Public Interest October 2020 with 65 out of 99 actions complete;

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| <p>1.2 Note the outcome of internal audit of actions delivered to properly evidence what has been achieved so far, in order to provide full assurance to members and residents on the changes achieved;</p> <p>1.3 Agree the refreshed Action Plan including actions marked complete, progress updates against open actions and identification of actions to be embedded going forward as business as usual.</p> |
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2. EXECUTIVE SUMMARY

- 2.1 On 23rd October 2020 the Council's external auditor, Grant Thornton, issued a Report in the Public Interest October 2020 (RIPI) concerning the Council's financial position and related governance arrangements. In line with the statutory framework for the RIPI, the Council held an Extraordinary Council meeting on 19th November 2020 to discuss the report and the proposed action plan to address it.
- 2.2 The April 12th update, approved by Cabinet, provided a comprehensive progress update across all recommendations and also agreed the refreshed RIPI Action Plan having incorporated views from both the Scrutiny and Overview Committee (SOC) and General Purposes and Audit Committee (GPAC). This was then updated with the first quarterly update which went to Cabinet on the 7th June, GPAC on the 10th June and SOC on the 15th June. This report noted that the Council had completed 55/99 actions in the RIPI Action Plan and provided progress updates against all remaining actions.
- 2.3 This covering report represents the third quarterly update on the RIPI response based on activity this financial year. It focuses on actions that were set to be complete by close of September, October and November 2021 as well as well as updating against actions set to be delivered by the end of December 2021. It also updates progress on 4 actions that were marked as complete in 12 April 2021 Cabinet update, however following internal audit of actions marked as complete, it was recommended that further steps were needed to fully embed these actions in the organisation as 'business as usual'.
- 2.5 Section 5 of this report provides feedback on the outcome of internal audit of RIPI actions marked as complete.

3. HIGH-LEVEL UPDATE ON THE ACTION PLAN

- 3.1 Tabled immediately below is data on the delivery progress of the 99 RIPI actions, including results from internal audit.

1	2	3	4	5	6
Period	Number of actions marked complete	Actions audited	Actions confirmed complete by Internal Audit	Actions flagged by Internal Audit for further work	Actions outstanding (total of columns 5 & 6)
Q4-Apr 21	35 of 99	-	-	-	64
Q1-Jun 21	55 of 99	-	-	-	44
Q2-Oct 21	62 of 99	35	31	4	41
Q3-Jan 22	65 of 99				34

- 3.2 The Council has delivered a total of 65 actions to date, 7 of which have been reported as complete since the Quarter 2 update to 18th October Cabinet.
- 3.3 The Action Plan recognises that not every action can be marked “complete” and left. In some cases, actions will need to be embedded into business as usual (BAU) processes before being marked complete. Additionally, a number of the actions are representative of aspects of systemic and cultural shifts that will need to be continued going forward to embed sustained positive change and good practice. Some of these actions will remain open as the Council acknowledges that achieving the desired outcome will be a long-term process (e.g. co-creating a working environment that respects and values all our staff and take positive action to ensure that this is the case” LBC 4 – iv). The Council is therefore committed to providing updates in further quarterly reports against these.
- 3.4 Appendix 1a updates progress against the 41 actions that were outstanding at 18 October 2021 Cabinet. Appendix 1b lists all actions reported as complete at 31 December 2021.
- 3.5 The Council recognises it must continue to push to deliver and progress the 41 outstanding actions to ensure momentum is not lost and that the Council’s response to the RIPI achieves the critical organisational change necessary.
- 3.6 The table below sets out the actions identified as high priority by the external auditor with a RAG rating.

High Priority Action	Actions Completed/Total Actions	Rag
R1a Children’s Social Care	5/5	

	Marked complete in 7 th June Quarter 1 Update	
R1b Adult Social Care	9/9 (was 8/9 per Q1 Update)	The outstanding action on training on the ASC Budget has now been completed. This was handled via a briefing to Members of the Health & Social Care Sub-Committee in June 2021.
R2 Adequacy of Council Reserves	4/4 for Q3 (tbc) (was 2 of 4 at Q2)	<p><u>Member training</u> - The Local Government Association delivered training to Scrutiny and Overview Committee on 27th October 2021 and to General Purposes and Audit Committee on 22 November 2021.</p> <p>The training offer will be refreshed annually and continually offered to members as BAU going forward. A member induction programme planned for May 2022 will be informed by the RIPI recommendations.</p> <p><u>Assurance to Scrutiny and Overview Committee on budget delivery</u> - Monthly reports are taken to Cabinet and to Scrutiny and Overview Committee. Officers will continue to take monthly in year financial reporting monitor to each meeting of Scrutiny and Overview Committee.</p>
R3 Use of Transformation Funding	2/2 for Q3 (tbc) (was 1 of 2 at Q2)	<p>Training on transformation funding is covered in the training provided for members by the Local Government Association (see comment in row immediately above).</p> <p>Budget reports in January / February will include a section on transformation funding to ensure members have a full understanding.</p>

R9 Budget Challenge/Rigour	5/5 – Marked complete in 12 th April Update	
R12 Revolving Investment Fund	3/3 – Marked complete in 12 th April Update	
R14 Treasury Management	2/2– Marked complete in 12 th April Update	
R18 Ongoing investment in Brick by Brick	1/1– Marked complete in 12 th April Update	
R20 Governance of subsidiaries	4/9 (was 0/9 in June Quarter 1 Update)	<p>Following Cabinet approval of the July 26th “Governance of Croydon Council Companies” Paper, The Croydon Companies’ Supervision and Monitoring Panel (CCSMP) has been set up. Its role is to ensure the Council’s strategic and good governance objectives are met across the Council’s subsidiaries.</p> <p>Through the introduction of this Panel, several actions have been completed that relate to ensuring good governance mechanisms to monitor and regulate the handling of Council companies have been introduced. The group will continue to deliver against these actions as BAU.</p> <p>The outstanding actions related to constitutional changes and training have been progressed, details of which can be seen in Appendix 1 and in section 4 below.</p> <p>The first CCSMP report is expected to be presented to Cabinet in February 2022.</p>

- 3.7 To ensure alignment with the wider Croydon Renewal Plan activities the following criteria were utilised as developed by the PMO Steering Group.

Rag Definitions used:

Green - no known challenges to delivery

Amber - Challenges to delivery identified with mitigations in place/planned

Red - Challenges to delivery identified with no resolution identified

4. KEY MILESTONES ACHIEVED THIS UPDATE

- 4.1 A comprehensive summary of actions taken to date across all recommendations is contained within the refreshed action plan in appendix 1a (outstanding actions) and appendix 1b (completed actions). This section provides some additional information on key achievements delivered since the Quarter 2 Update to 18th October 2021 Cabinet.
- 4.2 Governance of Council subsidiaries - Mandatory training for Councillors and Officers representing the Council's interests on the boards of subsidiaries will take place in early 2022. The training will be supported by the Council's external legal partners. The training will be embedded and delivered annually as business as usual. Changes to the Council's constitution to reflect the revised arrangements will be considered as part of the wider changes to be implemented for the constitution. The Council Companies Supervision and Monitoring Panel (CCSMP) will liaise with the working group dealing with the Council's constitution changes on this issue.
- 4.3 Improvement to Scrutiny function - The Local Government Association delivered training to Scrutiny and Overview Committee on 27th October 2021 and to General Purposes and Audit Committee on 22 November 2021. The training offer will be refreshed annually and continually offered to members as BAU going forward. A member induction programme planned for May 2022 will be informed by the RIPI recommendations.
- 4.4 In order to strengthen member oversight of progress in delivering the Council's budget, monthly reports are taken to Cabinet, and Scrutiny and Overview Committee. Officers will continue to take monthly in year financial reporting monitor to each meeting of Scrutiny and Overview Committee.
- 4.5 Brick by Brick - Currently there are 23 sites being developed out by Brick by Brick and are subject to monthly monitoring (see November 21 Cabinet). A further 5 sites are on the market (no development underway). Approximately 40 additional sites that were considered by Brick by Brick are now being evaluated by the Council.
- 4.6 Risk Management - Risk factors are being incorporated into monthly monitoring reports and throughout budget setting process. The level of risk and appetite is being assessed and is being incorporated into the strategy of rebuilding general and earmarked reserves. All new projects will take into account level of all risks and appetite.

- 4.7 The Corporate Risk register has been further developed with monthly review of all corporately rated red risks/financial risks taking place at CMT to ensure top level leadership. All financial risks associated with budget changes are scrutinised via Star Chamber budget setting process. Financial and other risks are outlined in Cabinet reports.
- 4.8 Further LGA led training for Members of GPAC committee took place on 22 November 2021. One to one risk management refreshers and access to the JCAD risk management system are being provided to every Director and Corporate Director with the target of completing these by 31 December.
- 4.9 Organisational redesign - The restructure proposals approved by Full Council on 5th July 2021 went live on 2nd November 2021. This organisational redesign is fundamental to the council and will help us to improve how we do things, operate within our budget and to create an inclusive culture that supports delivery of the best possible affordable service we can provide to our residents. Senior recruitment drive is well underway with interview dates set.

5. PROGRESS UPDATE ON INTERNAL AUDIT

- 5.1 To provide additional assurance on the delivery of the RIPI Action Plan as reported, internal audit review completed actions to confirm they have been actioned as reported and that, where appropriate, these now form part of the Council's governance framework (see appendix 2). The table at paragraph 3.1 above provide summary data on the outcome of audit investigations to date.
- 5.2 Internal Audit assurance was obtained through a combination of corroborative enquiry, examination of relevant documents (including meeting minutes) and interrogation of computer applications.

6. FUTURE UPDATES ON THE REPORT IN THE PUBLIC INTEREST OCTOBER 2020

- 6.1 The RIPI action plan has been incorporated into the wider Croydon Renewal Plan and forms 1 of the 11 programmes of work aiming to support the Council's financial recovery, improve governance arrangements and drive operational improvement. The Croydon Renewal Plan currently consists of nearly 400 recommendations which are to be delivered within the next 4-5 years.
- 6.2 Per the action plan (appendix 1a and appendix 1b), quarterly RIPI updates are to be provided to GPAC, SOC, Council and Cabinet. This update will be presented to Full Council on 31st January, to General Purposes and Audit Committee on 3rd February and Scrutiny and Overview Committee on 8th February.
- 6.3 The dates for the remaining updates this financial year are in the table shown below

RIPI Update Report	SOC	Cabinet Date	Full Council	GPAC
Q.3 Update	8 th February	24 th January	31 st January	3 rd Feb
Q.4 Update	29 th March	21 st March	28 th March	3 rd March

7. CONSULTATION

- 7.1 The action plan has been previously reviewed by both GPAC and the SOC who made recommendations to enhance what was being progressed. These changes were approved by Cabinet on 12th April 2021. Services have been directly engaged with to ensure updates were recorded accurately and contained the most up to date information.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 At 30 September 2021 external auditor's costs totalled £98,275. This is an increase of £33,275 on the amount (£65,000) reported in April 12 Cabinet paper and June Quarter 1 update. The Council agreed a fee of £0.065m with the external auditor in October 2020. Since then there has been further work done by the auditor which will result in additional fees for the Council. These fees are yet to be confirmed and the Council will be doing so before financial year end.
- 8.2 The Council is working to deliver the overarching improvement plan, of which the RIPI action plan forms a key part. Costs will be incurred delivering many of the actions contained within the plan and these will be presented to Members as the Council's Improvement Journey progresses. Any costs will need to be contained within existing budget provisions.
- 8.3 As indicated some of these recommendations have progressed well and the Council has already benefited from improved financial position from these. The reserves balance has improved since start of 2020/21 and as part of our recent monthly financial performance monitor reports we have seen reductions in children and adults social care spend. The Council has a better grip on its finances with Brick by Brick and a large amount of previously Revolving Investment Fund investment is also better managed.

Approved by: Nish Popat, Interim Head of Corporate Finance

9. LEGAL CONSIDERATIONS

- 9.1 The Head of Litigation and Corporate Law comments on behalf of the interim Director of Legal Services that the Report in the Public Interest October 2020 ("the Report") dated 23 October 2020 was issued under the provisions of the

Local Audit and Accountability Act 2014 ("the Act"). The Council must comply with the requirements of the Act in responding to the Report.

- 9.2 Under the provisions of paragraph 5(5) and (6) of Schedule 7 to the Act, the Council must decide within one month whether the Report requires the authority to take any action or whether the recommendations are to be accepted. It must also decide what, if any, action is to be taken in response to the Report and its recommendations. The Report was considered at the Council meeting on 19 November when all of the Report's recommendations R1 – R20 and additional recommendations LBC1 – LBC3 was agreed together with an Action Plan in response to each of the recommendations. A further recommendation LBC4 was added following additional consultation. Paragraph 7 goes on to provide that the authority's functions under paragraph 5 are not to be the responsibility of the executive.
- 9.3 Paragraph 10(1) of the Act provides that after considering the Report and its response to it, the Council must notify the external auditor of its decisions, and publish a notice on its website containing a summary of those decisions which has been approved by the external auditor.
- 9.4 At the time of writing this report, all of the relevant requirements of the Act have been complied with.
- 9.5 Any additional legal considerations arising from individual workstreams will be assessed as projects and actions come forward.

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

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate human resource impacts arising directly from the recommendations in this report. However, there will be impacts associated with the delivery of the improvement plan. The improvement plan is part of a range of measures relating to improving the Council's financial position and it is inevitable that this will ultimately impact on the Council's workforce when the Council's agreed Human Resources policies and procedures will be followed.
- 10.2 Human resources impacts will be appropriately reported to the relevant decision-making bodies and the Council's recognised trade unions will be consulted in the usual way before any individual actions from the plan are implemented.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives

11. EQUALITIES IMPACT

- 11.1 There are no equality impacts arising directly from the recommendations in this report. As such, an equality analysis has not been undertaken following the initial response to the external auditor's report. However, there will be impacts associated with the delivery of the improvement plan. The improvement plan is part of a range of measures relating to improving the Council's financial position and it is inevitable that this will ultimately impact on the Council's workforce and the communities it serves.
- 11.2 Consideration will be given as each of the individual actions included in the Action Plan are implemented as to whether they are relevant to equalities and will require an equalities impact assessment undertaken to ascertain the potential impact on vulnerable groups and groups that share protected characteristics.
- 11.3 Any improvements to governance that arise from the implementation of the recommendations in the action must pay due regard to ensuring that all residents in Croydon are able to understand the actions the Council takes in their name, the decisions it makes to spend resources on their behalf, and who is accountable for that action.
- 11.4 Close attention will need to be paid to ensure the Council is as transparent as possible and is as open and engaging with all its local communities through this process of improvement and afterwards in the new governance practices that are established.

Approved by: Denise McCausland, Equalities Manager

14. ENVIRONMENTAL IMPACT

- 14.1 There are no positive or negative impacts on the environment as a result of any of the recommendations of this report.

15. CRIME AND DISORDER REDUCTION IMPACT

- 15.1 There are no implications in this report that would have an impact on crime prevention or reduction.

16. DATA PROTECTION IMPLICATIONS

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

NO

- 16.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN**

COMPLETED?

NO, as the report contains no sensitive/personal data

Approved by Richard Ennis; Interim Corporate Director of Resources (Section 151)

CONTACT OFFICER: Anthony Thacker, Business Improvement Manager, Policy Programmes and Performance

APPENDICES TO THIS REPORT: Appendix 1a – Outstanding RIPI Actions
Appendix 1b – Completed RIPI Actions
Appendix 2 – Internal Audit Results

BACKGROUND DOCUMENTS: None