

LONDON BOROUGH OF CROYDON

REPORT:	AUDIT AND GOVERNANCE	
DATE OF DECISION	2 March 2023	
REPORT TITLE:	Opening the Books – Reports from Worth Technical Accounting Solutions	
CORPORATE DIRECTOR / DIRECTOR:	Jane West Corporate Director of Resources and Section 151 officer	
LEAD OFFICER:	Jane West	
LEAD MEMBER:	Councillor Jason Cummings Cabinet Member for Finance	
DECISION TAKER:	N/A	
AUTHORITY TO TAKE DECISION:	N/A	
KEY DECISION?	No	REASON: N/A
CONTAINS EXEMPT INFORMATION?	No	Public
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

The Opening the Books project was launched by the Mayor in July 2022 to improve the Council's understanding of current financial risks and to work towards a sustainable financial future. The project has had a number of facets including the commissioning of a series of reviews by Worth Technical Accounting Solutions. The resulting reports were presented to Cabinet with the recommendation that the Audit and Governance Committee be asked to debate them at a future meeting. The reports are being shared in full under the Mayor's openness and transparency ethos with nothing hidden. The recommendations made by Worth TAS are accepted in their entirety by the Council and are set out in the action plan in Appendix F. It is recommended that progress against these recommendations is monitored by the Audit and Governance Committee through to completion.

2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 Note the Worth Technical Accounting Solutions reports.
- 2.2 Agree to monitor the implementation of the recommendations from the reports.

3. BACKGROUND AND DETAILS

- 3.1 The Opening the Books project was launched by the Mayor in July 2022 to improve the Council's understanding of current financial risks and to work towards a sustainable financial future. The project has had a number of facets including the commissioning of a series of reviews by Worth Technical Accounting Solutions.
- 3.2 The following reviews have been completed by Worth TAS:
 - London Borough of Croydon Capitalisation Direction
 - London Borough of Croydon Managing Revenue Budgets
 - London Borough of Croydon Budget Setting and Financial Management
 - Review of Capital Spending Plans, Treasury Management Strategies, Debt Charges and Borrowing
 - London Borough of Croydon Financial Reporting and Year End Close.
- 3.3 The full reports are attached in their entirety as Appendices A to E as part of the Mayor's commitment to openness and transparency.
- 3.4 The reviews provided important information over the summer and autumn of 2022 that has fed into the Council's Medium Term Financial Strategy, as reported to Cabinet in November 2022, and into setting the Council Tax. Areas that have been informed by this work include:
 - The Council's increased use of capital receipts to repay its outstanding borrowing, including the revision to the Council's Asset Management Strategy.
 - The setting of the Council's Minimum Revenue Provision for the repayment of borrowing, including an increase for earlier years that has been included in the Council's request to government for a Legacy Capitalisation Direction.
 - The establishment of a new officer group to review all the debts owed to the Council, the approaches to collection, the requirements for debt write off and the required provision for bad debt. A large shortfall in the provision for bad debt was identified which has been included in the Council's request to government for a Legacy Capitalisation Direction.
 - Recent improvements to financial modelling
 - Recommended improvements in budget setting across the Council have identified the need to correct a range of budgets as part of the Council Tax Setting process. A significant number of budgets have been identified as being incorrectly calculated or even completely erroneous.

- 3.5 This work has been a significant contributor to identifying the Council's large and previously unrecognised budget gap, the need to issue the November 2022 S114 notice and the requirement for additional financial support from government. The reviewers support the direction of travel of the Council's Medium Term Financial Strategy and share the Council's view that the Council's current level of borrowing is financially unsustainable without extraordinary financial support from government.
- 3.6 A table listing all the reviewers' recommendations is presented as Appendix F, including details of the officer responsible for implementation. The recommendations which have already been fully implemented have been greyed out. Good progress has already been made against most recommendations.
- 3.7 In summary the reviews identify the following strategic actions required into the future:
- Focus on the Mayor's top priorities as identified in the Mayor's Business Plan in the context of what is affordable.
 - Challenge established patterns of spending to generate more substantial savings and re-size revenue budgets by reducing non-priority services to non-priority groups and reviewing current methods for delivering core services
 - Restrict capital spending to essential items only, focussing investment on operational assets in order to minimise new borrowing
 - Maximise asset sales to repay borrowing and fund Capitalisation Directions. More asset sales should also reduce future debt charges as well as premises and utility costs.
- 3.8 In terms of processes, the reviews conclude that the Council needs to:
- Improve the clarity and consistency of key financial information
 - Closely monitor levels of General Fund balances and reserves
 - Ensure all savings plans are realistic and achievable
 - Adopt realistic assumptions and consider 'worst case' scenarios
 - Get year end accounts up to date
 - Improve oversight of key financial processes.

4 ALTERNATIVE OPTIONS CONSIDERED

N/A

5 CONSULTATION

None

6. CONTRIBUTION TO COUNCIL PRIORITIES

The Opening the Books project aligns with the Mayor's core outcome of balancing the Council's books.

7. IMPLICATIONS

7.1 FINANCIAL IMPLICATIONS

7.1.1 As the report states, the findings of the Opening the Books project were reflected in the Council's Medium Term Financial Strategy reported to Cabinet in November 2022, and are reflected in the Council Tax Setting papers presented for the 2023/24 budget. The recommendations are accepted in full and progress on their implementation will be monitored.

Approved by: Alan Layton, Interim Head of Service, Finance on behalf of Corporate Director of Resources.

7.2 LEGAL IMPLICATIONS

7.2.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Legal Services and Monitoring Officer that the Audit and Governance Committee is required by its terms of reference to monitor the effective development and operation of the Council's risk management arrangements, the control environment and associated strategies, actions and resources, and to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.

7.2.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk.

7.2.3 Separately, the effectiveness of the Council's internal control environment has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy, efficiency and effectiveness. Therefore, the consideration of this report also seeks to demonstrate the Council's compliance with its Best Value Duty under the Local Government Act 1999.

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

7.3 EQUALITIES IMPLICATIONS

7.3.1 Under the Public Sector Equality Duty of the Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share the protected characteristics, before decisions are taken. This

includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

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

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

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

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

Approved by: Denise McCausland – Equality Programme Manager

7.4 HUMAN RESOURCES IMPLICATIONS

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

Approved by: Dean Shoesmith, Chief People Officer.

8. APPENDICES

Appendix A: London Borough of Croydon Capitalisation Direction

Appendix B: London Borough of Croydon Managing Revenue Budgets

Appendix C: London Borough of Croydon Budget Setting and Financial Management

Appendix D: Review of Capital Spending Plans, Treasury Management Strategies, Debt Charges and Borrowing

Appendix E: London Borough of Croydon Financial Reporting and Year End Close

Appendix F: Worth Technical Accounting Solutions Recommendations Tracker

9. BACKGROUND DOCUMENTS

None