

# Public Document Pack

## Audit & Governance Committee

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

### MINUTES

**Present:** Olu Olasode (Independent Chair)  
Councillor Matt Griffiths (Vice-Chair);  
Councillor Claire Bonham, Simon Brew, Patricia Hay-Justice,  
Endri Llabuti and Nikhil Sherine Thampi

**Also Present:** Councillor Enid Mollyneaux (Substitute) and Jason Cummings

**Apologies:** Councillor Sherwan Chowdhury

### PART A

36/22 **Disclosure of Interests**

There were no declarations of interest in relation to any agenda items.

37/22 **Minutes of the Previous Meeting**

The minutes of the meeting held on 19 January 2023 and the meeting held on 2 February 2023 were approved as an accurate record of proceedings.

38/22 **Audit and Governance Committee Action Log 2022-23**

39/22 **Urgent Business (if any)**

There were no items of Urgent Business.

40/22 **Opening the Books Review**

The Committee reviewed a report set out on pages 17 – 110 of the agenda which presented the Opening the Books Review project including the reviews commissioned by Worth Technical Accounting Solutions and the subsequent recommendations.

Jane West, Corporate Director of Resources and Section 151 Officer introduced the report for members. Cabinet had referred the report to the Audit and Governance Committee for review and ongoing monitoring of the 76 recommendations.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Committee RESOLVED to:

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

41/22

### **2023/24 Budget Assurance**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42/22

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

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

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

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

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

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

43/22

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

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

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

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

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

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

The Committee RESOLVED, to approve:

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

44/22

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

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

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

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

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

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

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

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

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

The meeting ended at 9.10 pm

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