

Interim Auditor's Annual Report on the London Borough of Croydon

2022/23

March 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements – statutory and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the London Borough of Croydon (the Council) has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We undertake our value for money work across three specified criteria: financial sustainability, governance, and improving economy, efficiency and effectiveness. Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusions, for the end of 2022/23, are summarised in the table below. Despite the same overall assessment as last year, there is undoubtedly improvement in the Council's overall trajectory. The key aspect of this trajectory in the next 12 months is to address ongoing legacy issues and new challenges at pace.

Criteria	2022/23 Risk assessment	2022/23 Auditor Judgement	2021/22 Auditor Judgement	Direction of travel
Financial sustainability	<ul style="list-style-type: none"> Risk of significant weakness identified 	<ul style="list-style-type: none"> Significant weakness in arrangements identified. One key recommendation on page 7 One improvement recommendation on page 16 	<ul style="list-style-type: none"> Significant weakness in arrangements identified. Statutory and key recommendations made in prior years on pages 28 to 31 and 35 to 37 of this report. 	↑
Governance	<ul style="list-style-type: none"> Risks of significant weakness identified 	<ul style="list-style-type: none"> Significant weaknesses in arrangements identified. One key recommendation on page 8 Two improvement recommendations on pages 21 and 22. 	<ul style="list-style-type: none"> Significant weakness in arrangements identified. Statutory and key recommendations made in prior years on pages 28 to 31 and 35 to 37 of this report. 	↑
Improving economy, efficiency and effectiveness	<ul style="list-style-type: none"> Risk of significant weakness identified 	<ul style="list-style-type: none"> Significant weaknesses in arrangements identified. One key recommendation on page 9 Two improvement recommendations on pages 27 and 28. 	<ul style="list-style-type: none"> Significant weakness in arrangements identified. Statutory and key recommendations made in prior years on pages 29 to 32 and 35 to 37 of this report. 	↑



No significant weaknesses in arrangements identified or improvement recommendation made.

No significant weaknesses in arrangements identified, but improvement recommendations made.

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

For 2022/23, there was a significant weakness in the Council's arrangements for the planning of resources to ensure adequate finance management to maintain sustainable levels of spending over the medium term (3-5 years). This is an ongoing legacy of the issues we reported in our Public Interest Report of October 2020. The Executive Mayor has prioritised the critical requirement of returning to financial stability and this is reflected in his Business Plan 2022 - 2026, which has superseded the Croydon Renewal Plan. The Council's Medium Term Financial Plan (MTFP) reports that the Capitalisation Directions (CDs) increase the Council's debt each year and compound financial unsustainability. The Council holds £1.3 billion of general fund borrowing which accounts for debt financing expenditure of £58 million per year which places pressure on the Revenue Budget. The Council is negotiating a new model of extraordinary financial support from DLUHC and HMT and has requested consideration be given to writing-off of £540 million of debt. Currently annual support of £38 million in CDs has been included in the five-year MTFP to service the debt.

During 2022/23, progress was made in terms of addressing the financial legacy issues. The changes in the treatment of Croydon Affordable Homes / Croydon Affordable Tenures (CAH/CAT), as a result of the 2019/20 audit, resulted in a £73 million charge added to the revenue budget. Other legacy issues, identified through the Council's Opening the Books Exercise, found a historic bad debt provision shortfall of £46 million and a realignment of the Housing Revenue Account, General Fund and Capital Programme recharges of £40 million. Whilst there is still a risk that further legacy issues may emerge during the completion of financial statement audits of 2020/21 to 2022/23, this risk is diminishing.

In March 2023, the Council sought further exceptional financial support through CD's of £161.6 million to meet the accumulated budget and accounting failings plus £63 million for the 2023/24 budget. The overall 2023/24 budget was balanced with further savings of £36 million and an exceptional 14.99% Council Tax increase.

Recognising the above, the Council has made good progress through its spending control boards, delivery of efficiency savings and asset disposals. The Council has an ambitious Transformation Strategy. However, spend on investment transformation schemes is lower than those budgeted for and there has been some slippage in schemes in 2022/23 and 2023/24. The recent appointment of a Director of Transformation is positive as transformation of services and the delivery of savings is critical to achieving financial sustainability, on top of the Council's reliance on its annual £38 million CD for the foreseeable future.



Financial Statements opinion

We have substantially completed our audit of your 2019/20 financial statements and anticipate issuing our audit opinion shortly. Our work on subsequent years is discussed in further detail on page 34.



Executive summary



Governance

There were significant weaknesses in the Council's governance arrangements during 2022/23, although progress on implementing prior year recommendation has resulted in improved governance processes and procedures. We have made a key recommendation, on page 8 of this report, improving the Council's risk management arrangements through the mapping of strategic risks to the achievement of corporate objectives and associated performance indicators, and aligning Scrutiny and Overview work plans to high risk issues in the Risk Register. The Council's Opening the Books exercise was commendable as the Council now has a clear understanding of the significance of its financial challenge and the size of financial legacy issues. On 20 July 2023, the Secretary of State (SoS) for the Department for Levelling Up, Housing and Communities (DLUHC) moved the Council's Improvement and Assurance Panel (IAP) to a statutory panel so it would have the power to intervene should it be necessary. In its latest report of 27 October 2023 to the SoS, the IAP noted that the Council had taken difficult decisions to help return the Council to financial stability and that Members were constructively debating issues in the appropriate forum. An array of Internal Control Boards also enabled the management of performance and change. Into 2023/24 the IAP have commented favourably on the progress made by the Scrutiny function. Officer capacity increased with the appointment of quality senior and middle managers and recruitment is ongoing in key areas in terms of finance, housing and transformation. 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 with a chair and non-executive Directors at the company.

However, the Annual Report of the Head of Internal Audit for the year ending 31 March 2022/23 provided only 'Limited Assurance' over the system of internal control. 64% of the overall audits undertaken had 'Limited' or 'No' assurance, with 71% of internal audits of systems falling into these categories. This was expected as some of those reports relate to prior year backlog and management pointing IA towards challenging areas, however there were notable weaknesses in governance, contract management and information governance. We also report two improvement recommendations on pages 21 and 22 on the Audit and Governance Committee carrying out a self-assessment of its effectiveness each year and the provision of an annual internal audit report on risk management to provide independent assurance on the effectiveness of the Council's risk management system.



Improving economy, efficiency and effectiveness

For 2022/23, there were significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness as there were housing services issues identified by the Regulator of Social Housing (RSH) for breaching the Tenant Involvement and Empowerment Standard, and the Home Standard. In response to the breach, the Council submitted a Voluntary Undertaking (VU) to the RSH setting out in detail how it will return to compliance by September 2024, and this has been approved by the RSH.

Procurement and contract management also needs to be improved to ensure that expiring contracts were re-procured in a timely and controlled manner. There were numerous examples of contracts that had expired but were still being utilised, contracts due to expire with insufficient time available to reprocure effectively. The Council has accepted the need to develop a procurement improvement plan and a suite of performance metrics and targets to allow the improvement journey to be tracked and benchmarked against the sector. In other areas, the Council continues to improve its arrangements for economy, efficiency and effectiveness. We identified two areas for improvement, on page 27 and 28, on the production of a Data Quality Strategy and a Partnership Register.



Improvement and Assurance Panel

London Borough of Croydon



your
croydon
news from the council

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they:

- (i) present a true and fair view of the Authority's financial position, and
- (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We have not yet completed our audit of your financial statements and have not issued our audit opinion as at the date of this interim report. This report will be updated to reflect any significant findings once our audit has been concluded.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

Our work to date has not identified any new issues requiring further statutory recommendation.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Our work to date has not identified any issues requiring a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Our work to date has not identified any issues requiring an application to the court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Our work to date has not identified any issues requiring an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

Our work to date has not identified any issues requiring a judicial review.

Key recommendation - Financial Sustainability

Key Recommendation 1

With three s114 notices issued in two years, and the Council making it clear extraordinary government support is required to return to financial sustainability, it will be important that the Council continues to maintain its strict financial controls over spend and discipline over its savings and transformation plans.

Identified significant weakness in arrangements

Our work has enabled us to identify a weakness in arrangements which we consider to be significant and have raised a recommendation to support management in making appropriate improvements.

Summary findings

For 2022/23, there was a significant weaknesses in the Council's arrangements for the planning of resources to ensure adequate finance management to maintain sustainable levels of spending over the medium term (3-5 years). This is an ongoing legacy of the issues we reported in our Public Interest Report of October 2020. The Executive Mayor has prioritised the critical requirement of returning to financial stability and this is reflected in his Business Plan 2022 - 2026, which has superseded the Croydon Renewal Plan. The Council's Medium Term Financial Plan (MTFP) reports that the Capitalisation Directions (CDs) increase the Council's debt each year and compound financial unsustainability. The Council holds £1.3 billion of general fund borrowing which accounts for debt financing expenditure of £58 million per year which places pressure on the Revenue Budget. The Council is negotiating a new model of extraordinary financial support from DLUHC and HMT and has requested consideration be given to writing-off of £540 million of debt. Currently annual support of £38 million in CDs has been included in the five-year MTFP to service the debt.

Criteria impacted by the significant weakness



Financial Sustainability

Management comments

The Council continues to operate strict financial control through monthly budget monitoring, monthly directorate budget assurance meetings with the Chief Executive and Corporate Director of Resources, daily Spend Control Panels and a weekly Recruitment Panel. Delivery of planned savings is monitored each month. There is an annual cycle of budget challenge through Star Chambers to reach the annual October Medium Term Financial Strategy Update to Cabinet followed by Council Tax Setting in February and March. The Council has recently published its Transformation Plan 2024-2029 and progress will be reported to Cabinet every six months. Discussions are continuing with DLUHC in relation to the annual £38m gap in the Council's Medium Term Financial Strategy. The Council's ambition is to eventually eliminate CDs as the additional debt charges these generate are unsustainable.



Progressing the actions management has identified to address the key recommendations made will support the Council in addressing the weaknesses identified from our work.

The timescales provided by management should be appropriate and we encourage the Audit and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendation- Governance

Key Recommendation 2

The Council could improve its risk management arrangements through:

- a) the integration of performance management and risk management with the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs);
- b) aligning Scrutiny and Overview work plans to the high risk issues identified by the Council's Risk Register and Performance Management systems.

Identified significant weakness in arrangements

Our work has enabled us to identify a weakness in arrangements which we consider to be significant and have raised a recommendation to support management in making appropriate improvements.

Summary findings

CMT and the Audit and Governance Committee review all red rated risks. In addition, risk management 'deep dives' on individual risks are undertaken by the Audit and Governance Committee. Overview and Scrutiny workplans are in place but these could be better focussed.

Criteria impacted by the significant weakness



Governance

Management comments

In the past a complete download of strategic risks has been provided for incorporation into a council wide dashboard report to achieve this linkage but it may be that Power BI can achieve this objective. This will be explored.

The Scrutiny and Overview work plans were reviewed in late 2023 by the Scrutiny Chairs Work Programming Group, which was informed by, amongst other documents, the provision of a version of the Corporate risk register setting out the current 'red' risks to the Council. A process for updating Scrutiny on any new high risk issues added to the risk register will be put in place by Risk & Scrutiny Officers.



Progressing the actions management has identified to address the key recommendations made will support the Council in addressing the weaknesses identified from our work.

The timescales provided by management should be appropriate and we encourage the Audit and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendation- Improving economy, efficiency and effectiveness

Key Recommendation 3

The Council needs to continue to focus on improving the quality of its housing services. Additional priority actions for the Council, identified through the IAP, include:

- strengthening the quality and accuracy of its housing data.
- robustly contract managing the newly appointed repairs, heating, and voids contractors to ensure that performance levels remain high.
- drawing on the TPAS-led review and put in place an improved structure for tenant and resident involvement.

Identified significant weakness in arrangements

Our work has enabled us to identify a weakness in arrangements which we consider to be significant and have raised a recommendation to support management in making appropriate improvements.

Summary findings

There has been significant under-investment in the Council's housing stock over a period of many years. A substantial number of homes are poorly insulated and do not meet the required standards.

Criteria impacted by the significant weakness



Improving the economy, efficiency and effectiveness

Management comments

Data is a focus for the Housing Directorate and is part of the Housing Improvement Plan. Lots of data cleansing has been undertaken and backlogs have been exposed which are being prioritised and are being managed robustly internally. A new framework for monitoring contracts has begun and reports are now available which track spend and performance. The Housing Improvement Plan also includes the implementation of projects to improve tenant and resident involvement. The Housing Improvement Plan delivery is regularly reported to Cabinet.



Progressing the actions management has identified to address the key recommendations made will support the Council in addressing the weaknesses identified from our work.

The timescales provided by management should be appropriate and we encourage the Audit and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



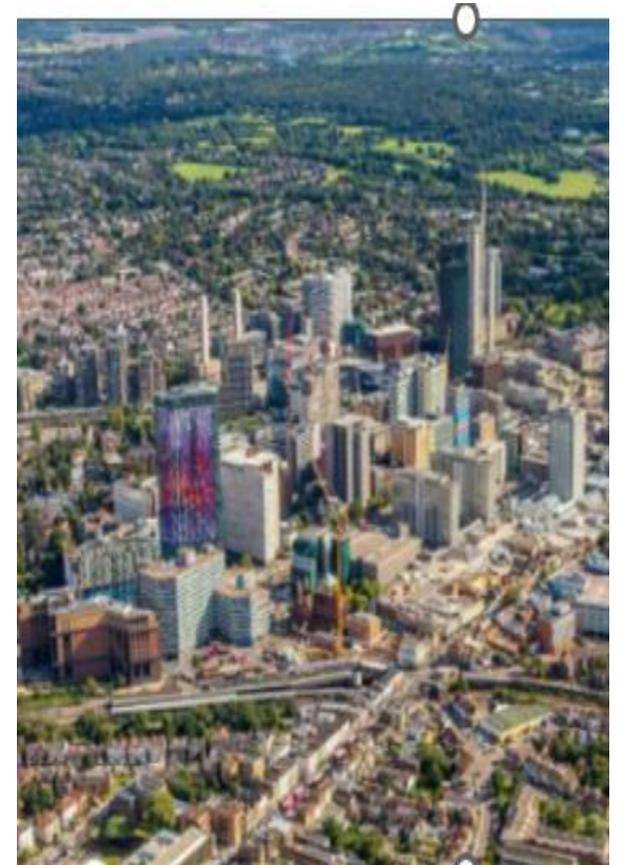
Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 27.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

The Council identifies all the significant financial pressures it is facing and builds these into its plans

Financial outturn 2022/23

A month 12 financial year outturn paper for 2022/23 has yet to be presented to members as this was still being finalised in December 2023 when the audit of the financial statements for 2019/20 was ongoing. Officers have since produced a set of accounts for the 2022/23 financial year instead of a month 12 financial outturn report.

The Month 11 financial monitoring report presented to cabinet, in May 2023, forecast a service overspend of £13.69 million, driven notably by a £15 million overspend in Sustainable Communities, Regeneration & Economic Recovery. The one-off measures that bring the General Fund to a net nil position, include:

- budgeted £6.9 million contribution to General Fund Reserves did not go ahead;
- £5 million underspend on the corporate contingency budget was not used;
- £4 million drawdown from the Corporate Contingency Reserve was used to support in-year inflationary pressures;
- £1.2 million central inflation budget used.

23-24 Budget Setting

The Council had difficulty in setting its 2023/24 budget. The overall budget was only balanced with further savings of £36m and with an exceptional 14.99% Council Tax increase. In November 2022, the 2023/24 budget gap was revised from £27.4m to £10.5m. The 2024/25, forecast gap at the time was revised from £8 million to £25.8m. The Council had negotiated Capitalisation Directives with DLUHC and HMT to allow the use of capital expenditure to fund revenue. The 2023 - 2027 Medium Term Financial Strategy (MTFS) planned for Capitalisation Directives (CDs) of £20 million for 2023/24 and £5 million in 2024/25. However, the 2024 - 2028 MTFS shows that the CD has increased, under the heading of "Extraordinary Financial Support" to £63 million for 2023/24.

2023/24 Forecast Outturn

For 2023/24, the Council set a net budget requirement of £340.911 million. The 2023-24 Period 8 (November 2023) financial performance reported to Cabinet on 14 February 2024 showed the:

- General Fund (GF) revenue budget outturn forecast to underspend by £1.3 million, after the budgeted utilisation of £63 million of CDs. However, there are still 2023/24 in-year financial pressures which may need to be covered by the risk contingency budget of £5 million;
- Housing Revenue Account (HRA) revenue budget outturn forecast to overspend by £12.0million due to additional repairs and maintenance to improve the Council's Housing Stock in line with minimum requirements expected by the Housing Regulator. This overspend will be funded by the strong HRA reserve which was some £50 million at the end of 2022/23;
- GF capital programme underspend of £20.7 million against the revised capital budget of £127.1 million to reflect the changes agreed through the Capital Programme and Capital Strategy 2023-29 report at the Cabinet in December 2023;
- HRA capital forecast of a £1.8 million overspend against a revised budget of £37.2 million.

The Council's historic borrowing and subsequent debt burden continues to be critical to the non-sustainability of the Council's revenue budget. Dialogue with DLUHC continues as the Council is seeking further financial support from government to reduce its level of structural indebtedness so it can deliver sustainable local government services.

Financial sustainability (continued)

The Council's Medium Term Financial Plan (MTFP) reports that the impact of the Capitalisation Direction (CD) approach continues to increase the Council's debt each year and compound the Council's underlying lack of financial sustainability. The Council currently holds £1.3 billion of general fund borrowing which requires annual debt financing charges of £58 million. The Council is negotiating a new model of extraordinary financial support from DLUH and HMT. The Council requested a write off of £540 million of the Council's debt during 2023/24 to restore financial sustainability by reducing the annual cost of the Council's debt by £38 million.

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 revealed through the Opening the Books programme, which is some £38 million a year. The Council needs to correct a range of misstatements in its legacy accounts from 2019/20 to 2022/23, which is more than the £74.6 million identified in the MTFS Update report in November 2022. The Council's Provision for Bad Debt was found to be understated by £46 million rather than the £20 million, and a decision was made to include the potential £70m gap in the accounts caused by the incorrect accounting for Croydon Affordable Homes and Tenures instead of the £9 million previously assumed. With three years of accounts still open, there remains a risk that further legacy issues will be uncovered.

The Council plans to bridge its funding gaps and identify achievable savings

The current MTFP, reported to Cabinet on 14 February 2024, shows significant gaps in the Council's budget each year for 2024/25 to 2027/28. The budget plans include £30 million in savings for 2024/25 and an ongoing asset disposal programme that aims to deliver £200m of receipts from 2022-2026. The Council has been reducing its core operating costs through the transformation and savings programmes for a number of years. For 2023/24, the savings programme is ambitious at some £36.1 million and is higher for some departments. For example, the Adults and Social Care Directorate has challenging savings targets totalling circa £10m to deliver in 2023-24 on placements and care packages through demand management, commissioning and review of care packages. In terms of the achievability of savings, the achievable forecast savings for 23/24 is £31.639 million (88%). This represents savings slippage, at month 8, of some £4.439 million. There was a £12.3 million under-delivery of savings in 2022/23 which is why the Council had to rely on one-off measures at month 12 to report a nil position.

Proposed savings for future years is shown in the MTFP, below, is £30.4 million for 2024/25, £22.5 million for 2025/26, £20.8 million for 2026/27 and £20 million for 2027/28. Given savings delivery for 2022/23 and 2023/24 was not as high as planned, we suggest more granular reporting to Cabinet, on a risk basis, on the in-year achievement of savings.

London Borough of Croydon - 2024-28 Medium Term Financial Plan

Assumes continued capitalisation directions of £38m per annum

	2024-25	2025-26	2026-27	2027-28
	£'m	£'m	£'m	£'m
Departmental and Corporate Base Budget	383.702	383.702	383.702	383.702
Demand and demographic pressures	10.717	22.292	27.232	32.369
Provision for future demand and demographic growth		2.425	11.485	20.348
Legacy budget corrections	0.806	1.306	1.806	2.306
Proposed Savings	-23.731	-30.706	-35.725	-35.751
Saving in borrowing costs from asset disposals	-6.684	-9.167	-9.947	-9.947
Future savings target beyond 2024-25 (assumes overall increase in incremental savings of £20m per annum)		-13.025	-28.006	-47.980
Provision for inflation	18.183	30.183	42.183	54.183
Net cost of borrowing (interest, MRP & investment income)	65.766	67.506	67.336	67.356
Risk/contingency provision	5.000	5.000	5.000	5.000
Economic demand pressures contingency	0.000	5.000	10.000	15.000
Council Tax Hardship fund	0.500	0.500	0.500	0.500
Transformation investment	5.000	5.000	5.000	5.000
Gross Budget Requirement	459.259	470.016	480.566	492.086
Core grant funding	-43.929	-44.368	-44.812	-45.260
Use of the capitalisation directive	-38.000	-38.000	-38.000	-38.000
Business Rates - compensation grant for under indexing the business rates multiplier	-16.063	-16.384	-16.712	-17.046
Net Budget Requirement (as per the budget book)	361.267	371.263	381.042	391.780

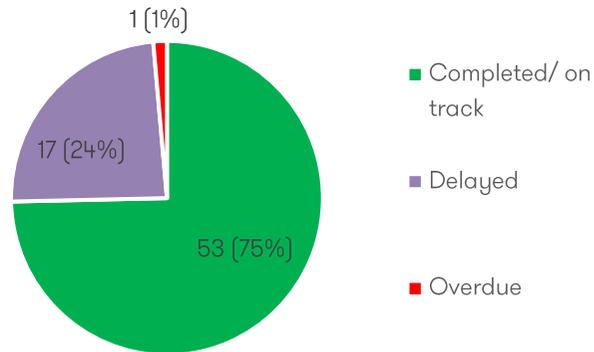
Improvement recommendation 1: We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in reports to Cabinet, of the high risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.

Financial sustainability (continued)

The Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council details its strategic outcomes and priorities in its published Mayor's Business Plan 2022-2026 and the delivery of services in line with these outcomes informs the MTFP and Cabinet decision making. The MTFP recognises that demand for services continues to increase, in particular for Adults and Children's Social Care and assumptions around growth figures are included in the MTFP.

Service transformation is seen as critical to containing the Council's costs. The Council's Transformation Programme will provide a return on investment through service improvement benefits and the identification and delivery of savings for the MTFP. However, transformation projects have slipped during 2023/24, as shown below.



For 2023/24, the Transformation Programme had £14 million of resources allocated to it. The 2023/24 forecast outturn shows that £8.945 million of transformation monies should have been spent by the year end, however at the end of Month 8 only £2.561 million of transformation expenditure has been recorded. Monitoring of the progress of the Exit Strategy actions for the Statutory Improvement and Assurance Board shows that 24% of actions have been delayed and a number of these are due to the later than planned implementation of the Council's Transformation Programme of November 2022.

The Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

Capital

At period 8, the General Fund capital programme has a forecast underspend of £20.7million (16.3%) against the revised budget of £127.1 million. The Capital strategy and programme was approved by Council in March 2023. This recognised the challenging financial and operational circumstances in which the Council continues to operate. It showed a 2023-24 Capital Programme that is reduced in scale and cost compared to previous years. With circa £1.3 billion of General Fund debt and an environment of rising interest rates, the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, is essential to mitigate rising cost pressures and reduce the overall debt burden.

General Fund Capital Financing	2023-24 Revised Budget (£000's)	2023-24 Forecast (£000's)	2023-24 Forecast Variance (£000's)
Community Infrastructure Levy (CIL)	7,473	7,182	(291)
CIL Local Meaningful Proportion (LMP)	552	552	-
Section 106	982	371	(611)
Grants & Other Contributions	17,882	13,361	(4,521)
Growth Zone	15,341	3000	(12,341)
HRA Contributions	1,772	1,459	(313)
Capital Receipts	83,070	80,400	(2,670)
Borrowing	-	-	-
Total General Fund Financing	127,071	106,325	(20,746)

Arrangements for the management of the capital programme has been improved during 2022/23. We evidenced through review that budget monitoring reports include an overview of the capital programme, progress against spend and commentary on assumptions made and the impact of borrowing. Planned funding of the Capital Programme is shown above with no additional borrowing in 2023/24 and capital receipts due of some £80.4 million.

Financial sustainability (continued)

Treasury Management

Total external borrowing of the Council at 31 March 2023 was £1.3 billion and the total interest paid servicing external debt for the year was some £58 million. The Council has appropriate arrangements in place for its Treasury Management activity. The Treasury Management Strategy Statement and Annual Investment Strategy are approved in advance of each financial year as part of the budget and MTFP approval process. The Council employs Treasury Management advisors who provide information and advice on interest rate movements to inform borrowing and investment decisions.

DSG Safety Valve Programme

The Council is one of many local authorities facing significant financial challenges in meeting the demand for Special Education Needs and Disabilities (SEND) within the High Needs Block of the Dedicated Schools Grant (DSG). The Department for Education (DfE) launched the Safety Valve Intervention programme in 2021, which targets support to councils like Croydon with the highest DSG deficits. Education Services met the Safety Valve compliance and performance grant conditions for 2022-23. This activated the release of funding from the DfE to fund the provision of more SEND school places and reduce the historical deficit. The DSG deficit at the end of 2021-22 was £24.5 million. The £1.8 million in-year overspend initially increased this to £26.3 million before the Council received the £10.96 million Safety Valve funding from the DfE, which brought the 2022/23 deficit down to £15.3 million.

Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Reserves

General Fund balances serve as a cushion should any overspend materialise by the end of a financial year. The use of reserves to support the budget is not a permanent solution and reserves must be replenished back to a prudent level in subsequent years if used.

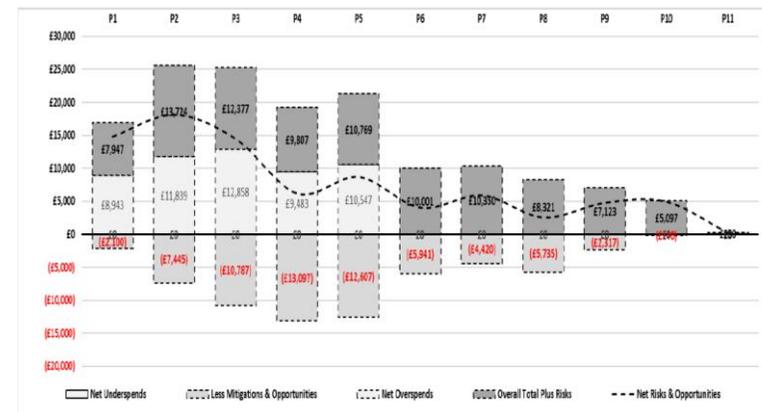
At the end of 2022/23, there were two one-off measures used to report a nil net financial position which impacted on planned reserves in the MTFP. The budgeted £6.9 million contribution to the General Fund Reserve was not made and the £4 million drawdown from the Corporate Contingency Reserve was used to support in-year inflationary

pressures. For 2023/24, there are no planned budgeted contributions to, or drawdowns from the General Fund balance of £27.5 million. However, at month 8 there are in-year financial pressures that may materialise in the last four months of the financial year which may need to be covered by the risk contingency budget of £5 million.

Use of sensitivity analysis in financial planning

In line with good practice, and improved financial planning arrangements, the Council applied sensitivity analysis to the 2022/23 financial reporting and 2023/24 budget assumptions, the financial forecast and in the MTFP, with best and worst-case options modelled.

Chart 1 – Monthly financial movements on Monthly Forecast, Risk & Opportunity



Source: 2022/23 Month 11 financial performance report

The sensitivity analysis and reporting of risks highlight the many potential financial variables, positive and negative, that underpin the forecasting and financial risks.

Financial sustainability (continued)

The MTFP states that the modelling for the medium term sits in the middle of the best and worst case options. For 2024/25, the best-case modelling could improve the forecast position by £12.7m and switch the forecast deficit of £6m to a £6.7m surplus, which reduce the assumed capitalisation direction from £38m to £31.3m. The worst-case modelling would increase the forecast 2024/25 deficit by £27m, and a CD of £71m.

Overall conclusion for Financial Sustainability

During 2022/23, the Council made good progress in implementing its Financial Improvement Plan which reflects the good practice requirements of CIFPA's Code of Financial Management. The Council is the subject of Directions from the Secretary of State requiring the Council to improve on the management of its finances. The Council is effectively monitoring and managing its budgetary allocations with its monthly financial reporting, however the Council's significant financial challenges and financial legacy issues continue. We have therefore identified an overall significant weakness in the Council's arrangements for Financial Sustainability.



Improvement recommendation

Improvement Recommendation 1

The delivery of savings plans should be RAG (Red, Amber, Green) rated, as part of regular monitoring and reporting in the monthly financial reports to Cabinet. This will show the high-risk savings schemes that are less likely to be delivered, and what alternative plans should be in place to address any financial in-year deficits.

Summary findings

The probability that savings plans will be delivered has yet to be reported at a higher level. Risks and opportunities to the Council's monthly financial position are reported but not at a granular level in terms of the risk rating of savings. Given the under delivery of £12.2million of savings in 2022/23, and the impact of on the 2023/24 financial outturn then the monitoring and reporting of the risks around the non-achievement of these plans needs to be more clearly reported.

Criteria impacted



Financial Sustainability

Management comments

A savings tracker was implemented from the start of 2023-24 which lists all MTFS savings with their forecast levels of achievement, RAG rating of both financial delivery and project delivery, and progress commentary. The savings tracker is reported monthly to Corporate Management Team and Mayor's Advisory Board alongside the financial performance report. The savings tracker is also reviewed at directorate budget assurance meetings with the Chief Executive and Corporate Director Resources (s151 Officer), including discussion about any issues preventing achievement and potential alternative plans if required. The savings forecast achievement summary at directorate level has been included as a table in the financial performance reports to Cabinet throughout 2023-24, and from Period 9 there has also been a commentary added on individual savings not yet evidenced.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

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 and five directorate risk registers, and appropriate staff training delivered to risk owners who are Directors and above.

Risk reporting

The Council's computerised risk management system "JCAD" details current and archived risks, their descriptions, risk scores, and mitigating controls. All corporate/strategic risks are formally reviewed and signed off quarterly by the risk owner on '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 review all red rated risks. In addition, risk management 'deep dives' on individual risks are undertaken by the Audit and Governance Committee.

An externally-led 'health check' review of the Council's risk management framework, in 2022/23, included the following recommendations:

- refreshed risk management champion network across directorate areas;
- training sessions for 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;

- 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; and
- 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.

Alignment of risks to Strategic Outcome in the Mayor's Business Plan 2022 – 2026

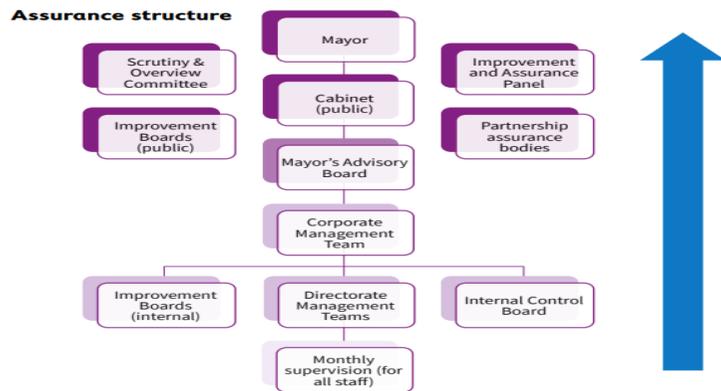
Having reviewed the risk management arrangements, we can see that the Council's strategic risks are not mapped to the delivery of the five Strategic Outcomes and underlying priorities in the Mayor's Business Plan 2022 – 2026. The Council's arrangements for both performance management and risk management could be streamlined so there is one integrated reporting framework for strategic outcomes in the Mayor's Business Plan, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register.

Key Recommendation 2a: Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

Governance (continued)

Decision making and assurance structure

The elected mayor leads on the strategic direction of the Council, is responsible for the executive function of the Council and has been in post since May 2022. As outlined in the Council's Constitution, the Cabinet is responsible for day-to-day decisions. The Cabinet makes decisions in line with the Council's policies and budget, with matters outside of this referred to the full Council to decide. Scrutiny Committees support the work of the Cabinet and Council by looking into policies and matters of local concern, leading to reports and recommendations for the Cabinet and Council. The Council's Monitoring Officer ensures decisions and relevant reports are publicly available.



In Croydon the following main overview committee and four sub-committees that carry out Scrutiny work are:

- *Scrutiny and Overview Committee*: council strategy and policy, financial performance, community safety and crime reduction.
- *Scrutiny Children and Young People Sub-committee*: Education and other LEA matters, children's social services, Early Help, Children's Social Care and Education Dashboard & Health Visiting KPI Data
- *Scrutiny Health and Social Care Sub-committee*: Health, adult social care and mental health.
- *Scrutiny Streets Environment Sub-committee*: highways and streets, environment, conservation, climate change and flood risk.
- *Scrutiny Homes Sub-committee*: housing policies, housing improvement plan, homelessness and rough sleeping, temporary and emergency accommodation.

Work programmes for Scrutiny and Overview and Audit and Governance Committees are regularly reviewed at each Committee / Sub-committee meeting which is an improvement for 2022/23 as part of the IAP Exit Strategy. Into 2023/24 we note the further progress made by Scrutiny as assessed by the IAP.

Key Recommendation 2b: *The Scrutiny and Overview work plans could be more focused if aligned to the high-risk issues identified by the Council's Risk Register and Performance Management systems.*



Audit and Governance Committee

The Audit and Governance Committee is responsible for overseeing financial and information systems, monitoring audit performance and risk management systems, and ensuring compliance with codes of practice and policies. Our review of committee minutes shows that members provided good challenge, notably around risk management and requesting further detail on limited assurance reports. The Independent Chair produced an annual report for the Committee. We suggest that a self-assessment of the Audit and Governance Committee's effectiveness against the CIPFA good practice checklist is also reported on each year.

Improvement recommendation 2: *The Audit and Governance Committee should carry out a self-assessment of its effectiveness, using the CIPFA checklist, each year and report on the outcome.*

Governance (continued)

Internal Audit

The Council has an adequate internal audit service provided by Mazars whom specialise in public sector audit. 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 at the start of the financial year. 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. The audit plan covers the main risks however it does not have cross-cutting thematic reviews such as corporate performance management, contract management and risk management. It is usual for an internal audit service to provide an annual report of the effectiveness of a council's risk management arrangements to provide the Audit and Governance Committee with the overall assurance it needs.

Improvement recommendation 3: Internal Audit should provide the Audit and Governance Committee with annual independent assurance on the effectiveness of the Council's risk management processes and procedures.

2022/23 Head of Internal Audit Opinion

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. This was expected as some of those reports relate to prior year backlog and management pointed internal audit to challenging areas. Internal Audit identified the following significant control weaknesses during 2022/23:

- general compliance 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.

As a result, management have increased the profile of internal audit and tightened up on the pace of delivery of responses to internal audit recommendations in the service areas during 2022/23.



Fraud and corruption

Audit & Governance Committee 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

Governance (continued)

Fraud and corruption (cont.)

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.

Governance over Croydon arm's length companies

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 with a chair and non-executive Directors at the company.

Standards and Behaviour

The Constitution sets out standards of conduct expected by Members and Officers. The Council has a Whistleblowing Policy which sets out the statutory procedures to be followed in the event that a whistleblowing complaint needs to be raised. The Ethics Committee is responsible for supporting the statutory role of the Monitoring Officer, including the promotion of high standards of Member conduct, receiving reports from the Monitoring Officer on matters of probity and ethics, to consider and recommend revisions of the Members' Code of Conduct (the Code) to Full Council as necessary and for commenting on the content of guidance and advice to be issued to elected and non-elected Members. The Council has adopted and published a statutory process for considering complaints made against Members pursuant to the provisions of the Localism Act 2011 and this includes processes for initial assessment decisions, informal resolution, investigation and referral to Ethics Committee as necessary. The Ethics

Committee receive quarterly and annual updating reports on complaints received against Members and their outcomes and regular reports from the Monitoring officer on matters of probity and ethics. Separately, the Council's Corporate Complaints Policy addresses complaints about the Council's services or complaints about officers. This policy sets out how such complaints can be made by the public, what should be expected in terms of response and the residents' rights of escalation.

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.

Conclusion on Governance

For 2022/23, there were significant weaknesses in the Council's governance arrangements, although progress on implementing prior year recommendations has resulted in improved governance processes and procedures during the year. We have made a key recommendation, on page 8 of this report, improving the Council's risk management arrangements through the mapping of strategic risks to the achievement of corporate objectives and associated performance indicators, aligning Scrutiny and Overview work plans to high-risk issues in the Risk Register.

We have also reported two improvement recommendations on pages 20 and 21 in relation to the Audit and Governance Committee carrying out a self-assessment of its effectiveness each year and the provision of an annual internal audit report on risk management.

Improvement recommendation

Improvement Recommendation 2	The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.
Summary findings	The annual self-assessment would allow the Audit and Governance Committee to report annually on how the committee has complied with the CIPFA Position Statement, discharged its responsibilities, and include an assessment of its performance.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Audit and Governance Committee annually issues a report of its work over the past year. It is intended that the annual report for 2024/25 (and subsequent years) include a self-assessment of the Committee's effectiveness.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendation

Improvement Recommendation 3

Internal Audit should provide the Audit and Governance Committee with annual independent assurance on the effectiveness of the Council's risk management processes and procedures.

Summary findings

The internal audit plan covers the main risks however it does not have cross-cutting thematic reviews such as corporate performance management, contract management and risk management. It is usual for an internal audit service to provide an annual report of the effectiveness of a council's risk management arrangements to provide the Audit and Governance Committee with the overall assurance it needs.

Criteria impacted by the significant weakness



Governance

Auditor judgement

Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The annual Head of Internal Audit Report provides independent assurance on the overall effectiveness of the Council's framework for governance, risk management and control. The last Head of Internal Audit Report was issued to the Audit and Governance Committee in September 2023.

In addition, the 2024/25 annual audit plan specifically includes an audit of the Council's risk management.



Improving economy, efficiency and effectiveness

Strategic planning

In December 2022, the full Council adopted the Mayor's Business Plan 2022-2026 which sets out the strategic outcomes and priorities of the Council. With the election of the Mayor, the Mayor's Plan superseded the Croydon Renewal and Improvement Plan which was the major programme in 2021/22 to, amongst other goals, strengthen governance and financial practice in response to the two Reports in the Public Interest, the financial recovery plan and the submission to the MCHLG (now DLUHC) for a capitalisation direction.

The five strategic outcomes and priorities in the Mayor's Plan are:



1. *The Council balances its books, listens to residents and delivers good sustainable services.*
2. *Croydon is a place of opportunity for business, earning and learning.*
3. *Every child and young person in Croydon has the chance to thrive, learn and fulfil their potential.*
4. *Croydon is a cleaner, safer and healthier place, a borough to be proud to call home.*
5. *People can lead healthier and independent lives for longer.*

Performance information

Each strategic outcome is underpinned by a subset of priorities. 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. There was quarterly monitoring of performance at Cabinet during 2022/23, however the Key Performance Indicators (KPIs) were not agreed until the October 2023 Cabinet meeting, when the Mayor's Business Plan performance report reported on data up until 31 July 2023. There are currently 77 KPIs within the framework which, in line with good practice:

- at, or above target, receive a green status;
- those within 10% of target an amber status; and
- those which are operating below target a red status.

Where a measure has no target as it has not yet been set, the RAG status will be shown as grey. Where a measure has either no data or target at the moment, the RAG status will be shown as black.

Directorate performance reports were 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 was incorporated into monthly performance reports presented to the Corporate Management Team. 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 on a more frequent basis.



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Improving economy, efficiency and effectiveness (continued)

Data Quality

The basis for good performance information is assurance that the information is based on good quality data that is fit for purpose. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design and data management .

Improvement recommendation 4: *The Council should develop a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform its KPI's, with a view to including an assessment/rating of specific data sets within performance reports.*

Assessing performance and identifying improvement

The October 2023 Cabinet received a detailed report introducing the Exit Strategy which set out the context of the DLUHC decision to issue Directions to strengthen the remit of the Council's existing Improvement and Assurance Panel. This followed the significant increase in Capitalisation support to Croydon, and in line with a wider approach to financially distressed local authorities. The Directions moved the Improvement and Assurance Panel to a statutory footing and remain in force until 20 July 2025, unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date.

Improvement and Assurance Panel

London Borough of Croydon

In his written Ministerial Statement on 20 July 2023, the SoS welcomed that Croydon Council "has made good progress in laying the foundations for its recovery" and noted that as a result "the Council will continue to lead their recovery" under the new arrangements. The SoS had not chosen to remove any powers from the Council or to install Commissioners. As a result, the Executive Mayor and Council remain in control of all functions. Whilst the Improvement

and Assurance Panel (IAP) has been given the power to direct the authority should it feel that Croydon is not making sufficient progress in delivering its recovery efforts or is likely to breach its Best Value Duty, in practice it has not felt the need to do so at this stage.

In the remit given by the government in July 2023 in moving the Panel to a statutory role, Finance, Housing and Transformation were identified as priority areas and so these are given specific focus within the Strategy. The majority of activity in the Exit Strategy reflects priorities set out in the Executive Mayor's Business Plan and draws upon work which is already planned or underway.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (cont.)

Housing services

There has been significant under-investment in the Council's housing stock over a period of many years. A substantial number of homes are poorly insulated and do not meet the required standards. The Council owns 46 high-rise residential buildings, many of which may require improvements and repairs. Residents at Regina Road are being rehoused, and following an extensive engagement, consultation and ballot, Cabinet approval was given in July 2023 to demolish and rebuild the estate.



The Council embarked on a comprehensive Housing Transformation Programme in July 2022 to address the housing issues wider than those outlined in the ARK review and broader than the Council's consumer breaches of the Regulator for Social Housing's Home Standard and Tenant Involvement and Empowerment Standard. The IAP Panel commented, in its October 2023 report to the SoS, that progress has been made in several areas including:

- Housing Revenue Account recharges reviewed and ring-fenced funding protected;
- new contractors selected to deliver repairs, voids, and heating services;
- a new in-house contact centre;
- creation of a dedicated damp and mould team; and
- a new co-created Resident Charter.

The Council has also restructured their Housing Needs team, made two Director appointments and put in place a new integrated IT system. The Transformation Programme is overseen by the Housing Improvement Board (HIB), an internal transformation steering group, with quarterly updates to Cabinet, and through regular engagement with the IAP. There is a significant challenge in the housing directorate. This includes providing for new legislation which places requirement on landlords to improve living conditions for tenants and meet fire safety standards on all buildings, bedding down the new Housing Needs structure and IT system, mobilising the Regina Road project and implementing their new performance framework.

The IAP reported to the SoS that additional priority actions (Key Improvement Recommendation 3) for the Council include:

- strengthening the quality and accuracy of its housing data.
- robustly contract managing the newly appointed repairs, heating, and voids contractors to ensure that performance levels remain high.
- drawing on the TPAS-led review and put in place an improved structure for tenant and resident involvement.

Commissioning and procurement

The annual Procurement Plan was presented to the Cabinet for approval before the start of the 2022/23 financial year. The Plan showed the more strategic overview of the pipeline of commissioning and contracts and has 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.

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.

Improving economy, efficiency and effectiveness (continued)

Partnership working

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. The Council 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.



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. However, details of these partnerships are not documented centrally.

Strong and effective partnerships are essential to deliver the council's plans and priorities. The Council should be able to identify who its strategic partners are and how they contribute to achieving corporate objectives. Although the Council has performance indicators that track the progress of the Mayor's Business Plan commitments that rely upon other bodies involvement, it is not clear which partnerships are involved and how effective they are.

Improvement recommendation 5: In due course the Council should produce a Partnership Register to show what types of partnership the Council has and how they contribute to the delivery of the five outcomes in the Mayor's Business Plan 2022 – 2026.

Conclusion on improving economy, efficiency and effectiveness

There is a significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness as there were housing services issues identified by the Regulator of Social Housing (RSH) for breaching the Tenant Involvement and Empowerment Standard, and the Home Standard. In response to the breach, the Council submitted a Voluntary Undertaking (VU) to the RSH setting out in detail how it will return to compliance by September 2024, and this has been approved by the RSH. Procurement and contract management also needs to be improved ensuring that expiring contracts were re-procured in a timely and controlled manner. There were numerous examples of contracts that had expired but were still being utilised, contracts due to expire with insufficient time available to reprocure effectively. The Council has accepted the need to develop a procurement improvement plan and a suite of performance metrics and targets to allow the improvement journey to be tracked and benchmarked against the sector. In other areas, the Council continues to improve its arrangements for economy, efficiency and effectiveness as monitored by the Improvements and Assurance Panel. We identified two areas for improvement, the production of a Data Quality Strategy and a partnership register.

Improvement recommendation

Improvement Recommendation 4

The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in the new corporate performance framework, with a view to including an assessment of specific data sets within performance reports.

Summary findings

Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management. The Council does not have a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's,

Criteria impacted

 Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Croydon Digital Service are currently producing a data strategy for the Council, in addition to this and sitting under the data strategy a new Business Intelligence project is currently in discovery stage with a workshop planned for early April 2024 and the refresh of the Business Intelligence strategy. Data Quality sits across all of the above. Confidence levels of the data which is currently used to measure the progress against the Mayor's Business Plan is high.



Progressing the actions management has identified to address the recommendations made is crucial. We consider that the timescales provided by management are appropriate and encourage the Audit and Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendation

Improvement Recommendation 5	The Council should produce a Partnership Register in due course to show what types of partnership the Council has and how they contribute to the delivery of the five outcomes in the Mayor's Business Plan 2022 – 2026. Details of how the value of partnerships is measured should be included in the Register.
Improvement opportunity identified	Strong and effective partnerships are essential to deliver the council's plans and priorities. The Council should be able to identify who its strategic partners are and how they contribute to achieving corporate objectives.
Summary findings	The Council should be able to identify who its strategic partners are and how they contribute to achieving corporate objectives. Although the Council has performance indicators that track the progress of the Mayor's Business Plan commitments that rely upon other bodies involvement, it is not clear which partnerships are involved and how effective they are.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	<p>The Council's Corporate Policy team maintains a map of all its partnership arrangements including a short description of the purpose of the board, whether it is a statutory body or not and its governance arrangements. This document can be expanded to include, where applicable, reference to the Mayor's Business Plan outcomes which the various partnership arrangements support and details of how.</p> <p>The Council's Corporate Key Performance Indicators (KPIs) framework which is reported to Cabinet each quarter includes both measures of the Council's performance, and wider contextual partnership measures. The latter reflect the wider context in which the council and other partners operate, for example detailing educational attainment, violence and crime statistics and employment rate data. While not directly aligned with specific partnerships, these measures are ones to which require a system-level response in order to make an impact, this is something which our partnership arrangements would seek to provide.</p>



Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Key recommendations from Significant Weaknesses			
<p>1 Financial Sustainability</p> <p>With three s114 notices issued in two years, and the Council making it clear extraordinary government support is required to return to financial sustainability, it will be important that the Council continues to maintain its strict financial controls over spend and discipline over its savings and transformation plans.</p>	Key	February 2024	<p>The Council continues to operate strict financial control through monthly budget monitoring, monthly directorate budget assurance meetings with the Chief Executive and Corporate Director of Resources, daily Spend Control Panels and a weekly Recruitment Panel. Delivery of planned savings is monitored each month. There is an annual cycle of budget challenge through Star Chambers to reach the annual October Medium Term Financial Strategy Update to Cabinet followed by Council Tax Setting in February and March. The Council has recently published its Transformation Plan 2024-2029 and progress will be reported to Cabinet every six months. Discussions are continuing with DLUHC in relation to the annual £38m gap in the Council's Medium Term Financial Strategy. The Council's ambition is to eventually eliminate CDs as the additional debt charges these generate are unsustainable.</p>
<p>2 Governance</p> <p>The Council could improve its risk management arrangements through:</p> <p>a) the integration of performance management and risk management with the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs);</p> <p>b) aligning Scrutiny and Overview work plans to the high risk issues identified by the Council's Risk Register and Performance Management systems in respect of service areas.</p>	Key	February 2024	<p>In the past a complete download of strategic risks has been provided for incorporation into a council wide dashboard report to achieve this linkage but it may be that Power BI can achieve this objective. This will be explored.</p> <p>The Scrutiny and Overview work plans were reviewed in late 2023 by the Scrutiny Chairs Work Programming Group, which was informed by, amongst other documents, the provision of a version of the Corporate risk register setting out the current 'red' risks to the Council. A process for updating Scrutiny on any new high risk issues added to the risk register will be put in place by Risk & Scrutiny Officers.</p>

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Key recommendations from Significant Weaknesses			
<p>3 Improving economy, efficiency and effectiveness.</p> <p>The Council needs to continue to focus on improving the quality of its housing services. Additional priority actions for the Council, identified through the IAP, include:</p> <ul style="list-style-type: none"> strengthening the quality and accuracy of its housing data. robustly contract managing the newly appointed repairs, heating, and voids contractors to ensure that performance levels remain high. drawing on the TPAS-led review and put in place an improved structure for tenant and resident involvement. 	Key	February 2024	<p>Data is a focus for the Housing Directorate and is part of the Housing Improvement Plan. Lots of data cleansing has been undertaken and backlogs have been exposed which are being prioritised and are being managed robustly internally. A new framework for monitoring contracts has begun and reports are now available which track spend and performance. The Housing Improvement Plan also includes the implementation of projects to improve tenant and resident involvement. The Housing Improvement Plan delivery is regularly reported to Cabinet.</p>

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Improvement recommendations			
<p>1 Financial sustainability</p> <p>The delivery of savings plans should be RAG (Red, Amber, Green) rated, as part of regular monitoring and reporting in the monthly financial reports to Cabinet. This will show the high-risk savings schemes that are less likely to be delivered, and what alternative plans should be in place to address any financial in-year deficits.</p>	Improvement	February 2024	<p>A savings tracker was implemented from the start of 2023-24 which lists all MTFs savings with their forecast levels of achievement, RAG rating of both financial delivery and project delivery, and progress commentary. The savings tracker is reported monthly to Corporate Management Team and Mayor's Advisory Board alongside the financial performance report. The savings tracker is also reviewed at directorate budget assurance meetings with the Chief Executive and Corporate Director Resources (s151 Officer), including discussion about any issues preventing achievement and potential alternative plans if required. The savings forecast achievement summary at directorate level has been included as a table in the financial performance reports to Cabinet throughout 2023-24, and from Period 9 there has also been a commentary added on individual savings not yet evidenced.</p>
<p>2 Governance</p> <p>The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.</p>	Improvement	February 2024	<p>The Audit and Governance Committee annually issues a report of its work over the past year. It is intended that the annual report for 2024/25 (and subsequent years) include a self-assessment of the Committee's effectiveness.</p>
<p>3 Internal Audit should provide the Audit and Governance Committee with annual independent assurance on the effectiveness of the Council's risk management processes and procedures.</p>	Improvement	February 2024	<p>The annual Head of Internal Audit Report provides independent assurance on the overall effectiveness of the Council's framework for governance, risk management and control. The last Head of Internal Audit Report was issued to the Audit and Governance Committee in September 2023.</p> <p>In addition, the 2024/25 annual audit plan specifically includes an audit of the Council's risk management.</p>

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Improvement recommendations			
<p>4 Improving economy, efficiency and effectiveness.</p> <p>The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in the new corporate performance framework, with a view to including an assessment of specific data sets within performance reports.</p>	Improvement	February 2024	<p>Croydon Digital Service are currently producing a data strategy for the Council, in addition to this and sitting under the data strategy a new Business Intelligence project is currently in discovery stage with a workshop planned for early April 2024 and the refresh of the Business Intelligence strategy. Data Quality sits across all of the above. Confidence levels of the data which is currently used to measure the progress against the Mayor's Business Plan is high.</p>
<p>5 The Council should produce a Partnership Register in due course to show what types of partnership the Council has and how they contribute to the delivery of the five outcomes in the Mayor's Business Plan 2022 – 2026. Details of how the value of partnerships is measured should be included in the Register the performance and information of how partnerships contribute to corporate objectives and how performance is monitored should be included.</p>	Improvement	February 2024	<p>The Council's Corporate Policy team maintains a map of all its partnership arrangements including a short description of the purpose of the board, whether it is a statutory body or not and its governance arrangements. This document can be expanded to include, where applicable, reference to the Mayor's Business Plan outcomes which the various partnership arrangements support and details of how.</p> <p>The Council's Corporate Key Performance Indicators (KPIs) framework which is reported to Cabinet each quarter includes both measures of the Council's performance, and wider contextual partnership measures. The latter reflect the wider context in which the council and other partners operate, for example detailing educational attainment, violence and crime statistics and employment rate data. While not directly aligned with specific partnerships, these measures are ones to which require a system-level response in order to make an impact, this is something which our partnership arrangements would seek to provide.</p>

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
Statutory recommendations – March 23			
<p>1 The Council should put in place robust arrangements to address and implement the recommendations of the s151 officer set out in her section 114 report. In our view the Council should:</p> <ul style="list-style-type: none"> finalise the root and branch review of financial management in all service departments and in respect of corporate decisions as part of Opening the Books exercise; resolve the accounting arrangements in the Croydon Affordable Homes (CAH); invest significant extra resources (when possible) in finance capacity, internal audit and risk management to ensure robust processes are brought into place to monitor progress and meet statutory financial obligations; and demonstrate clearly to council tax how the additional council tax for 2023/24 has been properly controlled and demonstrates improvements in value for money arrangements. 	Statutory	March 2023	<ul style="list-style-type: none"> Full root and branch reviews of financial management in Adult Social Care and Children’s, Young People and Education were completed by Worth Technical Solutions in 2022. Similar exercises will be commissioned during 2023 for Sustainable Communities, Regeneration and Economic Recovery, Housing, Assistant Chief Executives and the Resources Directorates. Progress has been achieved recently through a joint workshop between the Council and Grant Thornton. It is a joint commitment to conclude the accounting arrangements for CAH by the end of June 2023. Funding of £750k was set aside from Contingency for the Opening the Books exercise in 2022/23. There is currently £200k available to be rolled forward into 2023/24 which will be deployed in delivering improvements recommended from the Opening the Books reviews, which are being monitored by the Audit and Governance Committee. The Director of Finance (Deputy S151) is carrying out a review of the finance staffing structure and will submit any necessary request for short term and/or long-term growth funding for consideration through the Council’s 2024-25 budget setting process. A major new project to improve the Oracle Enterprise Resource Planning system is currently being scoped. This will require significant investment but will deliver robust financial reporting and improved support for budget managers. The project will also focus on improving administrative processes across the Council, improving its efficiency and capacity. A funding request will be made for the project by June 2023. Capacity in Internal Audit and in Risk Management has been increased in the last twelve months. Risks are being managed through the JCAD ICT System, the use of which is being promoted through a network of Risk Champions across the Council. Managers are much more engaged and are adding and updating risks on a quarterly basis. It has been agreed with Grant Thornton that the Council will produce a report by June 2024 detailing how the additional Council tax for 2023/24 has been properly controlled and demonstrates improvements in value for money arrangements

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
Statutory recommendations – March 23			
<p>2 The Council should develop a comprehensive project plan for the improvement in governance arrangements to:</p> <ul style="list-style-type: none"> develop an action plan to clear the three outstanding years of accounts and audit by June 2024; develop and enhance governance process for all key investment decisions and develop a Panel to address the accounting implication of all capital investments; Enhancing existing officer control activities by ensuring the Scrutiny Committee robustly challenges the monthly budget report from officers from a governance and control perspective; ensure that the lessons learned from the former CEO's termination payments, as set out to full council in 2022, are applied to all future Chief Officer severance payments. 	Statutory	March 2023	<ul style="list-style-type: none"> This is possible now the Council and Grant Thornton have agreed a new approach to the accounting for Croydon Affordable Homes and the Council has recently completed its review of the recharges to the Housing Revenue Account from the General Fund. A dependency will be Grant Thornton staff being available to complete the audit work. This recommendation is aligned to the Capital Strategy Improvement Plan recommendations recently delivered by PWC. Improved governance through the Capital Internal Control Board is already in place. The Treasury Green Book Model is under development and will be trialed on the Regina Road Regeneration Project ready to be rolled out to future capital schemes. Apart from Regina Road, there are no other capital investments planned in the immediate future. Agreed for immediate implementation. The requirement of Statutory Guidance on Special Severance Payment is being adhered to. There have been changes made to the Pay Policy Statement to make it clear that Special Severance Payments and severance packages of £100,000 and above should be approved by a vote of full Council. However, if the proposals are being made in the context of litigation and the making of the decision is urgent, General Purposes Committee (GPC) can approve such payments in accordance with the Council's constitution. Decisions will only be referred to the GPC for approval in limited and exceptional cases, where a decision is required urgently in the context of litigation. A robust written business case setting out the considerations for making a Special Severance Payment, along with appropriate written professional legal and financial advice, must be provided where approval for a Special Severance Payment is sought. In line with Statutory Guidance any settlement agreement between £20,000 and up to £100,000 has to be approved by the Executive Mayor and Chief Executive, with a full written business case demonstrating good value to the taxpayer, A settlement below £20,000 has the same requirements, approved by the Chief People Officer.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
Key recommendations from Significant Weaknesses in 2021/22 and 2020/21				
Financial Sustainability				
<p>1 With three s114 notices having been issued in two years, and the Council having made it clear that extraordinary government support is required to return to financial sustainability, it will be important that the Council maintains discipline over its own savings and transformation plans. For savings plans, Internal Audit recommendations for improvement in Star Chamber processes should be implemented as a matter of priority. Only plans that are realistic should be approved. For transformation projects, arrangements should be put in place for tracking and challenging outcomes before any further funding is approved.</p>	Key	April 2023	Implemented. Proposed savings plans were discussed in Star Chambers in July and September 2023 and realistic savings were approved to be put forward to Full Council in February 2024. A permanent Director of Transformation has been recruited to support tracking and challenging of outcomes for transformation projects. The approved list of transformation projects and their budget allocations are included in the monthly financial performance reports.	No
Governance				
<p>2 The Council should continue to focus on resolving Internal Audit recommendations, including from 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22.</p>	Key	April 2023	This work is ongoing and prioritised, with the Corporate Management Team (CMT) holding internal audit focus meetings to monitor progress.	No
<p>3 The Council should review arrangements for overseeing standards and codes of conduct. The Ethics Committee, in overseeing standards, should be mindful that the substance of cultural behaviour is as critical as the procedural form.</p>	Key	April 2023	Agreed and ongoing. The Council has undertaken a review of its arrangements and is satisfied that it is fit for its purpose. See report to the Ethics Committee meeting on 15th November 2023 at pages 27 - 33.	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
Key recommendations from Significant Weaknesses in 2021/22 and 2020/21				
<p>4 Improving economy, efficiency and effectiveness. Regular engagement with residents should continue. The Council's goal should be to improve upon a performance where 36% of its respondents described their experience with the Council as poor or very poor.</p> <p>As the housing contracts are re-procured or insourced, they should be sense checked for lessons learnt from engagement with the previous contractor. Working with partners is more effective where there are shared goals, clear roles and responsibilities, performance metrics that are monitored, and a forward-looking view.</p>	Key	April 2023	Agreed. The three new repairs and maintenance contracts let in summer 2023 are demonstrating good progress in dealing with the repairs and maintenance backlog	No
<p>5 The Council should continue the work started to strengthen governance over procurement. This will be particularly important as the Council prepares for new procurement legislation and a transition period of six months in 2023, when two different sets of regulations are expected to be in force at the same time. Internal Audit findings around contract letting, monitoring and management arrangements between 2019-20 and 2021-22 should be actioned at the earliest opportunity.</p>	Key	April 2023	Agreed. This is being taken forward as part of the procurement and contract management improvement plan.	

Opinion on the financial statements



Audit opinion on the financial statements

- Our audit of the Council's financial statements for 2019-20 is nearly complete. Our audit of the Council's financial statements for 2021-22 and 2022/23 have not yet commenced.

Progress reports and other findings

- We provided the Council with an Audit Progress Report in February 2024. We published Reports in the Public Interest on the Council in October 2020 and January 2022. We published Section 24 Statutory Recommendations in March 2023.

Whole of Government Accounts

- To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Preparation of the accounts

- The Council website includes a notice that the Council is unable to publish its audited 2020/21 Statement of Accounts by 30th September 2021. The notice states that this is due to a delay in the conclusion of the 2019/20 audit which needs to be completed before 20/21 can begin.
- Draft accounts for 2021-22 and 2022/23 have not yet been prepared or published by the Council

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

At the time of writing this interim Annual Auditors Report (March 2024), work to support an opinion for 2019-20 and 2020-21 and 2021-22 was not yet complete, although 2019/20 will be completed shortly.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

Previously reported high priority and statutory recommendations

Report in the Public Interest concerning the Council's financial position and related governance arrangements, October 2020

This report made 20 recommendations for the Council to address. Eight of the recommendations were presented as High Priority. The Council agreed a 99-point Action Plan in April 2020. A report to the Cabinet at the end of 2021-22 noted that 44 of the 99 Actions were confirmed by Internal Audit as complete in March 2022.

High priority recommendations October 2020

The Executive Directors need to address the underlying causes of social care overspends:

- in children's social care and take effective action to manage both the demand and the resulting cost pressures
- in adults social care and take effective action to manage both the demand and the resulting cost pressures

The Council (including Cabinet and Scrutiny and Overview Committee) should challenge the adequacy of the reserves assessment which should include a risk assessment before approving the budget.

The Chief Executive should oversee a review of the outcomes achieved from the use of transformation funding to demonstrate that the funding has been applied in accordance with the aim of the scheme.

The Council (including Cabinet and Scrutiny and Overview Committee) need to show greater rigor in challenging underlying assumptions before approving the budget including understanding the track record of savings delivery.

The s151 officer should review the financial rationale and associated risks and make recommendations to Cabinet and Council on whether the Revolving Investment Fund should continue.

The Cabinet and Council needs to re-consider the Treasury Management Strategy for ongoing affordability of the borrowing strategy, the associated risks and identify whether alternative options can reduce the financial burden.

The Cabinet and Council should review and reconsider the ongoing financial rationale for the Council in the equity investment arrangement with Brick by Brick.

The Cabinet and Council should review its arrangements to govern its interest in subsidiaries, how the subsidiaries are linked, the long-term impact of the subsidiaries on the Council's financial position and how the Council's and tax payers interest is safeguarded.

Appendix B:

Previously reported high priority and statutory recommendations

Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements, January 2022

This report made 12 recommendations for the Council to address. Seven of the recommendations were statutory recommendations around decision-making and capital projects. The Council approved an Action Plan on 3 February 2022. A report to the Audit and Governance Committee on 13th October 2022 showed that Actions for five of the 12 recommendations were RAG rated Green but Actions for the other seven recommendations were RAG rated AMBER. At the time of completing our testing for this interim Annual Auditors Report, the Council had also commissioned an investigation into the legality of specific officer's actions (fraud and other possible wrong-doing/misconduct).

Statutory Recommendations January 2022

The Chief Executive supported by the Monitoring Officer and the Section 151 Officer should ensure that Cabinet papers for major projects set out clearly

- the legal powers to enter into a particular arrangement and attendant risk
- how the Council can protect its interests and secure economy, efficiency and effectiveness.

The Monitoring Officer should ensure that

- contracts are properly executed before entering into arrangements with third parties
- the properly executed documents are stored robustly to allow future scrutiny.
- key requirements underpinning the legal advice are in place before progressing with the arrangement

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.

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.

The Chief Executive should improve record keeping arrangements so that

- the records supporting key decisions including financial analysis are maintained
- a standard approach to record keeping with monitoring of which decisions have been implemented
- tolerances are established for reporting back changes to Cabinet

Appendix B:

Previously reported high priority and statutory recommendations

Report in the Public Interest concerning the refurbishment of Fairfield Halls and related governance arrangements, January 2022

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Statutory Recommendations January 2022

The Chief Executive should work with the Leader to continue to embed

- a clearly understood distinction between the different roles and responsibilities of Members, officers and representatives of entities akin to Brick by Brick.
- clear responsibilities for officers and Portfolio Holders in challenging reports presented to Cabinet and other committees for balance, accuracy and consistency in terms of knowledge

The Section 151 Officer should ensure financial reporting on significant capital projects is enhanced so that

- a clear agreed budget for the project is identified and the underlying financial analysis is maintained
- a clear agreed project expenditure amount can be reported through appropriate governance processes
- where there are changes in the original financial assumptions that there is an assessment on the project's financial viability with appropriate reporting
- the revenue impact of any changes in the capital project are addressed in future budget setting

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 [Schedule 7] of the Local Audit and Accountability Act 2014.	Yes	<ul style="list-style-type: none"> March 23 – pages 28 and 29 Jan 2022 and Oct 2020 - Appendix B
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the [type of body]. We have defined these recommendations as ‘key recommendations’.	Yes	<ul style="list-style-type: none"> Financial sustainability – page 7 Governance – page 8 Improving economy, efficiency and effectiveness – page 9
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	<ul style="list-style-type: none"> Financial sustainability – page 16 Governance – pages 21 and 22 Improving economy, efficiency and effectiveness – pages 27 and 28

