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General Purposes & Audit Committee Supplementary Agenda

2.	**Minutes of the Previous Meeting** (Pages 3 - 18)	
	To approve the minutes of the meetings held on Thursday 14 January 2021 and Wednesday 27 January 2021 as an accurate record.	

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General Purposes & Audit Committee

Meeting of the General Purpose and Audit Committee held virtually on Thursday, 14 January 2021 at 6.32pm via Microsoft Teams.

This meeting was Webcast – and is available to view via the Council's Web Site

MINUTES

Present: Councillor Karen Jewitt (Chair);
Councillor Stephen Mann (Vice-Chair);
Councillors Jamie Audsley, Jan Buttinger, Mary Croos, Steve Hollands, Stuart Millson, Tim Pollard, Joy Prince and Clive Fraser (In place of Bernadette Khan)

Co-optee Members: Muffaddal Kapasi and James Smith

Also Present: Councillor Sherwan Chowdhury
Councillor Sean Fitzsimons (Chair or Scrutiny and Overview)
Katherine Kerswell (Interim Chief Executive Officer)
Lisa Taylor (Director of Finance Investment and Risk & S151 Officer)
Sarah Ironmonger (Director Audit at Grant Thornton)
Matt Dean (Senior Manager at Grant Thornton)
Nigel Cook (Head of Pensions and Treasury, Finance Investment and Risk)
Simon Maddocks (Head of Internal Audit)
Dave Phillip (Mazars)
David Hogan (Head of Anti-Fraud)
Malcolm Davis (Head of Insurance and Risk, Finance Investment and Risk)

PART A

47/20 Minutes of the Previous Meeting

The minutes of the meeting held on Wednesday 2 December 2020 were agreed as an accurate record, with the following amendment to:

To change names in Recommendation 6 from Councillor Stuart Millson to Councillors Stephen Mann and Steve Holland who had asked the question.

48/20 Disclosure of Interests

There were none.

49/20 **Urgent Business (if any)**

There were no items of urgent business.

50/20 **Grant Thornton - Audit Progress Report**

Officers present spoke to the Grant Thornton Audit Progress Report and provided more detail of the audit, highlighting that the report addressed the progress made rather than any definitive findings, and would report a conclusion of the audit upon completion.

In previous updates at past meetings, officers discussed how they had updated their risk assessment and various different judgments. This report included a sample of these from 2020 in comparison to 2021, thus far noting that a lot was being asked of the finance team this year due to the change in various judgments.

The progress report showed where the audit team was at present, addressing all the samples within the report that were required to be completed before the audit was finalised.

Grant Thornton officers highlighted that despite the volume of issues that the finance department was currently experiencing, they remained committed to the audit, which was important to note during this audit.

The Chair raised a question on whether there was any cause for concern within the audit. The officers advised there was concern about how quickly the audit could be completed, as the service had not reached a conclusion on the vast majority, therefore they were unable to draw any overall conclusions.

Officers highlighted the issue of the number of journals that were self-authorised, which was a control weakness. Journals should have a two-stage authorisation process to ensure accuracy within the work. This would be reported within the audit findings report. Members heard about payroll and the particular approach used for the process, and testing carried out on what was known as the full equivalent list.

Following the information shared by officers, Members discussed the report and made various comments.

Members commented on the management override of control journals and the two-step authorisation process, with a single personal authorisation process resurfacing this year having not previously been an issue, and queried whether there was evidence of it being the same departments or individuals; furthermore whether movement between journals to correct the budget was something that was common. Officers responded that the reasons auditors focused on journals was the movement of expenditure within the Council’s ledger, which raised risk and a lot of attention. Auditors were seeing a handful of self-authorised journals and wanted to build extra review around this to put retrospective controls in place. Officers further added that it was not just the finance team who could undertake journal transfers, the wider organisation was able to do this too, as such, a subsequent review was to be conducted to address the issue. Journal transfers, in summary, were income that came into one of the organisation's bank accounts, allocated to a cost centre, which would need to be moved into the relevant departments budget; or it could be expenditure incurred on one cost centre but relate to three or four cost centres, as within the organisation not everyone would be entitled to a purchasing card for strict control; however, more measures were being put in place to prevent this from happening again. Members asked further questions on the system and the movement of double entries to be made without two different authorisation numbers being tapped in. Officers clarified that some financial systems could ban this self-authorisation.

Further questions were asked relating to the inaccuracy of the staffing data, and officers informed that with a change in the system some of the analytics were easier, with the report highlighting a number of the small issues however, officers were looking at the options to resolve these.

Members acknowledged the variety of delays set out within the report, which was mostly due to the pandemic, though wanted clarification on the normal timing for an audit report to be completed for the year ending March 2020. Furthermore, questions were asked about how much the findings within this report contributed to the report in the public interest, the work that was done on the audit prior to the report in the public interest coming out, what the interrelation was between the two, along with why and what the prognosis was for missing information sent to auditors. Officers informed that the normal cycle of an audit would normally consist of planning in November, December, some early testing within that journey to March, thus a three month period. Work was carried out before the pandemic and Grant Thornton had issued their first version of the audit plan at the March 2020 meeting.

Grant Thornton continued to engage with the finance team throughout the year, and conversations were had around the value for money conclusion and the elements that were addressed in the public interest reports around budget setting and concerns about their positon in March 2020. Further conversations with the Council, throughout April and September, raised questions about what was happening on the wider value for money position, including where the financial sustainability aspect was reviewed in relation to the budget setting, which was highlighted in the public interest report. Though there had been changes within the organisation with remote operation and within the financial team, officers continued to have good level of engagement with Grant Thornton, communications had been held and officers continued to gather all information required. Subsequently, Members asked what the projected date was for the audit to be completed, with it estimated a time frame for auditors drawing to a conclusion in February, though there was complexity within the accounting standards, which may take longer to resolve.

Members followed up with comments regarding the audit sample progress update table, which was a snapshot of December, and queried whether there had been progress since then. Officers clarified that progress had happened and some areas had moved quicker than others.

Members discussed the IT systems, which was noted to have been an issue concerning access, and raised a question relating to training on the usability of systems and how management had responded. Officers shared that a risk within the audit plan was the implementation of a new system that involved data transfer. Grant Thornton had specialist auditors brought in to understand the controls. The finance team was continuing to improve the systems and still used the My Resources Board, which was set up to oversee the implementation of new elements of the system, and met regularly. There had been on-going development of the system, to ensure it continued to be robust, with many controls, checks and balances in place with internal audits to review the systems regularly.

Other questions raised by Members brought a conversation relating to an update on the Brick by Brick audit report. The officers informed that the Grant Thornton auditors had look into the work of a company called Ensoles as part of the audit as the Brick by Brick figures were consolidated into the Croydon group accounts. Further insight to how the figures had gone through and how work had been conducted was part of the process.

Members discussed their concerns relating to the excessive number of users with access, including non IT staff, and the management response, which seemed to be very weak, highlighting a lack of control. Furthermore, there were concerns relating to the number of people with server admin access within the general Oracle Cloud. Officers acknowledged that there were a lot of users with access and that there was a model where budget managers were responsible for putting on information directly. Officers were monitoring information directly into the finance system. There was a model where purchase orders could be raised within the business rather than through a small team of people. There were different levels of access for different people, and officers informed that more information would be provided to Members.

Members sought further clarification relating to controls and how Croydon was doing for the year 2019-2020 and 2020-2021, and what the plans were to manage this. Officers shared that there would be some overlap for the year 2021, and this was due to the unforeseen impact of the pandemic which had caused accounts to be sent late, meaning audits would take longer to complete, and any adjustments made the reserve levels would be affected. Grant Thornton had aimed to close the audits to be able to monitor budgets for the year 2020-2021 to a reasonable place; there was also a conversation about what the 2021-2022 year would look like regarding Croydon's financial position, value for money and setting budgets.

The Chair thanked Grant Thornton and officers for the report and the questions and answer session.

51/20 **Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2020/2021**

The Head of Pensions and Treasury spoke to the report which was part of a suite of three. The first report, which was provided in March had set the budgets that had reviewed progress halfway through the year and provided the Committee with evidence that they were compliant with the Prudential Code, Capital Finance, and the Treasury Management Code of Practice.

With regards to the economic forecast and the interest rates forecast, the consensus of opinion was that interest rates would be fairly flat. The economic update was very difficult to capture due to the pandemic. In terms of capital, Members learned that that borrowing was slightly suppressed and as a result, the limit on the amount that was needed to finance was also suppressed. Again this was clearly a response to the current pandemic.

Furthermore, officers shared that the report noted the operational boundary and the authorised limits, which was the mechanism by which the Council controlled the amount of money that was borrowed. At the time of drafting the reports the amount of borrowing held incurred by the Council was £1.4465 billion pounds, which was a large sum, and the average weighted cost of borrowing was 2.89%, which was competitive with other boroughs across London. Each month, the Council carried approximately £82.6 million pounds worth of cash which was the ongoing float invested in the investment instruments described in Appendix D. There had been no opportunities for debt restructuring.

Members thanked officers for the comprehensive report and a helpful overview, and queried the mid-year position, asking officers what their main concerns were in planning of the next six months. Officers responded noting the state of the markets and the impact of Brexit were the main concerns as there would be a more resource demanding process to secure financing and secured debt, which would be harder as it would require more evidence before lending.

Members discussed Appendix D in the report of the investment strategy in more detail and had commented that Croydon had a much higher risk because of the level of debt in place, along with the issues of day to day management. A question about whether other local authorities effectively were treated like a company when they were looking to lend or borrow additional amounts. Officers confirmed that under section 114 notices it highlighted what actions could be taken. Local authorities in this instance understood the whole process of setting budgets and taking hard decisions. Banks were familiar and a set of banks would make a deal with local authorities. With the Public Works Loan Board, for Croydon, they had changed the way they lent, reducing their rates. Although this was good news, they had set much more onerous requirements, such as officers having to provide documentation for the financial director to provide their opinion as to the Council's affordability in writing. Officers further noted that the Public Works Loan Board changes were across the sector and not Croydon specific.

Other Members asked about the approach to other councils funding Croydon, and noted that within the report in Appendix D that it suggested that all local authorities were treated equally in terms of the savings in short term investments and queried the reality of the investments options and whether there was a process to select between the local authorities. Officers responded that there were different lenders with different appetites for cash, and brokers were aware of the requirements requested, and it was not every local authority that could be approached.

Members had asked about the strategy that needed to be reviewed in light of the section 114 notices, and queried the best indicator of what would be required and when full Council would be asked to vote on this. Furthermore, the report referred to the budget of the 21st September that was to be revised following any updates to the budget, and queried why the inaccurate figures had not been revised. Officers informed that the report was a work in progress that had shown the progress of the capital programme for the year. Though the figures were noted from the report on the 21st September, officers explained that they were the most up to date accurate forecast where the expectation was for the capital expenditure to be suppressed simply because of the current environment, but also because of the demand for notice and reining back on expenditure. More up to date information was to be available for the February reports as part of the budget setting process, and there would be a recasting and rescheduling of the capital programme. Officers reminded Members that a report on the capital programme was to be heard at January's Cabinet meeting next week with further opportunity to review the draft capital programme for the three years ahead. It also contained changes to the one year capital programme, and was a new report in addition to the normal cycle of reports produced. This was to prepare Members for the budget papers in February. With the issue of the pandemic, there had been a shift in dates for meetings and a delay in this mid-year report being received.

Members reviewed the funding table and noted that there was quite a bit of movement in how funding was sourced in September, with a reduction of approximately £50 million from the borrowing requirement due to other funds, including capital receipts, a slight increase in capital grants, and an increased allocations in terms of section 106. Furthermore, comments were made on the section 106 payments relating to the annual planning monitoring report for 2019-2020 and the seal receipts. Questions were raised asking for the capital receipts that actually enabled that to be applied to the capital, and information on what the seal in section 106 receipts was at the end of 2019-2020 and how it would help going forward. Officers responded that the section 106 numbers and the seal the community infrastructure numbers in table three of the report was what was being proposed to use in-year to fund the capital programme. This was not the total amount of seal in Section 106; furthermore officers noted the questions raised for a more detailed written response to the whole committee.

There was a question from a Member asking what would concern officers in future years taking the whole report into account, and officers informed they had reviewed the limits and had set controls to work within those limits. This was to avoid borrowing excessively and beyond what had been agreed by the elected Members. Referring back to the report, there was an average cost of debts which was 2.89%, and having a potential code and a code of practice, structures and procedures would be in place. In addition, monitoring the level of borrowing and cost of debt was essential as without, the absence of what had been adopted would be sufficient to cause concern.

The Chair highlighted information within the report relating to the treasury management strategy statement and annual investment, which noted the approval by full Council on the 2nd March, though there was a possible change. Officers clarified that this was intended to be part of the budget reports as it had to reflect changes to the way in which the Public Works Loan Board worked and the different levels of evidence requested, which included the local regeneration, and Croydon’s ability to invest.

The Chair thanked officers for the report and the question and answer session.

The Committee **RESOLVED** to note the contents of this report.

52/20 **Internal Audit Update Report**

The Head of Internal Audit spoke to the internal audit report which was a regular interim update. The report covered the period following the annual report provided in the October 2020 meeting.

In summary, the contractor was behind in completing the audit work. In section five of the report it showed the progress against the plan. The principle reason was that because of COVID-19 very little audit work had been done at the start of the year as contractor staff were furloughed and thus work did not commence until July. The contractor had indicated that resource could be available to complete the audits by the year end, however, given the organisation’s capacity the plan would not be finished within the year. Nonetheless there should be enough work completed for an annual Head of Internal Audit opinion in the annual report.

The report showed progress on follow ups where improved progress had been made on the older tasks.
Further to the report there was more information available on individual audit reports, as they are published on the website and available for public to also review.
Members asked for clarity about where the original audit plan would not be completed due to capacity issues and requested for a document to indicate which of the planned programme would not be carried out. The Head of Internal Audit indicated that a slightly amended plan was attached to the back of the report and that all of that work would be completed, albeit not by the year end.

A question was raised on whether all the follow ups would be completed as scheduled, and whether officers compared this expectation at this stage in the cycle. The Head of Internal Audit explained that follow-ups and implementation of recommendations was largely where expected. Implementation of the most recent years was usually slightly behind target, but would always catch-up.

Other questions raised included whether there was any specific risks that was raised for the Council as a whole by the inability to conclude the internal audit programme this year or be entered on the risk register and the Head of Internal Audit confirmed again that the plan would be completed, just not by the year end.

There were also questions about the audit of the Fairfield Halls delivery audit, which reported in November 2020. Additionally, Members noted that work was awarded to Brick by Brick without a competitive process and without a formal contract, which led to a question on whether this was usual for a redevelopment of that size by the council. Officers informed Members that using a license instead of a contract was not a conventional way of working, though it was not known whether it had been done on any other large project as such. Further, there was a no assurance on the Fairfield Halls audit as mentioned in the report, and officers had recently commissioned a value for money review on the Fairfield Halls project governance, which was expected to take four to six weeks and would be feedback to Members upon completion.

There were further comments in regards to Fairfield Halls and the review relating to one of the Fairfield carparks where the lease was sold to NCP approximately ten or eleven years ago. Members queried the review and the history of the redevelopment or the refurbishment of Fairfield and whether that carpark had left ownership, or had been sold or could potentially be stopped in terms of value for money.

Members commented on Brick by Brick and Fairfield Halls and given some of the circumstances and the amount of money involved, questions were raised about the conflicts and how this was allowed to rise. With reference to the no assurance, Members asked of the first warning sign, and why issues with the Fairfield Halls redevelopment that were reported two to three years ago was only now being acknowledged. Officers informed that once concerns were raised effectively an audit at its earliest opportunity was construed, which was why it was included within the plan. There was no prior acknowledgment of any concerns in the past. Senior officers further informed that this was an audit after the delivery of the works of the Fairfield Halls, thus this was the first time the department were asked to audit and create this report.

Members discussed their concerns about the impact upon capacity which had given a 17% workload completion compared to 53% at the mid-year point the previous year, and raised a question relating to whether completing the internal audits was realistic and if it was not completed whether work would be carried forward, written off or just marked as not completed. Officers clarified that the information within the report was until the end of October 2020 where the completion rate was at 17%. As of January 2021, the service was up to 30%. Officers planned to finish the audits, with some being completed after the end of the year. All the work was valid due to their areas of concern or potential risk. It was also noted that fees were only paid for work received.

One of the Independent Co-optee Members noted that the Head of Internal Audit worked two days a week, and wondered how work was being managed, and further referred to an article last year from finance, reporting Council, which stated that Mazars' quality of audits for the public sector required significant improvement, and queried whether this was acknowledged by officers and what was being done. Officers acknowledged the report and noted that it had referred to Mazars' external audit work, which was different to the team for internal audits used in Croydon. Additionally, the internal auditors worked under a very experienced Head of Internal Audit and officers were happy with the quality of their work and any deficiencies found were corrected with no hesitation. Internal auditors would indeed be well supervised. In reference to working two days per week, it was noted that this provided the right level of supervision to the internal audit contractor. With Mazars supporting this arrangement it also highlighted that the council was delivering in a cost effective basis as it was gaining results through the organisation. The section 151 Officer acknowledged the arrangement were working well for Croydon Council, which was set up prior to her lead role, and confirmed that she was comfortable with the arrangements, which may change should there be a change within the Council. The internal audit annual report also reviewed the internal audit providers ensuring it was delivering what was required in the supervision of a very experienced head of internal audit.

Members raised questions in relation to processes, and in reviewing this year's report prior to recommendations querying whether reviewing the report online would provide officer's response to the recommendations. Officers confirmed that they would identify the issues and ask the relevant team to identify what they would do to mitigate the issues raised, which was found in the detailed reports. Supplementary, Members specifically queried the response for a park strategy. Officers received a response to the follow up to the parks audits where there were three priority one. A renewal plan had been put together taking into account these priorities and the direction of how they would manage the parks, which was exactly what officers wanted the policy to address. Though this plan was drafted and agreed, internally, in September/October 2020, the renewal policy was currently under continuous review, in line with the Council's changing staffing and budget arrangements. There were further comments from Members about the parks concerning the lack of risk assessment, which should have been a priority in house, particularly as parks were growing in importance throughout the pandemic and Members asked what stage the risk assessments was at with a shortage of money, to avoid seeing playgrounds decommissioned. Officers informed that this issue had been raised and officers were informed that there was an ongoing programme in place to take the remainder of the risk assessments, which were due to be finished by the summer. Furthermore, officers commented that there was a rolling basis of risk assessments in progress at the time of the audits, though they were progressing far too slowly. However this had now been resolved and the outstanding issue in terms of priority ones was the fire risk assessments, which was currently with facilities management for further update. The playground equipment was a separate issue and officers were happy with the playground equipment. Officers also clarified that the parks had three different parts of the Council looking after them, namely the parks maintenance service who was responsible for the lawn mowing, the gardens and pruning; the facilities management who had been responsible for the infrastructure; and another team that was more involved in other aspects.

The Chair thanked officers for the report and the questions and answer session.

The Committee **RESOLVED** to note the Internal Audit Report to October 2020 (Appendix 1).

53/20 **Anti-Fraud Update Report**

The Head of Anti-Fraud spoke to the anti-fraud report, and summarised the report in three parts. The first was focused on the performance of the team. In the report, officers guided Members to the figures which were slightly down although the number of investigations was broadly the same as last year. Officers advised the inability to complete a lot of the investigations was due to the pandemic and due to the restrictions working in key areas, visiting residents and interviewing people suspect of fraud.

In response to the previous committee meeting, officers had added a couple of case studies relating to the Covid-19 business grants, which was to give the Committee an illustration of some of the things seen.

Officers further added in the report staff internal investigations. Following a request from the December 2020 meeting, there was a very high level of data provided.

The Chair and Members thanked officers for the good report that included case studies, which helped understand data better, and the work operated by officers in doing thorough work.

Members discussed the case study and noted the issues that were being investigated, and raised a question as to how the case studies became referrals in the first instance, and in terms of investigations how it was granted. Officers responded that in the first grant scheme they had built an application process, which asked applicants to provide details about their business, about who they were. Some of the fraud cases had been picked up through the application process as they had been identified early and in many of these cases money was stopped from being paid out. With the examples provided, officers were able to identify the suspicious activity early to address the fraudulent activity to stop paying out the grants that the individual was never entitled to. Supplementary, Members asked how convinced officers were in finding any misdemeanours in the application process by other means. Officers informed that they had built a fairly tight application process, addressing the fraud risks, and had put in place fraud prevention from the start. Officers was assured that they had a good scheme as they were learning new things all the time.

Further to the case studies, Members commented on lessons learned, and enquired whether the lessons learned were easy for all to learn from and to replicate in the future, and whether there was any mechanism for feeding back to the Treasury Chancellor. Officers responded that they were accountable to the Department for business energy and industrial strategy in terms of grants, and that department also had seen the reports and would have seen how these frauds were occurring. Officers were seeing more requirements on the gov.uk website and noted that it was being fed back to government which was making a difference.

Members raised a question relating to fraud and in the context of the pandemic which was fast changing and the type of fraud committed. In particular, in the digital world what the officer's approach was to the future in a time of pressure, capacity and what were the risks not mentioned within the report. Officers responded that the pandemic had brought a whole raft of new challenges and as fraud was always changing, in a time of pandemic, fraudsters would see it as an opportunity. Officers noted that across local and central government they was understanding about these fraud risks and looked for solutions. Officers had recently sent off the data for the National fraud initiative, which was a statutory exercise for all councils with the Cabinet Office every two years, and this year it had included the pandemic business grants, and thus with the fresh review locally, regionally, or nationally, they would be fighting back against fraud.

Positive comments were made by Members about the rigorous application Croydon had set up for businesses, which had seen a low number of investigations. Officers noted that as the process had been set up early, it had caused delays in payments to businesses, and this had really been positive for the Council as, for example, if there were fraud cases the cost of the fraud was the responsibility of the local authority and Croydon could not afford to recover business grants that had been paid out to those not eligible.

Comments were made by Members on the downside to which fraudulence would fall on the local authority, where, for example, the Council was being as thorough as possible, there may be some local authorities that would potentially be reluctant to investigate if it meant that they would be liable for funds that was paid out due to fraud; in addition, when recuperating losses or funds from fraudulent claims, in effect, it covered the Council from having to indemnify the government. Officers confirmed these points.

Members commented on the notion of getting the balance right, addressing that it was making sure the metrics was correct and that the Council was not too focused, given the financial situation, on the anti-fraud side, meaning that the Council had been unduly harsh for some businesses. Officers acknowledged the comments and noted that that the post assurance information would show in the near future some comparators which would be useful.

The Committee **RESOLVED** to note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2020 – 30 November 2020.

54/20 **Corporate Risk Register**

The Head of Risk & Insurance spoke to the risk register report, which were risk rated at twenty or twenty-five. Officers informed that there was twenty-five risks, which was currently rated as corporate red.

The risks were categorised into one of three categories:

The first category was large numbers of existing risks, which were identified as being the existing stock demand, budget gap risks in areas such as Adult Social Care, Special Educational Needs, Unaccompanied Asylum Seekers and so forth;

The second category of risks was specifically related to the pandemic and Covid-19, and responded to the public health emergency, which was developing on a daily basis, which officers were very focused on from a risk point of view; and

The third set of risks related to the major financial challenges arising from the section 114 notice and governance issues, which were highlighted in the report in the public interest, and the ability of the council to respond to the to the report in the public interest (RIPI).

Officers advised that the risk management team, had been doing a significant amount of work with Members and new members of the executive leadership team, in particular, to review the register.

Officers added that an area of development was in relation to target dates for future control measures, and a lot of work was being done around this. In other cases, there would be control measures set up with the risk owners for a more definitive target date, so that there was assurance on the progress towards achieving those future control measures where appropriate. One risk register, which took twelve months was the horizon scan, and thus as a future controller, officers would look to achieve it within that time scale.

Officers concluded following Members queries that future reports would include a one page guide to rating risks both for likelihood and impact, which would help interpret the risk register to decipher a rating of five for likelihood to a rating of four for impact, for example.

Members welcomed the comprehensive report and discussed some of the risk register in detail.

The first comments were in relation to the tracking of long standing risks and long standing future controls, it was asked whether there was the potential to have a report highlighting future controls not delivered within that twelve month period. Officers responded that it was feasible to effectively investigate using the Council's risk management software to review how long those future controllers had been on the register. In the short term officers or risk owners should be asked whether a future control could be delivered in twelve months, in which case, it would provide data alternatively to the reality of existing controls.

Members made comments relating to individual risks particularly EHCSC001 in the report, where the future controls seemed very sensible with a robust set of measures. Although with the scales, if it was to be implemented or mitigated, it suggested that management did not believe the Council would be able to implement all of the future controls, and so there would only be limited impact. Officers acknowledged the comments made and drew Members attention to the Unaccompanied Asylum Seeking Children risks in the report where the future risk rating reflected a realistic outlook and there was not a lot the Council could do to control the demand in this area. A lot of the control measures were listed around the national transfer scheme working effectively, though all local authorities were under pressure, which highlighted risks, and in reflection to the ability to control this risk, or where it would go in the future.

In relation to the ELT0005 risk within the report, Members felt it was quite likely that that the Council would not be able to balance the budget, and the impact was described in the risk scenarios as clearly enormous. Members queried whether there was a timeframe as it was clear that the time would run outside of the twelve months and wondered how officers planned to manage this. Officers addressed the Committee on the delivery of the 2021 balanced budget, which was a major control measure around the capitalisation. The section 151 officer informed that the current financial year, which would end on the 31st of March 2021 would see that time was against the Council, which was why the Council was operating under a section 114 notice as the Council could not deliver a balanced budget. Following an application to MHCLG for a capitalisation direction, officers were awaiting a response which would shed light to what would happen next; should the Council get to the end of the financial year without hearing back from MHCLG, with regard to this financial year (2020-2021), officers would have to end the year with a negative reserve due to the £7.4 million unaudited general fund reserve at the moment, and officers were predicting a much higher forecast spending year, which meant the negative reserve would be carried forward. This was also the case for the capitalisation direction for the 2021-2022 financial year, should there be no response from MHCLG officers cannot set a balanced budget for the year. Furthermore, officers shared that the report which was part of the budget report which would be heard at Cabinet and Council in very late February, early March. Should the Council not be able to balance its budget, it would need to continue to operate under a section 114 notice and a new one would be issued for the financial year of 2021-2022. Members were reminded that Croydon was not the only local authority in this position and MHCLG had a lot to review, balance and weigh up when making their decisions.

In relation to PH001, Members wanted clarity on what this stemmed from. Officers informed that this the risk related to the statutory obligations of the Director of Public Health, which was dominated by Covid-19. This was put on the risk register by the Director of Public Health upon reflection having received a wide ranging statutory duties to respond to the public health emergency and related issues in unprecedented scenarios. There was concerns about the Council's ability to deliver statue obligations in relation to the Covid-19 pandemic, and other wide ranging responsibilities and obligations the local authority had. This risk was rated red because officers shared concern about the way the pandemic was developing on a daily basis and the Council's ability to respond appropriately. Additionally, Members asked about the future controls given all the uncertainties that it lowered the likelihood of this from a five to a three. Officers responded that as part of the review of future controls, rating also reflected cautious optimism of others in the longer term in responding to the Covid-19 pandemic, though the vaccination programme and the other things were in place across the borough to control this, officers would need to receive further information from the risk owner.

In another Covid-19 related risk on the register, C190017, Members asked whether the current likelihood which was listed as four and a future likelihood of three, was considered with the increased infection rate. Officers informed that it was to be reviewed as the data was out of date upon publication, and at the moment it was rated at 20, and this arguably could be a 25, thus the risk owner would be the one to escalate it.

The Interim Chief Executive Officer provided further assurance informing that she chaired the Gold control part of the emergency response to the current situation and the group regularly reviewed a very specific risk register in regard to the Covid-19 pandemic readiness. This had gone through a lot of detail at Silver and Gold meetings, which consisted of the global risks aggregated and very specific risks.

In relation to the risk ED003 on the increased number of Council maintained schools moving into financial deficit and potential default, Members commented that the only future control listed for this risk was a decision to delay the independent financial review of schools to later in the autumn term, to allow schools to restate their budgets, and queried whether this had reduced the future risk rating from five to three, which seemed quite dramatic, considering it was just delaying any action. Officers responded that it was the effectiveness of existing controls the risk officer had made and in review of the finance teams in relation to schools in deficit and earlier intervention to spot problems early and assist schools in question. Officers assured Members that they were working very closely with all schools monitoring their budgets before they would get into a deficit position, and if the schools were looking like they were moving into deficit, officers would start to put in place measures with them, which involved school meeting with officers from the finance team of the Council and also the children, families in education department of the Council. The schools forum was also receiving reports regularly on schools and the schools financial position. Officers would update at the next committee a report on the independent financial review of schools.

In relation to the risk PST001 which related to the Whitgift Centre not developed, or redeveloped as anticipated, Members commented that they did not think the future controls for this risk were fit for purpose and potential actions should be put in place with an alternative strategy to the approach of the redevelopment of the Whitgift Centre. Officers commented that a potential item for a future committee meetings could be scheduled to give a risk presentation where officers could discuss in detail the risks. This was supported by the Interim Chief Executive Officer who commented that the risk register was a live document that was discussed, reviewed, amended, updated, and sought improvement.

Members discussed the approach to risk itself and raised a question that following the RIPI what approach and learning had officers taken, and how had the leader of the institution (political and executive officers) changed or developed the approach to risk within that period. Officers responded that the risk management framework was very explicit that risk was every officer's role and that the framework was only as good as the officer's and Members who applied it. Officers added that the executive leadership team and Members were taking the risks very seriously, and focused on areas highlighted in the RIPI, particularly where risk was specifically referenced, which was getting a lot of officer and Member attention. Officers were encouraged by people asking for support and assistance in updating the register and really getting engaged with the process, in terms of making sure that it was up to date, and really reflecting realistically of the current status.

The Chair thanked officers for the report and the questions and answer session.

The Committee **RESOLVED** to note the contents of the corporate risk register as at January 2021.

55/20 **Exclusion of Public and Press**

This was not required.

The meeting ended at 9:15pm

Signed:

Date:

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