

# General Purposes & Audit Committee Agenda



To: Councillor Karen Jewitt (Chair)  
Councillor Stephen Mann (Vice-Chair)  
Councillors Jamie Audsley, Jan Buttinger, Mary Croos, Steve Hollands,  
Bernadette Khan, Stuart Millson, Tim Pollard and Joy Prince

Co-Optee Members: Muffaddal Kapasi and James Smith

Reserve Members: Clive Fraser, Pat Clouder, Felicity Flynn, Nina Degrad, Patricia Hay-Justice, Jason Cummings, Ian Parker, Badsha Quadir and Simon Hoar

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Thursday, 14 January** at **6.30 pm**. This meeting will be held remotely. Members of the Committee will be sent a link to remotely attend the meeting in due course.

**PLEASE NOTE:** Members of the public are welcome to remotely attend this meeting via the following web link: <http://webcasting.croydon.gov.uk/meetings/11367>

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Wednesday, 6 January 2021

The agenda papers for all Council meetings are available on the Council website  
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If you require any assistance, please contact Michelle Ossei-Gerning  
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## **AGENDA – PART A**

**1. Apologies for Absence**

To receive any apologies for absence from any members of the Committee.

**2. Minutes of the Previous Meeting (Pages 5 - 16)**

To approve the minutes of the meeting held on Wednesday 2 December 2020 as an accurate record.

**3. Disclosure of Interests**

In accordance with the Council's Code of Conduct and the statutory provisions of the Localism Act, Members and co-opted Members of the Council are reminded that it is a requirement to register disclosable pecuniary interests (DPIs) and gifts and hospitality to the value of which exceeds £50 or multiple gifts and/or instances of hospitality with a cumulative value of £50 or more when received from a single donor within a rolling twelve month period. In addition, Members and co-opted Members are reminded that unless their disclosable pecuniary interest is registered on the register of interests or is the subject of a pending notification to the Monitoring Officer, they are required to disclose those disclosable pecuniary interests at the meeting. This should be done by completing the Disclosure of Interest form and handing it to the Democratic Services representative at the start of the meeting. The Chair will then invite Members to make their disclosure orally at the commencement of Agenda item 3. Completed disclosure forms will be provided to the Monitoring Officer for inclusion on the Register of Members' Interests.

**4. Urgent Business (if any)**

To receive notice of any business not on the agenda which in the opinion of the Chair, by reason of special circumstances, be considered as a matter of urgency.

**5. Grant Thornton - Audit Progress Report (Pages 17 - 32)**

To receive the progress report from the Council's external auditors, Grant Thornton.

**6. Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2020/2021 (Pages 33 - 52)**

This Report is prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) codes of practice in respect of capital finance and treasury management.

The Committee is asked to note the contents of the report.

**7. Internal Audit Update Report (Pages 53 - 80)**

This report details the work completed by Internal Audit so far during 2020/21 and the progress made in implementing recommendations from audits completed in previous years.

The Committee is asked to note the content of the report.

**8. Anti-Fraud Update Report (Pages 81 - 88)**

This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2020 – 30 November 2020.

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

**9. Corporate Risk Register (Pages 89 - 124)**

The report updates the General Purposes & Audit Committee Members on the corporate risk register.

The Committee is asked to note the content of the Corporate Risk Register as at January 2021.

**10. Exclusion of Public and Press**

The following motion is to be moved and seconded where it is proposed to exclude the press and public from the remainder of a meeting:

“That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information falling within those paragraphs indicated in Part 1 of Schedule 12A of the Local Government Act 1972, as amended.”

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# Public Document Pack Agenda Item 2

## General Purposes & Audit Committee

Meeting of held on Wednesday, 2 December 2020 at 6.30 pm.

This meeting was held remotely and a recording of the meeting can be viewed on the Council website

### MINUTES

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

James Smith (Independent Co-optee)

**Also Present:** Councillor Sean Fitzsimons

**Apologies:** Muffaddai Kapasi (Independent Co-optee)

### PART A

#### 41/20 Minutes of the Previous Meeting

The minutes of the meetings held on 7 and 20 October 2020 were agreed as a correct record.

Arising from the minutes of the meeting held on 7 October 2020, Councillor Millson questioned whether the Annual Governance Statement had been amended to take account of the comments raised by the General Purposes and Audit Committee (GPAC) prior to being signed off. It was advised that this would be checked and confirmation would follow. (Note: it has subsequently been confirmed that the Annual Governance Statement was amended to take account of comments made at the GPAC meeting).

Councillor Millson also requested that the minutes of GPAC be expanded to include more detail such as the names of the Councillors against the questions they asked or comments made. It was agreed that the Council's approach to minutes needed further reflection to find a pragmatic solution, as near verbatim minutes were considerably more resource intensive to produce, especially when the recordings of the meeting were available. It was highlighted that recent Audit investigations had used Committee minutes, which were considered to be the legal record of the meeting, to inform the evidence gathering process, as such thought needed to be given to the legal requirements for minutes. One possible option may be to use a technological solution to provide a more complete record of meeting which could accompany summary minutes, but if this route was followed, there would be a need to ensure any such solution was retained in perpetuity.

42/20      **Disclosure of Interests**

There were no disclosures of interest made at the meeting.

43/20      **Urgent Business (if any)**

There were no items of urgent business.

44/20      **Report in the Public Interest - Action Plan**

The Committee considered the Report in the Public Interest which had been debated at an extraordinary meeting of the Council on 19 November 2020, along with an accompanying action plan that had been created to address the recommendations raised in the report. The action plan had been referred to the Committee for review, with any feedback due to be submitted to the Cabinet at its meeting on 18 January 2021.

Sarah Ironmonger from the Council's external auditor, Grant Thornton, introduced the report by delivering a presentation which provided additional context including summarising the role of an audit committee, reviewing the terms of reference of GPAC, explaining Integrated Assurance, summarising the duties of external auditors, as well as outlining the themes of the report in the public interest.

A copy of the presentation can be viewed on the Council website on the following link:-

<https://democracy.croydon.gov.uk/documents/b7979/Item%205%20-%20Introductory%20Presentation%2002nd-Dec-2020%2018.30%20General%20Purposes%20Audit%20Committee.pdf?T=9>

Arising from the presentation the Committee had a number of questions, the first of which from Councillor Millson asked for further clarity on the threshold for GPAC making recommendations to the Council. In response it was advised that it was a matter for Members to consider whether what they were being told was of sufficient importance that it needed to be escalated above the Audit Committee. For instance, when reviewing an internal audit report the Committee can provide challenge where recommendations have not been implemented, but should assess whether it is of sufficient concern to bring it to the attention of Council. Part of the role of an Audit Committee was to operate outside of politics interests, instead it should focus on what was right for the authority.

As an example, Councillor Millson suggested that should the Committee identify items that were being brought forward outside of existing budget controls, then consideration would need to be given to referring these to Council.

Councillor Tim Pollard highlighted that the Report in the Public Interest had been critical of transformation spending and had questioned whether it has

resulted in any real transformation. Furthermore, when transformation projects were commissioned they should start out with objectives, but it seemed that when these outcomes had not been delivered there was no process in place for reviewing projects to establish the reasons for this. As such it was questioned whether, for the projects arising from the Croydon Renewal Plan, Councillor Stuart King should be regularly reporting back to Cabinet on the progress made on.

In response it was advised that for any complex project it was good practice to have tracking in place to help determine whether the intended outcomes had been delivered. Many transformation projects often take longer than 12 months to deliver their intended outcomes and needed to be viewed as an investment. In some cases, although the original outcomes had not been achieved, it was often the case that project evolved during the course of their lifespan and needed to be redirected toward new priorities. As part of a robust programme management process it would be good practice to have regular updates on long term projects reported back to Members to provide the opportunity for challenge.

Councillor Pollard also suggested that the Committee needed to give consideration to how it could get other backbench councillors more involved in the audit process.

Councillor Mann highlighted that many of the reports presented to GPAC asked for the content to be noted and it may help to strengthen the role of the Committee if this was changed to 'make recommendations'.

Councillor Mann also highlighted that a predecessor of GPAC had fed into decision making on the sale of council assets and questioned whether this was something the Committee should be looking to do going forward. In response, it was highlighted that audit committees are not part of the decision making process and it would be unusual for them to be making asset disposal decisions. Alternatively, GPAC could make recommendations to Council such as the need to ensure learning from previous investments was reviewed before progressing with future investments.

Finally, Councillor Mann questioned whether the fact that GPAC had had four different Chairs in the past six years had led to inconsistency and whether there could be an opportunity for the Committee to use peer learning from other authorities? In response it was advised that peer learning was a good idea, although work would be required to identify the right authority and the delivery mechanism. Changing Chair regularly can make it difficult for a Committee to gain consistency, but conversely a fresh pair of eyes can bring a renewed focus.

Councillor Tim Pollard suggested that a change to the threshold for Member decision making had further removed the majority of Councillors from decision making, which meant that most Members lacked the means of keeping informed on the activity of the Council.

In following up this point, Councillor Steve Hollands highlighted that in his opinion there had been a disparity between the information provided to administration and opposition councillors no matter whether the Conservatives or Labour had control of the Council. From his experience of the Committee system, it was felt there had been more information available to a wider variety of Members.

The concerns raised about the flow of information to Members were echoed by Councillor Prince, who advised that backbench administration councillors had a similar view. As such it was important that the findings of the Governance Review on the ability of Members to access information were not lost.

Councillor Jamie Audsley felt that the lack of uptake of training from Members had also contributed to a lack of understanding of the Council. He also questioned whether audit recommendations had been treated with sufficient importance when received in the past. In response it was advised that the auditors only tended to make a limited number of recommendations and these were on areas they considered needed to be taken seriously.

Following the initial discussion on the presentation the Committee focussed its attention on the Action Plan for the Report in the Public Interest. To ensure that the action plan was reviewed in detail the Committee decided to review each of the 24 recommendations in turn, with each being introduced by the officers present. What follows below is a summary of the comments and recommendations made by the Committee during its discussion.

#### Recommendation 1A

Councillor Hollands highlighted that one of the key issues contributing to the budget overspend was the demand for Children's Services and the need to manage this demand was one of the major challenges facing the Council. As such it was essential that data was available to ensure the service could be managed effectively. It was confirmed that data was available and tracked on a weekly basis. The overspend in the Children's Service was due to a number of different factors which included not managing down demand, too expensive placements and not moving children on from placements to more sustainable arrangements quickly enough.

It was confirmed that a report was due to be considered by the Scrutiny & Overview Committee in January 2021 which would provide more detail on the delivery of the actions set out in the action plan.

Councillor Tim Pollard highlighted that every budget agreed by the Council in recent memory included the need to manage demand within social care. As such further consideration needed to be given to how assurance could be given to Members that this was being managed, with a dashboard suggested as a possible means of achieving this.

It was agreed that a potential addition to the action plan could be the ongoing production of a transparent data set to track the progress made with



addressing demand in social care. It was suggested that this should include comparison data with other London authorities and statistical neighbours.

Councillor Bernadette Khan stated that an underlying principle should be that there are no children at risk in the borough. This statement was supported by the other members of the Committee.

In response to a question from Councillor Prince about the Partners in Practice scheme it was confirmed that this was national scheme which paired a local authority in need of assistance with a partner authority to drive improvement. As an example, it was highlighted that the Council had been paired with the London Borough of Camden as part of the improvement journey for the Children's Service. It was agreed that confirmation of when the partnership with Camden began would be supplied to the Committee after the meeting.

#### Recommendation 1b

It was confirmed that the first action under this recommendation had now been completed had been completed.

The Committee did not have any suggestions specifically for this recommendation.

#### Recommendation 2

In response to a suggestion from Councillor Audsley that it may help raise awareness of the Council's reserves by announcing the current level held at the start of each Council meeting, it was advised that the General Fund reserves tended to remain static during the year until drawn down at year end. It was agreed that further thought could be given to improving Member's awareness of the Council's reserves.

In response to a question from Councillor Buttinger, it was confirmed that the reserves would next be considered by the Council as part of the Budget report on 1 March 2021.

Councillor Millson suggested that as there tended to be greater movement within the earmarked reserves there should be further work to identify how to best ensure Members remained informed about what was happening with these reserves. It was confirmed that performance data for both the general fund and earmarked reserves was being developed.

Councillor Millson also questioned the feedback process should the Committee have concerns about the Section 151 Officer's reserves assessment. As a result it was agreed that the need to ensure there was sufficient time built into the budget setting process to allow for any of the Committee's concerns to be addressed.

#### Recommendation 3

Councillor Prince questioned what would happen if the review of transformational funding found that not all funding had been used for its intended source. It was advised that should this happen, funding may need to be reversed which would have an impact on the general fund. Alternatively it may be the case that alternative transformational uses could be identified.

It was agreed that further consideration needed to be given to how to improved Member's understanding of transformational funding.

#### Recommendation 4

It was noted by Councillor Mann that the third action under this recommendation was for an annual report on the use of transformation funding and the delivery of schemes to be presented to the Scrutiny and Overview Committee. As such it was requested that this report also be presented to GPAC.

Councillor Mann also questioned whether there could be an opportunity for GPAC to review the business cases mentioned in the second action point. It was advised that further consideration would be required on the mechanism for this to ensure that business cases were not unduly delayed.

#### Recommendation 5

It was noted that the Dedicated School Grant Recovery Plan was due to be included on the agenda for the next meeting of GPAC in January 2021.

Councillor Bernadette Khan commented that she was pleased to see the integration of SEN children into mainstream education. As a follow up to this comment, Councillor Prince questioned how academy schools could be encouraged to play a role in integration. In response it was advised that the Director of Education was currently working with schools to implement a strategy for this.

Councillor Audsley highlighted that it was essential to manage the Council's relationship with the Schools Forum to ensure that collective responsibility was taken in delivering improvements.

#### Recommendation 6

Councillor Millson welcomed the change in emphasis in action 2 which was to negotiate with the Home Office and the Department for Education to secure financial support, as previous activity to highlight UASC funding issues had been limited to lobbying. However, it was questioned whether there was a contingency plan should negotiations not be successful. It was acknowledged that there was no guarantee that the Council would be able to negotiate the same level of financial support as other port of entry authorities, but conversations with the Department for Education had indicated there was a will to realise the costs.

There was support across the Committee for moving the conversation over UASC away from a purely cost perspective to one more focussed on the

number of children that could be safely supported within the borough. It was suggested by Councillor Audsley that work should be undertaken to understand what provision was currently available for flagging safeguarding risks and the thresholds for the number of UASC that could be safely looked after by the Council. Once this had been established the Council should work with Ofsted on a system for other authorities to house UASC once the safe limit had been exceeded.

#### Recommendation 7

It was highlighted that the deadline for the actions listed under this recommendation was likely be extended given the significant amount of detailed work required to deliver them.

#### Recommendation 8

In reference to action 2, it was suggested that the relevant Cabinet Member should be included under the reference to the “accountable person”.

#### Recommendation 9

Although supportive of the actions contained within this recommendation, Councillor Prince highlighted concern that it would delay the implementation of the decision by Council relating to the Governance Review Panel further into the future. One element of which was the Cabinet Member Advisory Committees (CMAC) , one of who primary purposes was to increase the involvement of backbench members in decision making, allowing them to gain expertise in certain areas.

It was suggested that the Cabinet Member for Resources & Financial Governance, Councillor Callton Young, should be added as an accountable Cabinet Member, in addition to Councillor Stuart King.

#### Recommendation 10.

A request was made for the deadline, which was listed as “underway”, to be reviewed, in order to provide greater clarity over the delivery of this action.

#### Recommendation 11

In response to a question from Councillor Mann over whether the Growth Zone actions needed to incorporate any potential Westfield development, it was advised that this development would be included as a large part of the Growth Zone was predicated on it being delivered. In response to a request for an update on the status of the Westfield development, it was advised that it had been indicated by the developer the current consented scheme was unlikely to proceed and work was underway with the developer on a revised scheme that would require new planning consent.

#### Recommendation 12

It was confirmed that the use of the revolving investment fund had been paused pending the outcome of the review of Council investments.

#### Recommendation 13

It was confirmed that deadlines for reporting the findings of the review were being reassessed to ensure that there was also scope to respond to the rapid review being undertaken by the Ministry for Communities and Local Government (MHCLG).

Councillor Millson highlighted that although the idea of the investment in the Croydon Park Hotel merited consideration, it was clear in hindsight that the investment case did not stack up. As such the review of the purchase should be expanded to include who took the decision to proceed with the purchase and the basis for the decision, as well as the governance surround the decision. It was agreed that this suggestion would be fed back to the Cabinet as part of the Committee's report.

Councillor Mann suggested that the fourth action should be expanded to include the opportunity for consultation with both the Scrutiny & Overview Committee and GPAC prior to consideration of any report by the Cabinet in March.

#### Recommendation 14

There were no comments offered on this recommendation that have not been captured elsewhere.

#### Recommendation 15

It was agreed by the Committee that the provision of training for Members on treasury management would be very useful, with it questioned whether any such training should be mandatory. It was suggested that it could form part of a training programme for members of GPAC.

#### Recommendation 16

There were no comments offered on this recommendation, not captured elsewhere.

#### Recommendation 17

Councillor Tim Pollard highlighted his concern that Brick by Brick still had the potential to cause considerable damage to local communities while the Council waited for the outcome of the review on its future. As such it was questioned what could be done to prevent any further developments being progressed. In response, it was advised that the Cabinet had taken the decision to halt any new site transfers to Brick by Brick while work was underway to identify the best solution for the council tax payers of Croydon. However, any work already identified within the loan agreement with Brick by Brick would continue. As part of the decision by the Cabinet, two new

directors had been appointed to the Board, which was due to meet on 3 December.

The Chair of the Scrutiny & Overview Committee, Sean Fitzsimons, acknowledged that Brick by Brick continued to be a concern for residents. The Scrutiny & Overview Committee was due to look at the PwC Strategic Review of Council Companies at their meeting in December, but endorsed the approach of reviewing all the evidence to ensure that the best decision was made for council tax payers.

Councillor Mann highlighted that Brick by Brick should be a high risk on the Council's risk register and under normal circumstances the Committee would receive a report on the Council's risks. Given the level of uncertainty over Brick by Brick it was suggested that the risk register needed to be reviewed in light of the growing uncertainty over the future of the company.

Councillor Stuart Millson suggested that given the financial involvement of the Council, as the sole shareholder in Brick by Brick, the Committee may want to invite the Board Members to a future meeting to give a presentation on managing the financial risks involved.

It was noted that the Councillor Hamida Ali should be listed as the accountable Cabinet Member for this recommendation 17, rather than Councillor Stuart King as listed in the report.

#### Recommendation 18

There were no comments offered on this recommendation, not captured elsewhere.

#### Recommendation 19

In response to a question from Councillor Mann about what level of loan covenant would be reviewed, it was confirmed that the review would start with the biggest loans and work down through all of them. It was agreed that it would be helpful for the Committee to have the opportunity to discuss the new loan covenant arrangements once the work had been completed. Councillor Bernadette Khan suggested that it would be helpful for any report to include information on the global position to help provide local context.

Councillor Steve Hollands requested that parent agreements be included within the actions for this recommendation, which was accepted.

#### Recommendation 20

Councillor Mann suggested that one action that would improve scrutiny of the Council's companies would be to invite Members to attend the annual general meetings for these companies.

The Committee also discussed how best to improve transparency over board membership, with either an advert in a local newspaper or having a page on

the Council website suggested. It was agreed that it would be taken away to investigate the most cost effective means for publicising board membership.

#### Recommendation LBC 1

In response to a question about which Members would receive the risk management training outlined in the fourth action, it was advised that further work was needed to identify the specific audience for the training outlined in the action plan unless already specified.

#### Recommendation LBC 2

Councillor Prince highlighted that the recent Governance Review had covered a lot of the ground set out in the actions for this recommendation and it would be important to ensure that the findings of this review were not lost. It was suggested that the fourth action should be expanded beyond Scrutiny to include the ability for all Members to access the information to help instil an open and transparent culture across the Council and to assist Members in their Ward roles. Councillor Audsley echoed the comments regarding access to information, but accepted that there would be certain circumstances when information could not be provided. In such circumstances there needed to be clear communication to confirm why the information could not be provided.

Councillor Millson questioned why there was a reference to the Nolan Principles in the third action, as it could be interpreted that they had not previously been followed. It was clarified that there was no underlying motive for the inclusion of the Nolan Principles and it was good practice that they be included.

#### Recommendation LBC3

Councillor Mann suggested that the first action needed to include work to identify what training was mandatory or non-mandatory for Members. It was also suggested that there needed to be an assessment of Members training requirements as there was a range of knowledge and expertise.

Following on from the comments about Member training, Councillor Millson requested that the scheduling of training be arranged at times that were convenient for the majority of Members.

#### Recommendation LBC4

Given the reference to risk management, which fell within the remit of the Committee, Councillor Mann requested that GPAC be included to the third action as well as the Scrutiny & Overview Committee.

In response to a question from Councillor Mann about the delivery of the second action and how the Council will engage with residents, it was confirmed that the first stage of implementing this action would be to identify the appropriate mechanism for its delivery.

Councillor Mann also questioned whether former councillors would be interviewed, so that their experience could be used to inform the future of the Council. It was advised that given the scope of the work to be undertaken it may negatively impact on the capacity for delivery if it was expanded further.

Councillor Tim Pollard noted that many people may be shocked to hear about the working environment within the Council, including many Members who would not have any understanding of what it was like to work for Croydon Council. In order for the Council to learn from the mistakes of the past and deliver a significant change to management culture, it would be important to capture and learn from the experience of staff leaving the organisation. Consideration also needed to be given to how to ensure that any changes to the management culture filtered down through the organisation.

Councillor Milson highlighted that there had been a number of change programmes in the past at the Council and questioned whether these would be reviewed to ensure any mistakes were not repeated. In response it was advised that in light of work that needs to be delivered, there was not capacity to review past change programmes. However, best practice guidance, which would inform the current programme, had shown it was essential to anchor change and to ensure that the reward system clearly set out what was required, was transparent and had base lines to check back against.

At the conclusion of the item the Chair thanked the officers who had attended for their participation and their openness in answering the questions of the Committee.

#### 45/20 **Audit Plan**

The Committee was presented with an update on the Audit Plan which had changed since it was first presented to the Committee in early March 2020. The changes reflected two new significant audit risks, the first of which was the impact of covid on the work of audit and had been added to the audit plan for each local authority that Grant Thornton worked as an auditor. The other risk identified was associated with the challenges in the revenue budget, with an additional focus required to demonstrate that it was being appropriately managed. This included a focus on the reporting of expenditure, the accounting on emergency accommodation and work to adjust the risks down on materiality in the budget.

It was confirmed that the audit performance report was unlikely to be presented to the GPAC meeting on 14 January, with it likely that a short update will be presented to confirm the findings to date.

Councillor Millson noted that the reference to further work on fraudulent transactions may raise concern, but it was confirmed that this related to additional audit work to gain reassurance that there had not been any fraudulent activity rather than any indication that the auditors were aware of such issues.

It was confirmed that the external auditors would be happy to attend a meeting of the Council to provide a report on the outcome of the audit plan, but the timing of this would need to be confirmed.

At the conclusion of this item the Chair thanked all attendees for their participation in the meeting.

46/20      **Exclusion of Public and Press**

This motion was not required.

The meeting ended at 22:45

**Signed:**

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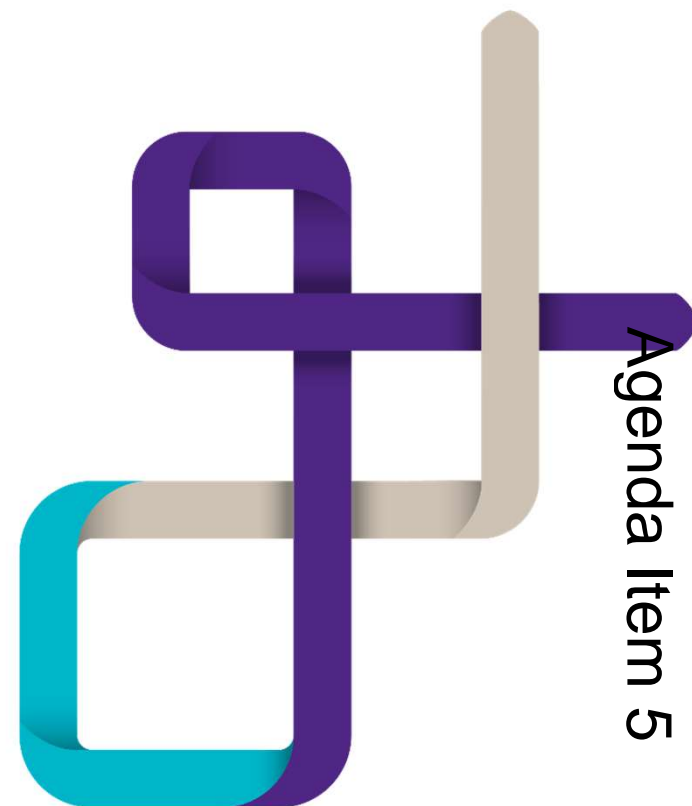
**Date:**

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# Progress report

*Year ending 31 March 2020*





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# 1. External Audit Summary

DRAFT

## General update:

### Early Testing and Planning/Risk assessment audit visit

In February 2020, we performed risk assessment and planning procedures where we undertook:

- inquiries with management, in-house legal and internal audit.
- performed walkthroughs of significant risk areas and assessed the design effectiveness of key controls relating to significant risk areas. No significant control deficiencies were noted during our walkthrough process however we note some deficiencies which are set out within our findings to date later in this report (see page 5).
- early testing for months 1-9 transactions on areas such as journals, income, expenditure and payroll. This work was ongoing when the 'stay at home' guidance was issued by the government as a result not all staff were available and not all evidence was made available to audit to complete all sample testing at that time. This is being completed during the year-end audit.

### Page 1 Year End audit

The Council's financial position and subsequent public interest report and Section 114 notices combined with the global pandemic required our audit planning and risk assessment to be revisited. Additional significant risks were identified and our assessment of audit materiality was reduced. We issued an Audit Plan Addendum which presented at the General Purposes and Audit Committee meeting on 2 December 2020. The impact of this is increased sample sizes and we have included a summary of the sample sizes in section 2 of this report.

The draft financial statements were submitted to audit on 16 October 2020 with the large majority of working papers not being made available to audit until week commencing 26 October and 2 November with some working papers being provided in early December with a small number remaining outstanding to date. This has created delays in the audit.

### **Impact of COVID-19**

From the commencement of the year end audit, both the finance team and the audit team have worked remotely to ensure safe social distancing in line with government guidance. We have been working closely with your finance team to mitigate the impact this has on the progress of the audit by obtaining electronic audit evidence remotely for inspection and observation of evidence and systems through use of Microsoft Teams share screen function, however this method of remote working can result in a time-consuming process to obtain and view audit evidence which is contributing to some delay in progress of the audit. COVID-19 continues to be an ever-changing issue and we plan to work closely with your finance team to respond to these as they arise.

## 2. Audit Sample Progress Update

**DRAFT**

As part of year end testing we have selected a number of samples in various areas in order to obtain assurance over material and other high risk transactions and balances within the financial statements. We have highlighted the increase in sample sizes from the prior year as a result of additional significant risks and reductions in audit materiality within the table below alongside an update on progress on sample testing.

Audit Area	2018/19 Sample Size	2019/20 Sample Size	No of samples cleared	No of samples with outstanding queries with client or auditor processing	No of samples where no evidence has been received
Revenues (occurrence/accuracy)	41	157	14	27	116
Revenues (completeness)	18	80	13	60	7
Grant Revenues (occurrence/accuracy)	13	40	23	15	2
Operating Expenditure (occurrence/accuracy)	61	145	61	26	58
Operating Expenditure (completeness)	25	120	0	39	81
Transformation Expenditure	5	15	0	0	15
Payroll (Council)	N/A*	27	12	15	0
Payroll (Schools)	14	30	0	22	8
Long Term Payables	2	8	0	0	8
Short Term Payables	33	51	0	26	25
Long Term Receivables	20	38	0	9	29
Short Term Receivables	14	21	0	1	20
Journals	150	152	26	70	56

\*sample approach was not taken in 18/19, audit performed a substantive analytical review

### 3. Early Testing Findings

DRAFT

As part of our risk assessment and planning and early testing work performed in February we identified some control findings in relation to journals testing and testing of payroll, these are set out in further detail below:

#### 1. Self authorisation of journals

We have identified from our journals testing that a number of journals have been initiated and posted by the same individual. Although our testing showed that none of these journals were indicative of fraud, there is a control weakness that could give rise to the posting of inappropriate journals where no automated control or separate review is in place to ensure that a separate individual posts the journal from the individual who initiated the journal.

No material issues were identified from our journals testing performed at early testing however the above constitutes a control weakness which will be presented within our audit findings report.

#### 2. Inaccurate FTE data

As part of our early testing of payroll, we identified that Full Time Equivalent (FTE) reports provided were inaccurate. As an example, an individual who was a contractor and not London Borough of Croydon staff, they were included within the FTE report as they were required to be input onto 'myresources' (HR) system in order to access the finance and ledger systems to perform migration of data work. The input of FTE should have been included as 0 on the HR system however had been input as 1 and therefore was input incorrectly. We were unable to gain assurance that the residual individuals included in the FTE reports were included correctly and therefore we were unable to use the FTE report as a key source for our planned audit approach (substantive analytical review) and we revised our audit approach to substantive sample testing of individual council staff.

No material issues were identified from our payroll testing performed at early testing however the above constitutes a control weakness which will be presented within our audit findings report.

#### Conclusion

We have altered our planned audit approach as deemed necessary based on the findings above to respond to risks resulting from control weaknesses identified. A formal recommendation will be presented in our audit findings report alongside management responses on all control weaknesses identified during the course of the audit.

## 4. Significant matters

DRAFT

An update on progress on the significant audit risks identified and communicated to you via the Audit Plan and Audit Plan addendum is found below

Area	Work undertaken	Progress	Findings to date
Management override of control - journals	<ul style="list-style-type: none"><li>• risk assessment procedures and walkthroughs over the journals process</li><li>• selected a sample of journals we consider to be high risk and unusual.</li><li>• Reviewing evidence provided to ensure journals have appropriate supporting documentation to support the journal posted, the journal has been accounted for appropriately, the journal is subject to a two stage authorisation process and that there is no risk of fraud within the posted journal.</li></ul>	26 journals testing complete 70 journals in progress 56 journal evidence awaited	<p>A number of journals have been initiated and posted by the same individual and therefore has not been subject to a two stage authorisation process which is an important internal control.</p> <p>Review of the self-authorised journals to date has shown that the journals have been accounted for correctly and have supporting evidence to support the posting of the journal. There remains a risk that journals are not subject to appropriate review and therefore there is a risk that fraudulent or inappropriate journals could be posted onto the finance system</p>
Valuation of land and buildings	<ul style="list-style-type: none"><li>• walkthroughs over the valuation process for land and buildings to confirm whether key controls have been designed and implemented appropriately</li><li>• engaged our external expert who has been reviewing your valuer's year end valuation reports</li></ul>	<ul style="list-style-type: none"><li>• reviewing the outcomes/findings of our external expert.</li><li>• selecting a sample of assets and testing to ensure valuation method's and assumptions used by your expert are appropriate, data sent to your expert is complete and accurate and that valuation movements have been appropriately recorded within the financial statements.</li></ul>	We have not currently identified any material issues at the date of drafting this report.

## 4. Significant matters (continued)

DRAFT

Area	Work undertaken	Progress	Findings to date
Valuation of pension liability	<ul style="list-style-type: none"> <li>walkthroughs over the valuation process for the pension fund net liability to confirm whether key controls have been designed and implemented appropriately.</li> </ul>	<ul style="list-style-type: none"> <li>currently testing the data that you have sent to your actuary to ensure data sent for valuing the pension fund net liability is complete and accurate.</li> <li>reviewing your experts (the actuary's) assumptions against our expert (PWC) to ensure assumptions made by your expert in valuing the pension fund net liability is appropriate</li> <li>Liaising with your actuary to gain assurance over the material other experience item</li> <li>Liaising with our internal pensions team to gain assurance over the unfunded benefits within your pension liability</li> </ul>	We have not currently identified any material issues at the date of drafting this report
Valuation of investment properties	<ul style="list-style-type: none"> <li>walkthroughs over the valuation process for investment properties to confirm whether key controls have been designed and implemented appropriately</li> <li>engaged our external expert who has been reviewing your valuer's year end valuation reports</li> </ul>	<ul style="list-style-type: none"> <li>reviewing the outcomes/findings of our external expert.</li> <li>selecting a sample of assets and testing to ensure valuation method's and assumptions used by your expert are appropriate, data sent to your expert is complete and accurate and that valuation movements have been appropriately recorded within the financial statements.</li> </ul>	We have not currently identified any material issues at the date of drafting this report.

## 4. Significant matters (continued)

DRAFT

Area	Work undertaken	Progress	Findings to date
Transfer of property assets from the Council to the pension fund	<ul style="list-style-type: none"> <li>We have confirmed verbally with management that the transfer of properties from the Council to the pension fund did not occur in the 2019/20 financial year and has not yet occurred at the date of drafting this report.</li> </ul>	<ul style="list-style-type: none"> <li>We are awaiting written confirmation</li> </ul>	The written confirmation is needed for us to conclude whether this remains a significant audit risk to the financial statement audit for 2019/20
Incomplete or inaccurate financial information transferred to the new general ledger	<ul style="list-style-type: none"> <li>walkthroughs over the transferring of data from the legacy Oracle finance system to the new Oracle Cloud finance system to confirm whether key controls have been designed and implemented appropriately</li> <li>engaged our internal IT experts who have performed an IT general controls audit</li> </ul>	<ul style="list-style-type: none"> <li>Testing the general ledger transfer</li> <li>reviewing the reconciliations that all financial information was transferred completely and accurately</li> </ul>	Detailed findings are at section 5
Implementation of IFRS 16 on Leases	<ul style="list-style-type: none"> <li>The implementation of this standard has been delayed</li> </ul>		This is no longer a significant risk for 2019/20



## 4. Significant matters (continued)

DRAFT

Area	Work undertaken	Progress	Findings to date
Covid-19	<ul style="list-style-type: none"> <li>Discussions with management on how the pandemic has impacted the ability to prepare financial statements and update financial forecasts</li> <li>Revisited planning and risk assessment in the light of the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing the adequacy of disclosures in the financial statements</li> <li>Using Microsoft Teams share screen function and file sharing software (Inflo) to obtain and view audit evidence remotely and securely</li> <li>Evaluating whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>Awaiting management's going concern assessment to assess the assumptions that underpin revised financial forecasts</li> </ul>	We have not currently identified any material issues at the date of drafting this report
Revenue includes fraudulent transactions (income from fees and charges and other service income)	<ul style="list-style-type: none"> <li>walkthroughs over the Group and Council's system for accounting for income (fees and charges) to confirm whether key controls have been designed and implemented appropriately</li> </ul>	<ul style="list-style-type: none"> <li>Selected a sample of 157 transactions with 14 cleared, 27 in progress and 116 awaiting audit evidence</li> <li>Evaluation the group and council's accounting policy for recognition of income from fees and charges and other services for appropriateness</li> </ul>	We have not currently identified any material issues at the date of drafting this report

## 4. Significant matters (continued)

DRAFT

Area	Work undertaken	Progress	Findings to date
Expenditure includes fraudulent transactions (Completeness of operating expenditure and associated payables balances)	<ul style="list-style-type: none"> <li>walkthroughs over the Group and Council's system for accounting for operating expenditure and payables to confirm whether key controls have been designed and implemented appropriately</li> <li>Discussions with management on how the pandemic has impacted the ability to prepare financial statements and update financial forecasts</li> <li>Revisited planning and risk assessment in the light of the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Selecting a sample of transactions incurred in year and payable balances held at year end</li> <li>Reviewing the corporate adjustments made at year end in particular                             <ul style="list-style-type: none"> <li>Transformation expenditure - £29 million has been capitalised in 2019/20 of which £14 million was capitalised in period 13 and 14. Sample of 15 selected and we are awaiting evidence</li> <li>Bad debt provisions have decreased and we are awaiting working papers to support how the provision was calculated and the underlying assumptions</li> <li>Provisions and contingent liabilities – we have raised a number of queries and are awaiting management responses</li> <li>Minimum Revenue Provision (MRP) policy changed in 2019/20 and we are reviewing the working papers provided to gain assurance that a prudent MRP charge has been made</li> </ul> </li> </ul>	We have not currently identified any material issues at the date of drafting this report

## 4. Significant matters (continued)

DRAFT

Area	Work undertaken	Progress	Findings to date
Accounting for transactions relating to the Emergency Temporary Accommodation (ETA) scheme	<ul style="list-style-type: none"> <li>walkthroughs over the Council's processes and controls relating to ETA schemes and transactions</li> <li>Reviewed the recommendations and findings raised by the pwc report and have tailored our audit approach accordingly</li> <li>Engaged our internal experts who are reviewing the transactions</li> </ul>	<ul style="list-style-type: none"> <li>Challenged management on the legal view the Council has taken on the impact of the lease agreements held and accounting treatment of ETA transactions in relation to the dissolved company London Borough of Croydon (LBC) Holdings LLP which holds the Council's 10% stake in the companies where the ETA transactions take place. Management is seeking this legal advice</li> <li>Requested management's assessment of the group boundary regarding all group interests held and management's judgement regarding the consolidation and non consolidation of group entities together with evidence to support the judgements.</li> <li>Without receiving the information in the above two bullet points, we are unable to progress our audit work in this area</li> </ul>	<ul style="list-style-type: none"> <li>Processes and controls rely heavily on a limited number of individuals and staff turnover has reduced knowledge on the controls and processes in place. We will make recommendations on this in our audit findings report</li> </ul>

## 5. IT General Controls Audit - Findings

DRAFT

As part of our annual review of IT general controls we engaged our internal IT experts to review the Oracle Cloud system and Northgate system as key systems that impact on the financial statements, the findings of their work has been communicated to management and is summarised below.

### **Executive Summary**

To support its opinion on the financial statements of Croydon London Borough Council (LBC), Grant Thornton has completed the design effectiveness of the IT General Controls (ITGC) within the IT environment, as they affect the financial statements for year-ended 31st March 2020. During the IT Audit visit, we also completed an Oracle authorisation and security design review to help provide assurance over Oracle controls for the financial statements.

The audit of the Oracle system at Croydon LBC was a limited scope review.

The matters raised in the report came to our attention as a result of the limited scope Oracle & ITGC design review and are matters that we believe needed to be brought to your attention. Therefore, our comments cannot be expected to include all possible control improvements in Croydon LBC's Oracle system that a more wide-ranging engagement might identify.

### **Findings- Oracle Security and Access Controls**

No.	Deficiency	Recommendation	Management Response
1	Segregation of duties conflicts between Oracle system administration, developer, and finance roles	<p>We recommend management consider reviewing the elevated access assignment and, where possible, restricting Oracle administrator access to members of the IT department only with all conflicting finance responsibilities being removed from System administrator accounts.</p> <p>Should management choose to accept the risks associated with the system administrators and finance conflicts, formalised and documented controls should be implemented to monitor the use of system administrator access. This monitoring should be achieved through after-the-fact reports listing management approval for the actions (e.g., transactions posted, queries executed, records updated) performed. Given the criticality of data accessible through financially critical systems, logs of information security events (i.e., login activity, unauthorized access attempts, access provisioning activity) created by these systems should be proactively and formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.</p>	<p>We have reviewed the information provided by the auditor. We found that all the users listed are either system accounts or members of the support and implementation team. We have ended the implementation user accounts. Given the nature of these roles the identified conflicts will exist. We will investigate options to implement appropriate formalised and documented controls to monitor system administrator and support team access. We will present a paper for the My Resources Board to review and consider options, as part of the agenda item on risks, at their meeting in November.</p>

## 5. IT General Controls Audit – Findings continued

DRAFT

As part of our annual review of IT general controls we engaged our internal IT experts to review the Oracle Cloud system and Northgate system as key systems that impact on the financial statements, the findings of their work has been communicated to management and is summarised below.

No.	Deficiency	Recommendation	Management Response
2	Oracle system configuration access granted to an excessive number of users, including non-IT staff / end users	Management should consider reviewing all users with system configuration capabilities assigned and, where possible, removing this from end users / limiting this access to members of IT department. Should management choose to accept the risks associated with this access being granted to end users from outside of IT, formalised and documented controls should be implemented to monitor the use of this ability. This monitoring should be achieved through after-the-fact reports listing management approval for the actions performed.	The task of reviewing users with system configuration capabilities is a significant undertaking therefore the approach we intend to take is to investigate options to monitor system configuration changes. We will present a paper for the My Resources Board to review and consider options, as part of the agenda item on risks, at their meeting in November.
3	Users self-assigning responsibilities without formal management approval	Where administrative staff require additional functionality, they should be required to request this through the formal change management procedures. Any such access granted should be end-dated accordingly. Management should implement monitoring controls to identify instances where members of staff have assigned themselves additional responsibilities and any non-compliance with the abovementioned process investigated.	1) We have identified that there has been assignment of forecast approver roles within the projects module by project managers. We will review appropriate controls with Finance and Oracle.  2) The majority of self-assignment occurred during or just after implementation. We have now removed access to the IT security manager role from 3rd Party support staff.  3) We will restate the message that that the internal My Resources support team must not self-assign roles and must follow the normal user access request process if they require additional responsibilities. We will also introduce monitoring controls via a report to identify instances where members of staff have assigned themselves additional responsibilities and any non-compliance. This report will be sent to the Head of Finance and HR Service Centre for review and investigation of any non-compliance.

## 5. IT General Controls Audit – Findings continued

DRAFT

As part of our annual review of IT general controls we engaged our internal IT experts to review the Oracle Cloud system and Northgate system as key systems that impact on the financial statements, the findings of their work has been communicated to management and is summarised below.

### Findings- IT General Controls Oracle Cloud

No.	Deficiency	Recommendation	Management Response
1	There is an excessive number of Admins on the system and no evidence was provided to identify them	Management should formally review the system administrators access to the network and restrict this access only to appropriate users. Apply a least privilege basis to all users to ensure users have appropriate access and any additional access required is documented and approved.	A formal review was started in 03/2020, We look at 235 domain admin users, 626 Server admins users. The results of this review prompted the Littlefish 'AD Health Check' of which, there is a full remediation proposal awaiting to be approved. In addition, we have recently extended to our review to 172 admin accounts in O365/Azure. Lastly, a 'Privileged Group Access Standard' was created to minimise the amount of privileges accounts we have and define an approval process.

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### Findings- Northgate i-World

No.	Deficiency	Recommendation	Management Response
1	No Monitoring of Third-Party Activities	Management should implement controls around how the vendor gains access to the production environment. This can be achieved by enabling and disabling access when it is required by the vendor to apply approved change into the production system. Management should also consider reviewing the user activities of the account used by the vendor. This will assist in ensuring that there is appropriate oversight into how the vendor accesses the i-World production environment.	LBC will implement a process with vendors whereby access is granted for a limited time and monitored during the access period. Once changes have been agreed or approved with or by LBC vendors will have access to the system as required within the scope of the change for a duration appropriate to complete their activity. During the period of access and immediately after the vendor's activity and changes will be reviewed and signed off against the scope of the change by a system administrator within LBC. This will be implemented by 14 August 2020, all vendor accounts will be locked by this date.

## 5. IT General Controls Audit – Findings continued

DRAFT

As part of our annual review of IT general controls we engaged our internal IT experts to review the Oracle Cloud system and Northgate system as key systems that impact on the financial statements, the findings of their work has been communicated to management and is summarised below.

### **Findings- Northgate i-World continued**

No.	Deficiency	Recommendation	Management Response
2	Sharing of Administrative Account	Management should use named administrator accounts within IT systems in order to establish accountability. The use of individually named administrator accounts allows for the tracking of administrator activities within the system. Generic accounts should also be removed/disabled from the system.	<p>LBC will only use named accounts for administrative tasks, or accounts which have a sole responsible party attached to them. BATCHJOB will be discontinued and administrators will use their own accounts for system changes or batch work. When an administrator moves on from their role if there is a requirement to maintain the account to ensure batch work can continue their account will be signed over to a senior officer within the ICT support team who will own the account until all dependencies are expired, the account will then be processed as a leaver. This will be documented to provide an audit trail.</p> <p>BATCHJOB will be discontinued by 14 August 2020.</p> <p>The RB user account is an “out the box” admin account that only certain jobs can be run from, this must remain a shared account however LBC will implement a process whereby access to the account is requested and approved/not approved by the ICT manager for individual officers for agreed periods of time/activities. This will be documented to provide an audit trail.</p> <p>RB ownership will change from 1 October 2020. There is work to be done to remove integrations off the RB user before restricting the access, this will be done in the run-up to 1 October 2020.</p>





## Croydon Council

<b>REPORT TO:</b>	<b>General Purposes and Audit Committee</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review 2020/2021</b>
<b>LEAD OFFICER:</b>	<b>Lisa Taylor, Director of Finance, Investment and Risk (S151 Officer)</b>
<b>CABINET MEMBER</b>	<b>Councillor Callton Young</b> <b>Cabinet Member for Resources and Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> This Report details the Council's Treasury Management activities during the first half of 2020/21 and its compliance with the 2017 Prudential Code for Capital Finance.	
<b>FINANCIAL SUMMARY:</b> This Report details the Council's Treasury Management activities during the first half of 2020/2021 and demonstrates its compliance with the 2017 Prudential Code for Capital Finance.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

### 1. RECOMMENDATION

- 1.1 The Committee are asked to note the contents of this report.

### 2. EXECUTIVE SUMMARY

- 2.1 This Report is prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) codes of practice in respect of capital finance and treasury management. The codes recommend that members are advised of treasury management activities of the first six months of each financial year and of compliance with various strategies and policies agreed by the Council. The report:

- Reviews compliance with the Treasury Management Strategy Statement, Capital Strategy and Annual Investment Strategy as agreed by Council on 2 March 2020 (Minute 87/20 applies);
- Reviews treasury borrowing and investment activity for the period 1 April 2020 to 30 September 2020; and
- Demonstrates compliance with agreed Prudential Indicators;

### **3 DETAIL**

#### **3.1 Background**

3.1.1 In December 2017, CIPFA issued codes of practice as follows:

- The Prudential Code for Capital Finance in Local Authorities; and
- Treasury Management in the Public Services: Code of Practice (the Code) and Cross-Sectoral Guidance Notes.

3.1.2 The Code, from 2019/20, requires all local authorities to prepare a Capital Strategy which is to provide the following:

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed;
- The implications for future financial sustainability.

3.1.3 As regards Treasury Management, the primary requirements of the Code are:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the General Purposes and Audit Committee.

3.1.4 This mid-year report has been prepared in compliance with the Codes and covers the following:

- An economic update for the first half of the 2020/21 financial year (Section 3.2);
- A medium term interest rates forecast (Section 3.3)
- A review of the Council's Treasury Management Strategy Statement and Annual Investment Strategy (Section 3.4);
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators (Section 3.5);
- A review of the Council's borrowing strategy (Section 3.6);
- A review of the Council's investment strategy (Section 3.7);
- A review of any debt re-scheduling undertaken (Section 3.8);

## 3.2 Economic update

3.2.1 A commentary provided by the Council's independent treasury advisers Link Asset Services (Link) in the first week of November 2020 is included as Appendix A.

## 3.3 Interest rate forecasts

3.3.1 Link Treasury Services have provided forecasts of key interest rates as detailed in Table 1. These inform decisions as to the timing and duration of borrowing decisions

**Table 1 Interest rates forecast**

Link Group Interest Rate View		9.11.20													
		Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings		0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5yr PWLB		1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB		2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB		2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB		2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

3.3.2 A commentary by Link is included as Appendix B.

## 3.4 Treasury Management Strategy Statement and Annual Investment Strategy

3.4.1 The Treasury Management Strategy Statement and Annual Investment Strategy for 2020/2021 were approved by full Council on 2 March 2020 (Minute 87/20 applies). It is entirely possible that the several reviews, prompted by the Report in the Public Interest and the publication of the Section 114 Notice, will impact on these strategies and that these may need to be revised in the future as a result.

### 3.5 Capital Strategy and Prudential Indicators

- 3.5.1 Table 2 below shows the original capital budget as agreed by full Council on 2 March 2020 (Minute 86/20 applies) and the revised budget and the current estimated outturn. The revised figures are based on the report to Cabinet, 21<sup>st</sup> September; the outturn projection will be updated to reflect any subsequent changes as they become apparent.

**Table 2 Capital expenditure by service**

	<b>Original Estimate £m</b>	<b>Revised Estimate £m</b>	<b>Outturn Projection £m</b>
Health, Wellbeing and Adults	3.0	7.6	7.6
Children, Families and Education	25.3	41.0	41.0
Place	159.4	120.6	120.6
Resources	113.8	19.6	19.6
HRA	35.7	127.4	127.4
<b>Total</b>	<b>337.2</b>	<b>316.2</b>	<b>316.2</b>

- 3.5.2 The table below details the funding sources of the capital programme. The borrowing element of the table increases the underlying need to borrow for capital purposes by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

**Table 3 Financing of capital expenditure**

	<b>Original Estimate £m</b>	<b>Revised Estimate £m</b>	<b>Outturn Projection £m</b>
Capital receipts		21.8	21.8
Capital grants	25.0	29.2	29.2
Community Infrastructure Levy	7.3	8.6	8.6
Capital reserves	3.3	3.3	3.3
Section 106 receipts		5.0	5.0
Revenue	23.7	23.6	23.6
<b>Total financing</b>	<b>59.3</b>	<b>91.5</b>	<b>91.5</b>
<b>Borrowing requirement</b>	<b>277.9</b>	<b>224.7</b>	<b>224.7</b>

- 3.5.3 The key controls over treasury management activity are prudential indicators to ensure that, over the medium term, borrowing will only be for a capital purposes. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the next two financial years. This allows some flexibility for limited early borrowing for future years. Full Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The table below shows changes in the CFR and borrowing requirements arising from the changes in the capital programme described above.

**Table 4 Borrowing and CFR**

	<b>Original Estimate £m</b>	<b>Outturn Projection £m</b>
Borrowing	1,708.0	1,654.8
Other long term liabilities	82.8	75.8
<b>Total debt</b>	<b>1,790.8</b>	<b>1,730.6</b>
<b>CFR (year end position)</b>	<b>1,799.5</b>	<b>1,730.6</b>

3.5.4 The Prudential Indicators relevant to the capital programme and its borrowing implications are the Operational Boundary (the expected debt position) and the Authorised Limit (the limit beyond which borrowing is prohibited).

**Table 5 Operational Boundary and Authorised Limit**

	<b>Original Estimate £m</b>	<b>Outturn Projection £m</b>
Operational Boundary	1,790.8	1,730.6
Authorised Limit	1,840.8	1,780.6

3.5.5 Members will note that the Authorised Limit includes a buffer of £50m to cover unexpected cashflow shortages.

### **3.6 Borrowing Strategy**

3.6.1 During 2020/21 the Council has been operating in accordance with the borrowing limits approved by full Council on 2 March 2020. As discussed above, the current limits for the year are:

- Operational Boundary - £1,790.8m
- Authorised Limit - £1,840.8m

3.6.2 The level of the Council's borrowing, which is measured against these limits, was £1,445m on 1 April 2020 and currently stands at £1,446.5m. The unique circumstances experienced over recent months have created an environment whereby capital expenditure has been significantly reduced. Such spend as has been seen has been financed from internal cash balances or loans taken out in previous periods in advance of need. Borrowing in advance of need is an established method of managing interest payments and mitigating interest rate increases.

3.6.3 Borrowing will be taken up as required based on a continuing analysis of actual and projected expenditure over the different components of the capital programme and interest rates forecasts. It is likely that the Council will use a mixture of long term borrowing from the PWLB, short term borrowing from other local authorities and internal balances. Borrowing will be undertaken to fit into the Council's existing debt maturity profile to move towards a more even

distribution of maturities. Appendix C shows the movements in PWLB interest rates for various loan periods during the first six months of the financial year.

- 3.6.4 The Council's effective interest payable on long term debt currently stands at 2.89%.

### **3.7 Investment Strategy**

- 3.7.1 From time to time, under Section 15 (1) of the Local Government Act 2003 the Secretary of State issues statutory guidance on local government investments to which local authorities are required to "have regard." This guidance was taken into account in the investment policy parameters set within the Council's Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as approved by full Council on 2 March 2020 Minute 87/20 applies).

- 3.7.2 The current guidance defines investments as "Specified" and "Non-specified"

- 3.7.3 An investment is a specified investment if all of the following apply:
- the investment and any associated payments or repayments are denominated in sterling;
  - the investment has a maximum maturity of one year;
  - the investment is not defined as capital expenditure; and
  - the investment is made with a body or in an investment scheme described as high quality or with the UK Government, a UK local authority or a parish or community council.

- 3.7.4 A non-specified investment is any investment that does not meet all the conditions in paragraph 3.7.3 above.

- 3.7.5 It is the Council's priority when undertaking treasury activities to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. Investment instruments identified for use by the Council during 2020/21 as advised in the current Treasury Management Strategy are detailed in Appendix D.

- 3.7.6 As regards investment returns, Link Treasury Services advise as follows:

*"As shown by the forecasts in section 3.3, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates up to 12 months are either negative or barely above zero now that Bank Rate is at 0.10%. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31 March 2023, investment returns are expected to remain low."*

- 3.7.7 Investment activity in the first half of the year conformed to the approved strategy with an average monthly balance of £82.6m being maintained in temporary investments.

- 3.7.8 The Director of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2020/2021.

### **3.8 Repayment of Debt and Debt Rescheduling**

- 3.8.1 With Public Works Loans Board rates low during the first half of 2020/2021 and with high premiums being attached to the premature repayment of existing debt, opportunities for debt restructuring were minimal and none were taken.

## **4. FINANCIAL CONSIDERATIONS**

- 4.1 There are no financial considerations arising from this report.

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S. 151 Officer.

## **5 HUMAN RESOURCES CONSIDERATIONS**

- 5.1 **There are no direct workforce implications arising from the recommendations within this report.**

**Approved by:** Sue Moorman , Director of Human Resources

## **6. OTHER CONSIDERATIONS**

- 6.1 There are no Customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

## **7 LEGAL CONSIDERATIONS**

- 7.1 The Head of Litigation and Corporate Law comments on behalf of the Council Solicitor and Monitoring Officer that in relation to the Annual Investment Strategy, the Council is required to have regard to guidance issued by the Secretary of State under the Local Government Act 2003 section 15(1) (a) entitled "Statutory Guidance on Local Government Investments 3rd Edition" which is applicable from and effective for financial years commencing on or after 1 April 2018.
- 7.2 The Ministry of Housing Communities and Local Government (MHCLG) guidance is complemented by two codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) containing investment guidance namely Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities.
- 7.3 By regulation 2 and 24 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended, local authorities are required to have regard to the current edition of the CIPFA codes.
- 7.4 The Local Government Act 2003 section 3(1) and (8) requires the council to determine and keep under review how much money it can afford to borrow. The function of determining and keeping these levels under review is a function reserved to Full Council.

- 7.5 In determining the Annual Minimum Reserves and the policy around such reserves, the Council shall have regard to guidance issued by the Secretary of State under the Local Government Act 2003 section 21(1A) entitled “Statutory guidance on minimum revenue provision”.
- 7.6 Subsequent to the approval of the Treasury Management Strategy and Annual Investment Strategy by the Council, the Report in the Public Interest issued by the Council's auditors under the Local Audit and Accountability Act 2014 and the two reports issued by the Council's Chief Finance Officer under the Local Government Finance Act 1988 section 114(3) will likely impact and necessitate a review of these strategies.

**Approved by:** Sandra Herbert, Head of Litigation and Corporate Law on behalf of Jacqueline Harris-Baker Council Solicitor and Monitoring Officer.

## **8.0 FREEDOM OF INFORMATION**

- 8.1 This report contains only information that can be publicly disclosed.

## **9 DATA PROTECTION IMPLICATIONS**

- 9.1 Will the subject of the report involve the processing of ‘personal data’?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

**Approved by:** Lisa Taylor, Director of Finance, Investment and Risk, S151 Officer

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## **CONTACT OFFICER:**

Nigel Cook, Head of Pensions Investment and Treasury,  
Finance, Investment and Risk  
Resources Department, ext. 62552.

## **BACKGROUND DOCUMENTS:**

None

## **APPENDICES:**

- A Economic update
- B Interest rate forecast update
- C PWLB rates
- D Investment instruments



### Economic update (as prepared by Link Asset Services in the first week of November 2020)

- **UK.** The Bank of England's Monetary Policy Committee kept **Bank Rate** unchanged on 5<sup>th</sup> November. However, it revised its economic forecasts to take account of a second national lockdown from 5<sup>th</sup> November to 2<sup>nd</sup> December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appear to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expects there to be excess demand in the economy by Q4 2022.
  - CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance** in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly. **Inflation** is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown

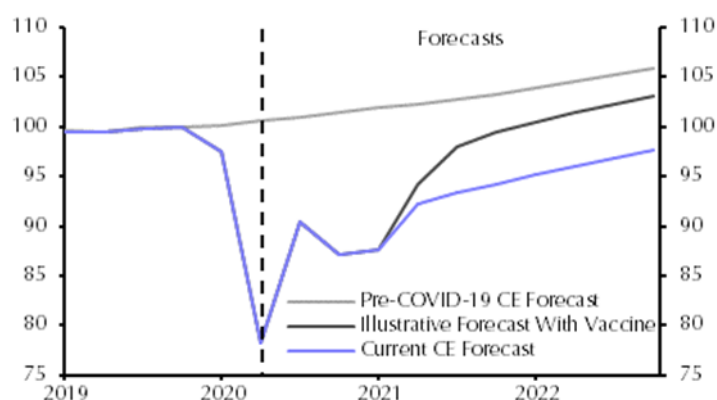
being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31<sup>st</sup> March will limit the degree of damage done.

- As for **upside risks**, we have been waiting expectantly for news that various **COVID19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9<sup>th</sup> November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.
- What these vaccine results would mean is that **life could largely return to normal during 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A large-scale roll-out of vaccines might take into late 2021 to fully complete; but if the vaccine really is that effective, then there is a possibility that restrictions could begin to be eased once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would still remain some years away. However, until there is clarity on these issues around the Pfizer vaccine, it would be premature to change the overall economic commentary and forecasting in this report. It also raises a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.
- **Public borrowing** is now likely to increase by about £30bn to around £420bn (23% of GDP) as a result of the new lockdown. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the

Government is manageable. It is also quite possible that the Bank of England will do more QE in 2021 to support the economy, although negative interest rates could also be a usable tool in the tool box later on in 2021.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the new national lockdown for one month is now expected to depress GDP by 8% in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks. Unemployment is also now expected to increase from 4.5% in August to a peak of 9% around the middle of 2021. Due to the number of adverse factors that have built up during the autumn, there is wide expectation that the Bank of England could resort to expanding quantitative easing by a further £100bn during 2021 to sustain momentum in the economy. Even so, it is now expected that the second national lockdown will push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023. However, the graph below shows what Capital Economics forecast could happen if a successful vaccine was widely administered in the UK in the first half of 2021; this would cause a much quicker recovery.

Level of real GDP (Q4 2019 = 100)



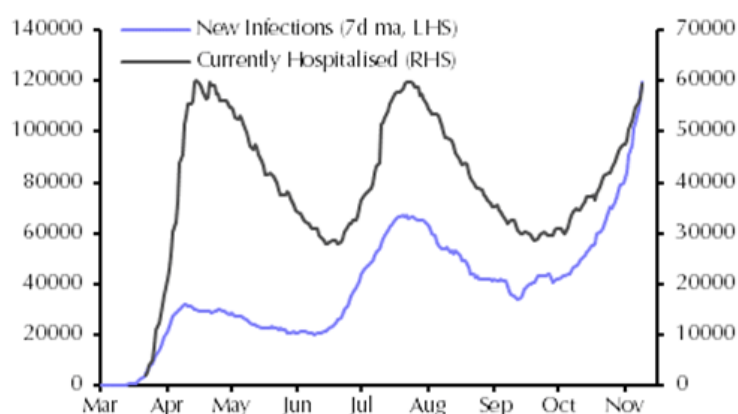
- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

The **Financial Policy Committee** (FPC) report on 6<sup>th</sup> August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC’s central projection”. The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC’s projection, with unemployment rising to above 15%.

**US.** The result of **the November elections** means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will still have a majority on the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they now have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and would have put particular upward pressure on debt yields – which could have also put upward pressure on gilt yields. On the other hand, financial markets leapt up on 9th November on the first news of a successful vaccine - so that could cause a big shift in investor sentiment i.e. a swing to sell out of government debt into equities and so cause debt prices to fall and yields to rise. It is too early yet to say how enduring this shift in market expectations will be or whether the Fed would feel it necessary to take action to suppress this jump up in debt yields. However, the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.

The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the **pandemic** with GDP now only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 New infections & hospitalisations



After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been

under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.

**EU.** The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9%, Italy 17.6%). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021 - unless vaccines step in quickly enough to head off the need for more action by the ECB. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

**China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

**Japan.** Japan's success in containing the virus without imposing draconian restrictions

on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

**World growth.** While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

## Summary

**Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this is likely to result in more quantitative easing and keeping rates very low for longer. It will also put pressure on governments to provide more fiscal support for their economies.**

**If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total**

**interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.**

The graph below as at 10<sup>th</sup> November, shows how the 10 year gilt yield in the UK spiked up after the Pfizer vaccine announcement on the previous day: -





### **Interest rate forecast update (as prepared by Link Asset Services in the first week of November 2020)**

**Brexit.** The interest rate forecasts provided by Link in paragraph 3.3 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. However, as the differences between a Brexit deal and a no deal are not as big as they once were, the economic costs of a no deal have diminished. The bigger risk is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place. So what really matters now is not whether there is a deal or a no deal, but what type of no deal it could be.

The differences between a deal and a no deal were much greater immediately after the EU Referendum in June 2016, and also just before the original Brexit deadline of 29.3.19. That's partly because leaving the EU's Single Market and Customs Union makes this Brexit a relatively "hard" one. But it's mostly because a lot of arrangements have already been put in place. Indeed, since the Withdrawal Agreement laid down the terms of the break-up, both the UK and the EU have made substantial progress in granting financial services equivalence and the UK has replicated the bulk of the trade deals it had with non-EU countries via the EU. In a no deal in these circumstances (a "cooperative no deal"), GDP in 2021 as a whole may be only 1.0% lower than if there were a deal. In this situation, financial services equivalence would probably be granted during 2021 and, if necessary, the UK and the EU would probably rollover any temporary arrangements in the future.

The real risk is if the UK and the EU completely fall out. The UK could override part or all of the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. In such an "uncooperative no deal", GDP could be 2.5% lower in 2021 as a whole than if there was a deal. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.

Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would be small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5% of GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.

Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

**So in summary there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will**



probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.

### The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

### Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

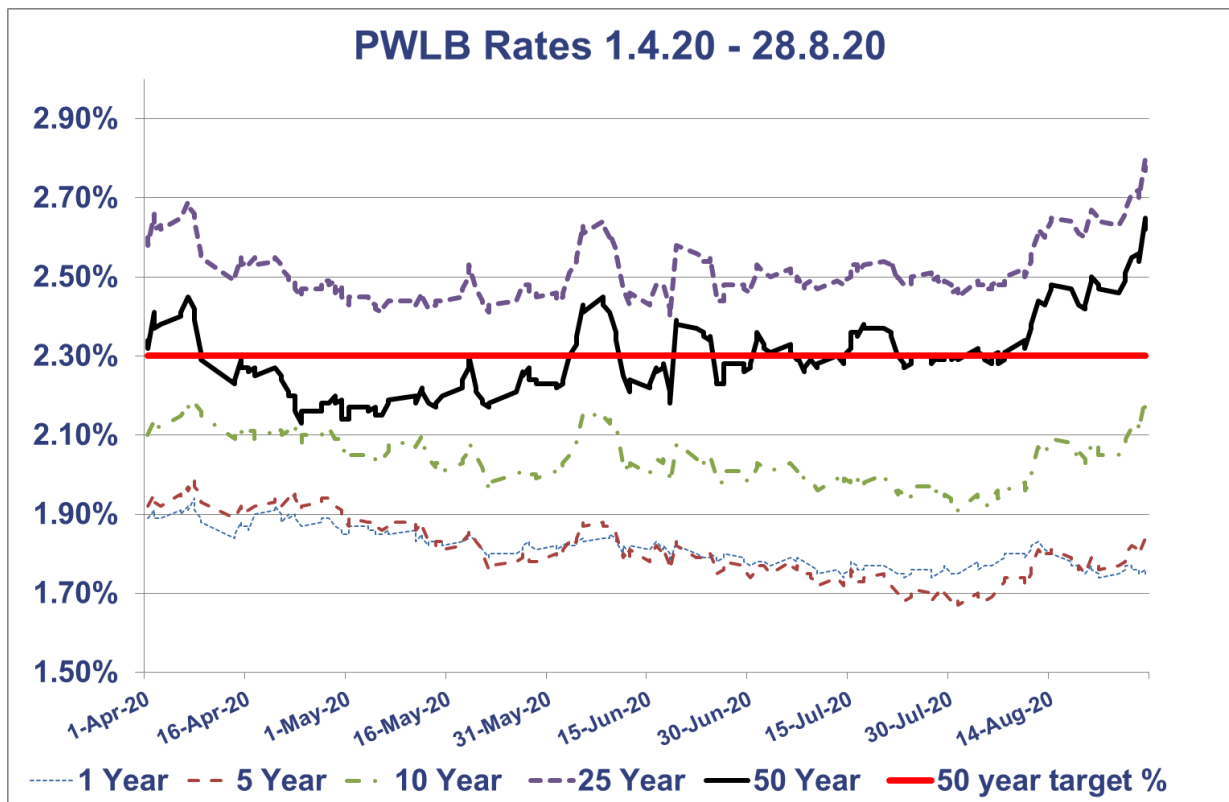
- **UK** - further national lockdowns or severe regional restrictions in major conurbations during 2021.
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021**. In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.

- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

#### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **UK** - stronger than currently expected recovery in UK economy, especially if effective vaccines are administered quickly to the UK population and lead to a resumption of normal life and a return to full economic activity across all sectors of the economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

## APPENDIX C



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.74%	1.67%	1.91%	2.40%	2.13%
Date	14/07/2020	30/07/2020	31/07/2020	18/06/2020	24/04/2020
High	1.94%	1.99%	2.19%	2.80%	2.65%
Date	08/04/2020	08/04/2020	08/04/2020	28/08/2020	28/08/2020
Average	1.81%	1.81%	2.04%	2.52%	2.30%

### Investment instruments

#### **Specified investments**

AAA rated money market funds - limit £20m

Debt Management Office – no limit

Royal Bank of Scotland\* – limit £25m

Duration of up to one year.

\*Royal Bank of Scotland is included as a specified investment since it is the Council's banker and the UK Government holds a majority stake.

#### **Non-specified investments**

All institutions included on Link Asset Services' weekly "Suggested Credit List" – limit £10m

All UK local authorities – limit £10m

Duration to be determined by the "Suggested Credit List" from Link

## For General Release

<b>REPORT TO:</b>	<b>GENERAL PURPOSES &amp; AUDIT COMMITTEE</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Internal Audit Update Report</b> <b>To 31 October 2020</b>
<b>LEAD OFFICER:</b>	<b>Simon Maddocks, Head of Internal Audit</b>
<b>CABINET MEMBER:</b>	<b>Councillor Callton Young</b> <b>Cabinet Member for Resources and Financial Governance</b>
<b>WARDS:</b>	<b>ALL</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Internal Audit's work helps the Council to improve its value for money by strengthening financial management and supporting risk management. Strengthening value for money is critical in improving the Council's ability to deliver services which, in turn helps the Council achieve all its visions and aims. The external auditor relies on the work from the internal audit programme when forming opinions and assessments of the Council's performance.	
<b>FINANCIAL IMPACT</b> The Internal Audit contract for 2020/21 is a fixed price contract of £390k and appropriate provision has been made within the budget for 2020/21.	

### **1. RECOMMENDATIONS**

- 1.1 The Committee is asked to note the Internal Audit Report to October 2020 (Appendix 1).

## 2. EXECUTIVE SUMMARY

- 2.1 This report details the work completed by Internal Audit so far during 2020/21 and the progress made in implementing recommendations from audits completed in previous years.

## 3. DETAIL

- 3.1 The Internal Audit report (Appendix 1) includes the following:
- a list of all audits completed so far in 2020/21 and audits relating to 2019/20, but finalised after the start of the current year, and
  - lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.
  - A reminder of the current year's internal audit work plan.
- 3.2 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Full Council through the General Purposes & Audit Committee and the Chief Financial Officer (also known as the Section 151 Officer), who is currently the Director of Finance, Investment & Risk. It also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.
- 3.3 Based on the reports finalised and issued since 1<sup>st</sup> April 2020, there is not yet enough new evidence to give an indicative overall Assurance level.

## 4. FOLLOW-UP REVIEWS

- 4.1 When Internal Audit identifies risks, recommendations are made and agreed with service managers to mitigate these. The Council then needs to ensure that action is taken to implement audit recommendations. The Council's targets for audit recommendations implemented are 80% for all priority 2 and 3 recommendations and 90% for priority 1 recommendations. The performance in relation to the targets set for 2014/20 audits are shown Table 1.

**Table 1: Implementation of Audit Recommendations**

	Target	2015/16	2016/17	2017/18	2018/19	2019/20
Implementation of priority one recommendations at follow-up	90%	100%	98%	100%	85%	77%
Implementation of all recommendations at follow-up	80%	94%	93%	91%	86%	83%

## 5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By October 2020 **17%** (53% last year) of the 2020/21 planned audit days had been delivered and **2.5%** (28% last year) of the draft audit reports due for the year had been issued. The contractor has given assurances that the necessary resources are available to deliver the internal audit plan in-year as usual, but it

is unlikely that the organisation will have the capacity to support a greater level of internal audit activity at this time, so it is likely that the plan will not be completed on time. The delays so far this year have been caused by a number of factors, principle of which was the furloughing of our audit contractor's staff for around three months at the start of the year because of the COVID-19 pandemic.

- 5.2 The current internal audit work plan is attached at appendix 6 of appendix 1. This has been amended slightly since last seen by the committee and as the year progresses it may well evolve further.

## 6. FINALISED INTERNAL AUDIT REPORTS

- 6.1 At its meeting on 7<sup>th</sup> October 2020, members of this committee asked to receive more information about individual internal audit reports. All finalised internal audit reports are published on the Council's public internet site and these can be found at:

<https://www.croydon.gov.uk/democracy/budgets/internal-audit-reports/introduction>

- 6.2 In addition, the tables below set out the priority 1 and 2 issues identified at each audit finalised since the last report to this committee.

6.3

<b>Azure Back-up Application Audit – (Full Assurance)</b>
<b>No Priority 1 Issues</b>
<b>No Priority 2 Issues</b>

6.4

<b>Contract management – Street Lighting PFI – (Full Assurance)</b>
<b>No Priority 1 Issues</b>
<b>No Priority 2 Issues</b>

6.5

<b>Debt Recovery In-House – (Substantial Assurance)</b>
<b>No Priority 1 Issues</b>
<b>Priority 2 Issue</b> <ul style="list-style-type: none"> <li>It could not be evidenced in all cases that sufficient actions had been taken to recover outstanding debts. Furthermore, consistent records of customer developments were not being maintained.</li> </ul>

6.6

<b>Parks Health &amp; Safety – (Limited Assurance)</b>
<p><b>Priority 1 Issues</b></p> <ul style="list-style-type: none"> <li>• A Parks Strategy was not in place</li> <li>• Weekly reports of playground area visual inspections were missing in a number of instances</li> <li>• Fire risk assessments for most of the parks and greenspaces (where applicable) required review and, where appropriate, update</li> </ul>
<p><b>Priority 2 Issues</b></p> <ul style="list-style-type: none"> <li>• The list of responsibilities for the various teams/services involved in parks/greenspaces was generic, lacking any role details of processes</li> <li>• 69 (out of 116) parks had not yet been visited to conduct risk assessments</li> <li>• The central Action Log only included action plans for 5 parks (of the 47 that have been visited)</li> <li>• The Park Programme Board terms of reference was not up-to-date</li> </ul>

6.7

<b>Age Assessment Judicial Review, monitoring of costs – (Limited Assurance)</b>
<p><b>Priority 1 Issues</b></p> <ul style="list-style-type: none"> <li>• The 2018/19 recharge for 50% of the legal costs incurred for age assessment judicial reviews to the UK Border Agency was overstated.</li> <li>• There was a lack of monitoring and reporting of appropriate statistics on the outcomes or costs of age assessment judicial review cases.</li> </ul>
<p><b>Priority 2 Issues</b></p> <ul style="list-style-type: none"> <li>• The 'Age assessment information sharing consent form' did not fully provide the information as required by the Data Protection Act (DPA) 2018 and GDPR to comply with transparency requirements.</li> <li>• Statistics, such as the average cost of and success rate in pursuing age assessment judicial reviews, was not known or used in the assessment of whether to pursue these cases.</li> <li>• Formal lessons learned exercises were not conducted following each successful or unsuccessful age assessment judicial review.</li> <li>• Statements of legal charges were not provided in a timely manner.</li> </ul>



Fairfield Hall Delivery – (No Assurance)
<p><b>Priority 1 Issues</b></p> <ul style="list-style-type: none"> <li>• The licence for access to carry out works in respect of property at Fairfield, College Green issued to BXB did not include specific contract conditions relating to quality or deadline for delivery.</li> <li>• The conditional sale of the Fairfield Car Park agreement was still in draft at the time of the substantive internal audit fieldwork in February 2020.</li> <li>• The Executive Director Place, a director of BXB, was the chair of the Fairfield Board meetings which is a conflict of interests.</li> </ul>

## 7. CONSULTATION

- 7.1 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports and audit recommendations are sent for consideration by Departmental Leadership Teams (DLT). Details are circulated and discussed with Directors on a regular basis.

## 8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The fixed price for the Internal Audit Contract is £390k for 2020/21 and there is adequate provision within the budget. There are no additional financial considerations relating to this report
- 8.2 Internal Audit's planning methodology is based on risk assessments that include using the Council risk registers processes.

(Approved by: Felicia Wright, Head of Finance, Resources)

## 9. LEGAL CONSIDERATIONS

- 9.1 The Head of Litigation and Corporate Law comments on behalf of the Council Solicitor and Monitoring Officer that the Council should take steps to improve the Assurance level within the Council.
- 9.2 Information provided in this report is necessary to demonstrate the Council's compliance with requirements imposed by Regulation 5 of the Local Government Accounts and Audit (England) Regulations 2015. The Council is required to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

(Approved by: Sandra Herbert Head of Litigation and Corporate Law for and on behalf of Jacqueline Harris-Baker Council Solicitor and Monitoring Officer.)

## **10. HUMAN RESOURCES IMPACT**

- 10.1 There are no immediate human resources issues arising from this report for LBC employees or staff.

(Approved by: Gillian Bevan, Head of HR – Resources)

## **11. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS**

- 11.1 When Internal Audit is developing the Annual Audit Plan or individual audit programmes the impacts of the issues above are considered depending on the nature of the area of service being reviewed. Issues relating to these impacts would be reflected in the audit reports and recommendations.

## **12. DATA PROTECTION IMPLICATIONS**

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

No.

- 12.2. The Director of Finance, Investment & Risk comments that there are no immediate data protection issues arising from this report.

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk)

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**CONTACT OFFICER:** Simon Maddocks, Head of Internal Audit

**BACKGROUND DOCUMENTS:** Internal Audit report for the period to October 2020 (appendix 1)

# London Borough of Croydon

## Internal Audit Report to 31 October '20

### Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

**Please refer to the Statement of Responsibility in Appendix 7 of this report for further information about responsibilities, limitations and confidentiality.**

## 1. Internal Audit Performance

- 1.1 Due to the Covid-19 pandemic lockdown the 2019/20 annual internal audit plan (plan) was not delivered by 31 March 2020, with some internal audits still being in progress or not started. With the easing of the lockdown restrictions work on delivering the 2019/20 plan has resumed with the intention of completing these remaining internal audits by the end of the calendar year.
- 1.2 To help ensure that the annual internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2020/21 plan was substantially informed by the risk registers. The 2020/21 plan was presented to the General Purposes and Audit Committee on 17 March 2020.
- 1.3 Following the Covid-19 pandemic lockdown, with the delays in commencing work on the 2020/21 plan and the substantially different pressures on the Council, the 2020/21 plan has been amended and a copy of the amended plan is included at Appendix 6.
- 1.4 Work on the 2020/21 plan has commenced and a number of internal audits are well underway, with some at review stage and/or draft report issue.
- 1.5 The table below details the performance for the 2020/21 plan against the Council's targets. At 31 October 2020 Internal Audit had delivered 17% of the planned days, with 2 draft reports issued.

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2020/21 plan days delivered	100%	50%	17%	▼
Number of 2020/21 planned days delivered	1054	627	179	▼
% of 2020/21 planned draft reports issued	100%	28%	2.5%	▼
Number of 2020/21 planned draft reports issued	81	22	2	▼
% of planned 2019/20 plan days delivered	100%	100%	90%	▼
Number of 2019/20 planned days delivered	1011	1011	905	▼
% of 2019/20 planned draft reports issued	100%	100%	72%	▼
Number of 2019/20 planned draft reports issued	88	88	63	▼
% of draft reports issued within 2 weeks of exit meeting	85%	85%	88%	▲
% of qualified staff engaged on audit	40%	40%	25%	▼

## 2. Audit Assurance

2.1 Internal Audit provides four levels of assurance as follows:

<b>Full</b>	The systems of internal control are sound and achieve all systems objectives and that all controls are being consistently applied.
<b>Substantial</b>	The systems of internal control are basically sound, there are weaknesses that put some of the systems objectives at risk and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Weaknesses in the systems of internal control are such as to put the systems objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No</b>	The system of internal control is generally weak leaving the system open to significant error or abuse and /or significant non-compliance with basic controls leaves the system open to error or abuse.

2.2 The table below lists the internal audits for which final reports were issued from 1 April to 31 October 2020. Details of the key issues arising from these reports are shown in Appendix 1.

Internal Audit Title	Assurance Level	Planned Year
Azure Backup Application Audit	Full	2019/20
Contract Management – Street Lighting PFI	Full	2019/20
Debt Recovery In-house	Substantial	2019/20
Parks Health and Safety	Limited	2019/20
Age Assessment Judicial Reviews	Limited	2019/20
Fairfield Halls Delivery (BXB Management)	No	2019/20

## 3. Follow-up audits – effective resolution of recommendations/issues

- 3.1 During 2020/21 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of agreed actions for audits carried out during 2015/16, 2016/17, 2017/18 and 2018/19 and 2019/20.
- 3.2 Follow-up audits are undertaken to ensure that all the recommendations/issues raised have been successfully resolved according to the action plans agreed with the service managers. The Council's target for internal audit recommendations/issues to be resolved at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations/issues and 90% for priority 1 recommendations/issues.

Performance Objective	Target	Performance (to date)				
		2015/16	2016/17	2017/18	2018/19	2019/20
Percentage of priority one actions implemented at the time of the follow up audit	<b>90%</b>	100%	98%	100%	<b>85%</b>	<b>77%</b>
Percentage of all actions implemented at the time of the follow up audit	80%	94%	93%	91%	86%	83%

- 3.3 The results of those for 2016/17, 2017/18, 2018/19 and 2019/20 audits that have been followed up are included in Appendixes 2, 3, 4 and 5 respectively.
- 3.4 Appendix 2 shows the incomplete 2016/17 follow-up audits undertaken to date and the number of recommendations/issues raised and implemented. 93% of the total recommendations were found to have been implemented and 98% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendation is detailed below:

Audit Title	Executive Director Responsible	Assurance Level	Priority 1 recommendations
Contract Monitoring and management – Streets Division	Shifa Mustafa	Limited	<p>Priority 1 recommendation was that staff should endeavour to locate the original full definitive signed contract with City Suburban Tree Surgeons. Where the agreement cannot be located, consideration should be given to requesting this from the contractor.</p> <p><u>Response September 2020:</u></p> <p>An initial response was provided detailing that the City Suburban Tree Surgeons contract could not be located. A formal contract is currently being procured through an extension document, which is with Procurement awaiting Cabinet and sign off.</p>

- 3.5 Appendix 3 shows the incomplete 2017/18 follow-up audits undertaken to date and the number of recommendations/issues raised and implemented. 91% of the total recommendations/issues were found to have been implemented and 100% of the priority 1 recommendations/issues which have been followed up have been implemented.
- 3.6 Appendix 4 shows the 2018/19 follow-up audits undertaken to date and the number of recommendations/issues raised and implemented. 86% of the total recommendations/issues were found to have been implemented and 85% of the priority 1 recommendations/issues which have been followed up have been implemented. The outstanding priority 1 recommendations/issues are detailed below:

Audit Title	Executive Director Responsible	Assurance Level	Summary of recommendations/issues arising in priority 1 recommendations/issues
Payments Against Orders	Debbie Jones	Limited	<p>A priority 1 issue was identified as means tests were not on file for six out of the sample of 10 adoption allowances tested.</p> <p><u>Response provided October 2020:</u></p> <p>The completion, monitoring and compliance remains poor and needs checking on all cases by the CPH on completing the financial assessments and raise any issues with the Head of Service.</p>

Audit Title	Executive Director Responsible	Assurance Level	Summary of recommendations/issues arising in priority 1 recommendations/issues
SEN to include Ombudsman upheld complaints	Debbie Jones	Limited	<p>A priority 1 issue was identified as, during the last academic year, the percentage of Education and Health Care Plans (EHCPs) completed within the statutory 20 week period was 78%.</p> <p><u>Response provided December 2019:</u></p> <p>From January 2019 to October 2019 the percentage of plans that met the 20 week deadline was 75% (191 out of 256 were within timescales)</p> <p>Coordinators continue to monitor the 16 week timescale for issuing the draft EHC Plan but as yet we do not have a formal report to show it (we were waiting for the new database).</p>
Temporary Employment	Jacqueline Harris Baker	Limited	<p>A priority 1 issue was raised as seven of the sample of 30 orders tested (for 32 assignments) were originally placed for more than the required policy maximum of 24 weeks. Furthermore, 26 of these continued for longer than the duration as specified in the original order for an average of an extra 27 weeks.</p> <p><u>Update March 2020:</u></p> <p>Section 6.2 of the draft policy states 3 exceptions to this 13 week rule. This policy is now with HR to agree as they now oversee the operational delivery of the service. Policy update and file to be added.</p> <p>New deadline suggested: 1st April 2020</p> <p>A priority 1 issue was raised as seven of the sample of 30 orders that were tested were not evidenced as appropriately authorised.</p> <p><u>Update March 2020:</u></p> <p>This policy is now with HR to agree as they now oversee the operational delivery of the service.</p> <p>New deadline suggested: 1st April 2020</p>
Asbestos Management	Shifa Mustafa	Limited	<p>A priority 1 issue was identified as there are some 7,762 housing assets, assets for which there was no identifier of whether asbestos was either identified, strongly presumed, presumed or was not found. Discussion established that this number included assets such as roads; however, examination of the listing noted that there were also general rent dwellings, service tenancies and garages included</p> <p><u>Response March 2020:</u></p> <p>The asbestos policy and plan has now received Director sign off.</p> <p>Workshops and asbestos awareness training for relevant staff are to be arranged over the next couple of months.</p>

3.7 Appendix 5 shows the 2019/20 follow-up audits undertaken to date and the number of recommendations/issues raised and implemented 83% of the total recommendations/issues were found to have been implemented and 77% of the priority 1 recommendations/issues which have been followed up have been implemented. The outstanding priority 1 recommendations/issues are detailed below:

Audit Title	Executive Director Responsible	Assurance Level	Summary of recommendations/issues arising in priority 1 recommendations/issues
Lettings Allocations and Assessments	Debbie Jones	Limited	A priority 1 issue was raised as the application forms (on line and in hardcopy) in use were not compliant with the Data Protection Act 2018 or the General Data Protection Regulation.
Adult Social Care (ASC) Waiting Lists	Guy Van Dichele	Limited	A priority 1 issue was raised as the Front Door call statistics for up to the week commencing 12 August 2019 identified that 1 in 5 calls (21%) are lost and that the average call wait time was 4.05 minutes.

Audit Title	Executive Director Responsible	Assurance Level	Summary of recommendations/issues arising in priority 1 recommendations/issues
			<p><u>Response provided September 2020:</u></p> <p>Due to losing the temporary staff the answering of the telephones is now mainly carried out by CC staff with support from CAS staff when the abandonment rate is 15% or higher or there are more than 3 calls waiting more training for CC advisors is planned to increase capacity. August is a difficult time for all frontline services due to A/L and staff shortages however I have included the stats for 18/08/20 as an example however please attached the stats for 18/08/20 and a comparison to 11/08/20 as an example.</p>
Care Market Failure	Jacqueline Harris Baker	Limited	<p>A priority 1 issue was raised as formal contracts were not available for care home providers, although it was explained that a Dynamic Purchasing System was being established, which is anticipated will start from April 2020.</p> <p><u>Response provided November 2020:</u></p> <p>The evaluation of applications to the DPS is almost complete with moderation in early December. Cabinet member delegated key decision is likely to be in January with first call-offs in late January/early February. The DPS will be re-opened to ensure a broad market of care homes.</p>
Occupational Therapy	Guy Van Dichele	Limited	<p>A priority 1 issue was raised as the apportionment of costs, including any over or underspends, for the Adult Community Occupational Therapy Service between the Croydon Clinical Commission Group and the Council was not formally agreed.</p> <p><u>Response provided September 2020:</u></p> <p>The local authority is reviewing and re-negotiating risk share for the period of notice.</p> <p>A priority 1 issue was raised as the 'Waiting List Report' as at 18 September 2019 detailed that there were 197 waiting clients, 180 of whom had been on the waiting list more than 3 months.</p> <p><u>Response provided September 2020:</u></p> <p>The waiting list has reduced to 100 across the localities.</p> <p>Every person on the waiting list was contacted through COVID and triaged and risk assessed.</p> <p>Reflects the activity for the first point as we are doing proportionate assessments and some virtually at the point of contact.</p> <p>The team is skill mixed and simple assessments have been allocated to the OT aids.</p>
Food Safety – Data Quality	Shifa Mustafa	Limited	<p>A priority 1 issued was raised as the reports of inspections due generated from the UNIFORM system were not accurate.</p> <p><u>Response provided November 2020:</u></p> <p>Issues remain, call with IT to identify reasons.</p>
Parks Health and Safety	Shifa Mustafa	Limited	<p>A priority 1 issue was raised as fire risk assessments for most of the parks and greenspaces (where applicable) required review and, where appropriate, update.</p> <p><u>Response provided October 2020:</u></p> <p>On-site risk assessments are programmed with the aim to have them completed by the end of 2020.</p>
Wheelchair Service – Community Equipment Service	Jacqueline Harris Baker	Limited	<p>A priority 1 issue was raised as the follow up of the recommendations raised in the 2017 ad hoc report identified that the recommendation relating to the BACs files being open to amendment had still not been implemented, meaning that any of the BACs payments during the last 2 years may have been manipulated. As about £1m of payments is made per month, this is a significant issue.</p> <p><u>Response provided June 2020:</u></p> <p>Following the recommendation from the audit team we have been in touch with the head of treasury to scope out the use of the payment solution currently piloted in the schools.</p> <p>We are hoping to use the learning from the schools pilot to help the implementation of the solution.</p>



Audit Title	Executive Director Responsible	Assurance Level	Summary of recommendations/issues arising in priority 1 recommendations/issues
			The completion of this action is also largely dependent on the availability of the treasury team to lead this project and ensure CES has the necessary support to implement this new payment solution.
Expenses & Overtime Payments to Staff	Jacqueline Harris Baker	No	<p>Priority 1 issues was raised as</p> <ul style="list-style-type: none"> <li>• Testing of a sample of 20 approved expenses established five instances where the expenses were incorrectly categorised and, in some instances, should not have been claimed. Examination of a report of all expenses claimed 1 April to 18 October 2019 confirmed that the above were not isolated examples. This despite users being required, prior to submitting expenses claims, to acknowledge that they have read and understood the Council's Expenses Management Policy.</li> <li>• Sample testing identified expense claims that were being authorised outside of the 90 day eligibility timeframe as defined in the Expenses Management Policy. Examination of a report of all expenses claimed 1 April to 18 October 2019 confirmed that the above were not isolated examples.</li> <li>• Examination of a report of all expenses claimed 1 April to 18 October 2019 identified two instances where payments to an individual had been claimed as expenses by a staff employee. In both these instances it is held that HMRC would deem the individual to be an employee; however, no NI or PAYE deductions had been made. Furthermore, in line with the Council's Expenses Management Policy, these should not have been claimed as expenses.</li> <li>• Examination of a sample of expense claims from a report of all expenses claimed 1 April to 18 October 2019 identified that these had not been properly recorded and therefore there was a lack of record to demonstrate that these expenses were actually incurred for business purposes.</li> <li>• Examination of the documentation held for a sample of 15 staff on the car allowance scheme identified that corresponding Compulsory Car Allowance User forms were not available for 10 of these staff.</li> </ul>

## Appendix 1: Summary from finalised audits of Key (Priority 1) issues

Internal Audit Title	Assurance Level & Number of Issues	Summary of Key Issues Raised
<b>Non-School Internal Audits</b>		
Fairfield Hall Delivery (BxB Management)	No Assurance (Three Priority 1 issues )	<p>Priority 1 issues were identified that</p> <ul style="list-style-type: none"> <li>The licence for access to carry out works in respect of property at Fairfield, College Green issued to BXB did not include specific contract conditions relating to quality or deadline for delivery.</li> <li>The conditional sale of the Fairfield Car Park agreement was still in draft at the time of the substantive internal audit fieldwork in February 2020</li> <li>The Executive Director Place, a director of BXB, was the chair of the Fairfield Board meetings which is a conflict of interests</li> </ul>
Parks Health and Safety	Limited Assurance (Three Priority 1, four Priority 2 and a Priority 3 issue)	<p>Priority 1 issues were identified that:</p> <ul style="list-style-type: none"> <li>A Parks Strategy was not in place;</li> <li>Weekly reports of playground visual inspections were missing in a number of instances, and</li> <li>Fire risk assessments for most of the parks and greenspaces (where applicable) required review and, where appropriate, update.</li> </ul>
Age Assessment Judicial Reviews	Limited Assurance (Two priority 1, four priority 2 issues)	<p>Priority 1 issues:</p> <ul style="list-style-type: none"> <li>The 2018/19 recharge for 50% of the legal costs incurred for age assessment judicial reviews to the UK Border Agency was overstated; and</li> <li>There was a lack of monitoring and reporting of appropriate statistics on the outcomes or costs of age assessment judicial review cases.</li> </ul>
Debt Recovery – In House	Substantial Assurance (One priority 2 issue)	No priority 1 issues raised.
Azure Backup Application Audit	Full Assurance	No priority 1 issues raised.
Contract Management – Street Lighting PFI	Full Assurance	No priority 1 issues raised.

## Appendix 2 - Follow-up of 2016/17 audits (Incomplete follow ups only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Internal Audits						
2016/17	Contract Monitoring and Management - Streets Division	Shifa Mustafa	Limited  (2nd follow up in progress)	6	4	67%
				One priority 1 recommendation not implemented		
2016/17	Clinical Governance	Guy Van Dichele	Substantial  (5th follow up in progress)	3	1	33%
Recommendations and implementation from internal audits that have had responses				424	393	93%
Priority 1 Recommendations from internal audits that have had responses				45	44	98%

## Appendix 3 - Follow-up of 2017-18 audits (incomplete follow up only)

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Internal Audits						
2017-18	Development Management No response received	Shifa Mustafa	Substantial  (1st follow up in progress)	5	-	-
2017-18	Gifts and Hospitality	Jaqueline Harris-Baker	Substantial  (4th follow up in progress)	4	3	75%
2017/18	Admitted Bodies	Jaqueline Harris-Baker	Substantial  (2nd follow up in progress)	4	1	25%
2017/18	One Croydon Alliance Programme	Guy Van Dichele	Substantial  (3rd follow up in progress)	7	3	43%
Recommendations and implementation from internal audits that have had responses				419	383	91%
Priority 1 Recommendations from internal audits that have had responses				47	47	100%

## Appendix 4 - Follow-up of 2018/19 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Internal Audits						
2018/19	Voluntary Sector Commissioning Adult Social Care	Jaqueline Harris-Baker	No Assurance (No further follow up)	8	8	100%
2018/19	Housing Repairs	Guy Van Dichele	Limited (No further follow up)	2	2	100%
2018/19	Pensions Administration	Jaqueline Harris-Baker	Limited (No further follow up)	5	4	80%
2018/19	Children and Families System Support Team (ContrOCC)  (Further response received and being reviewed)	Debbie Jones	Limited  (3rd follow up in progress)	13	10	77%
2018/19	Payments to In House Foster Carers	Debbie Jones	Limited (No further follow up)	4	4	100%
2018/19	Payments Against Orders	Debbie Jones	Limited  (2nd follow up in progress)	10	3	30%
2018/19	SEN to include Ombudsman upheld complaints	Debbie Jones	Limited  (3rd follow up in progress)	5	2	40%
				1 priority 1 issue not yet resolved		
2018/19	GDPR in Schools	Debbie Jones	Limited (No further follow up)	8	8	100%
2018/19	Health and Safety in Schools	Debbie Jones	Limited  (4th follow up in progress)	6	4	67%
2018/19	Air Quality Strategy, Implementation and Review	Shifa Mustafa	Limited (1st follow up in progress)	8	-	-
2018/19	Allotments	Shifa Mustafa	Limited (No further follow up)	5	4	80%
2018/19	Live Well – Active Lifestyle Team	Shifa Mustafa	Limited (No further follow up)	7	7	100%
2018/19	No Recourse to Public Funds (NRPF)	Guy Van Dichele	Limited (No further follow up)	4	4	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	Croylease (Landlord letting Scheme)	Guy Van Dichele	Limited (No further follow up)	8	8	100%
2018/19	Libraries Income Collection	Shifa Mustafa	Limited (No further follow up)	5	5	100%
2018/19	Election Accounts and Claims	Jaqueline Harris-Baker	Limited (No further follow up)	7	6	86%
2018/19	Temporary Employment	Jaqueline Harris-Baker	Limited (3rd follow up in progress)	16	5	31%
				2 priority 1 issues not yet resolved		
2018/19	Asbestos Management (Beyond the Corporate Campus)	Shifa Mustafa	Limited (3rd follow up in progress)	12	9	75%
				1 priority 1 issue not yet resolved		
2018/19	PMI General Building Works Service	Shifa Mustafa	Limited (No further follow up)	6	5	83%
2018/19	Parking Enforcement and Tickets	Shifa Mustafa	Substantial (No further follow up)	5	5	100%
2018/19	School Deficits and Surpluses (Conversion to Academy)	Debbie Jones	Substantial (2nd follow up in progress)	4	3	75%
2018/19	Highways Statutory Defence	Shifa Mustafa	Substantial (No further follow up)	4	4	100%
2018/19	Discretionary Housing Payments	Guy Van Dichele	Substantial (No further follow up)	3	3	100%
2018/19	Leasehold Service Charges	Guy Van Dichele	Substantial (No further follow up)	2	2	100%
2018/19	Public Events	Shifa Mustafa	Substantial (No further follow up)	7	6	86%
2018/19	South London Work and Health Partnership( SLWHP)	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	Parking CCTV	Shifa Mustafa	Substantial (No further follow up)	1	1	100%
2018/19	Mortuary	Jaqueline Harris-Baker	Substantial (4 <sup>th</sup> follow up in progress)	4	3	75%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	Growth Zone – High Level Review	Shifa Mustafa	Substantial (No further follow up)	3	3	100%
2018/19	GDPR	Jaqueline Harris-Baker	Substantial (2nd follow up in progress)	2	0	0
2018/19	New Legal Services Model	Jaqueline Harris-Baker	Substantial (1 <sup>st</sup> follow up in progress)	7	-	-
2018/19	Council Investment and Operational Properties – Income Maximisation	Jaqueline Harris-Baker	Substantial (3 <sup>rd</sup> follow up in progress)	4	2	50%
2018/19	Access to IT Server	Jaqueline Harris-Baker	Substantial (No further follow up)	3	3	100%
2018/19	Capita Event Management	Jaqueline Harris-Baker	Substantial (No further follow up)	3	3	100%
2018/19	Third party – Service Delivery	Jaqueline Harris-Baker	Substantial (No further follow up)	1	1	100%
2018/19	Cashiers (Cash Handling)	Jaqueline Harris-Baker	Full (No further follow up)	1	1	100%
<b>Non-School Internal Audits Sub Total:</b>				<b>181</b>	<b>141</b>	<b>78%</b>
<b>Recommendations and implementation from internal audits that have had responses</b>						
<b>Non-School Internal Audits Sub Total:</b>				<b>27</b>	<b>22</b>	<b>81%</b>
<b>Priority 1 Recommendations from internal audits that have had responses</b>						
<b>School Internal Audits</b>						
2018/19	Virgo Fidelis Convent School	Debbie Jones	No (No further follow up)	27	27	100%
2018/19	Coulson C of E Primary School	Debbie Jones	Limited (No further follow up)	8	7	88%
2018/19	The Mister Junior School	Debbie Jones	Limited (No further follow up)	11	9	82%
2018/19	Winterbourne Junior Girls School	Debbie Jones	Limited (No further follow up)	12	12	100%
2018/19	Regina Coeli Catholic Primary School	Debbie Jones	Limited (No further follow up)	10	10	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2018/19	St Andrews C of E VA High School	Debbie Jones	Limited (No further follow up)	5	5	100%
2018/19	Thomas More Catholic School	Debbie Jones	Limited (No further follow up)	18	17	94%
2018/19	Christchurch CofE Primary School	Debbie Jones	Substantial (No further follow up)	10	10	100%
2018/19	Orchard Way Primary School	Debbie Jones	Substantial (No further follow up)	8	8	100%
2018/19	Park Hill Infant School	Debbie Jones	Substantial (No further follow up)	6	6	100%
2018/19	Ridgeway Primary School	Debbie Jones	Substantial (No further follow up)	7	6	86%
2018/19	The Hayes Primary School	Debbie Jones	Substantial (No further follow up)	7	7	100%
2018/19	St Mary's Catholic High School	Debbie Jones	Substantial (1st follow up in progress)	12	11	91%
2018/19	Bensham Manor School	Debbie Jones	Substantial (No further follow up)	9	8	89%
<b>School Internal Audits Sub Total:</b>				<b>150</b>	<b>143</b>	<b>95%</b>
<b>Recommendations and implementation from internal audits that have had responses</b>						
<b>School Internal Audits Sub Total:</b>				<b>19</b>	<b>19</b>	<b>100%</b>
<b>Priority 1 Recommendations from internal audits that have had responses</b>						
<b>Recommendations and implementation from internal audits that have had responses</b>				<b>330</b>	<b>284</b>	<b>86%</b>
<b>Priority 1 Recommendations from internal audits that have had responses</b>				<b>46</b>	<b>41</b>	<b>85%</b>



## Appendix 5 - Follow-up of 2019/20 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
Non School Internal Audits						
2019/20	Expenses and Overtime Payments to Staff  (Further response received and being reviewed)	Jacqueline Harris Baker	No  (2nd follow up in progress)	8	0	0
				5 priority 1 issues not yet resolved		
2019/20	Housing Rent (Reduced Scope)	Guy Van Dichele	Limited  (No further follow up)	3	3	100%
2019/20	Age Assessment Judicial Review	Guy Van Dichele	Limited  (1st follow up in progress	6	-	-
2019/20	Alternative School provisioning	Debbie Jones	Limited  (No further follow up)	6	6	100%
2019/20	Partnership Governance – Children and Families	Debbie Jones	Limited  (1st follow up in progress No priority 1 issues)	5	-	-
2019/20	Lettings Allocations and Assessments  (Further response received and being reviewed)	Guy Van Dichele	Limited  ( 2nd follow up in progress)	3	1	67%
				1 priority 1 issue not yet resolved		
2019/20	Placements in Private Housing Accommodation	Guy Van Dichele	Limited  (2 <sup>nd</sup> follow up in progress	4	2	50%
2019/20	Adult Social Care (ASC) Waiting Lists	Guy Van Dichele	Limited  (3rd follow up in progress)	4	3	75%
				1 priority 1 issue not yet resolved		
2019/20	Care Market Failure  (Further response received and being reviewed)	Jacqueline Harris-Baker / Guy Van Dichele	Limited  (4th follow up in progress)	10	7	70%
				1 priority 1 issue not yet resolved		
2019/20	Occupational Therapy	Guy Van Dichele	Limited  (2nd follow up in progress)	4	2	50%
				2 priority 1 issues not yet resolved		
2019/20	Bringing Services in-house – Parks Services	Shifa Mustafa	Limited  (No further follow up)	8	8	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2019/20	External Funding	Shifa Mustafa	Limited (No further follow up)	3	3	100%
2019/20	Food Safety – Data Quality	Shifa Mustafa	Limited (3rd follow up in progress)	5	2	40%
				1 priority 1 issue not yet resolved		
2019/20	Parks Health and Safety	Shifa Mustafa	Limited (2 <sup>nd</sup> follow up in progress)	8	3	38%
				1 priority 1 issue not yet resolved		
2019/20	Wheelchair Service – Community Equipment Service	Jacqueline Harris Baker	Limited (2 <sup>nd</sup> follow up in progress)	3	2	67%
				1 priority 1 issue not yet resolved		
2019/20	Business Rates	Jacqueline Harris Baker	Substantial (No further follow up)	1	1	100%
2019/20	Housing Benefit	Jacqueline Harris Baker	Substantial (No further follow up)	2	2	100%
2019/20	Payments to Schools	Jacqueline Harris Baker	Substantial (1st follow up in progress)	2	-	-
2019/20	Pensions	Jacqueline Harris Baker	Substantial (2 <sup>nd</sup> follow up in progress)	2	1	50%
2019/20	Pay and Display Meter Maintenance	Shifa Mustafa	Substantial (No further follow up)	4	4	100%
2019/20	Section 17 payments	Guy Van Dichele	Substantial (No further follow up)	5	5	100%
2019/20	Fire Safety (Housing Stock)	Shifa Mustafa	Substantial (3 <sup>rd</sup> follow up in progress)	1	0	0
2019/20	Growth Zone – Performance Manager	Shifa Mustafa	Substantial (2 <sup>nd</sup> follow up in progress)	4	2	50%
2019/20	Highways Contract Management (Further response received and being reviewed)	Shifa Mustafa	Substantial (2 <sup>nd</sup> follow up in progress)	4	3	75%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
2019/20	Uniform IT Application	Jacqueline Harris Baker	Substantial (3 <sup>rd</sup> follow up in progress)	4	2	50%
2019/20	Northgate iWorld Application	Jacqueline Harris Baker	Substantial (No further follow up)	1	1	100%
<b>Non-School Internal Audits Sub Total: Recommendations and implementation from internal audits that have had responses</b>				<b>97</b>	<b>63</b>	<b>65%</b>
<b>Non-School Internal Audits Sub Total: Priority 1 Recommendations from internal audits that have had responses</b>				<b>25</b>	<b>12</b>	<b>48%</b>
<b>School Internal Audits</b>						
2019/20	Winterbourne Nursery and Infant School		No (No further follow up)	22	22	100%
2019/20	Beulah Junior School		Limited (No further follow up)	14	13	93%
2019/20	Kenley Primary School		Limited (No further follow up)	11	10	91%
2019/20	Margaret Roper Catholic Primary School		Limited (4 <sup>th</sup> follow up in progress)	11	8	73%
2019/20	Minster Infant School		Limited (No further follow up)	16	13	81%
2019/20	Norbury Manor Primary School		Limited (No further follow up)	13	13	100%
2019/20	St Joseph's Federation		Limited ( No further follow up)	14	13	93%
2019/20	Virgo Fidelis Convent Senior School		Limited (No further follow up)	19	19	100%
2019/20	Crosfield Nursery and Selhurst Early Years		Substantial (No further follow up)	8	7	87%
2019/20	All Saints C of E Primary School		Substantial (No further follow up)	12	12	100%
2019/20	Elmwood Infant School		Substantial (No further follow up)	6	6	100%
2019/20	Heavers Farm School		Substantial	13	13	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Assurance Level & Status	Total Raised	Implemented	
					Total	Percentage
			(No further follow up)			
School Internal Audits Sub Total:				159	149	94%
Recommendations and implementation from internal audits that have had responses						
School Internal Audits Sub Total:				31	31	100%
Priority 1 Recommendations from internal audits that have had responses						
Recommendations and implementation from internal audits that have had responses				256	212	83%
Priority 1 Recommendations from internal audits that have had responses				56	43	77%

## Appendix 6 – 2020/21 Amended Internal Audit Plan

2020/21 Annual Audit Plan	Department	Audit Days
<b>KEY FINANCIAL SYSTEMS REVIEWS</b>		
Business Rates	Resources	10
Adult and Children's Social Care Payment Processes	Resources	20
Council Tax	Resources	10
Payments to Schools (Include licensed deficit process)	Resources	10
Continuous auditing	Resources	60
Follow-up of audits		10
<b>Total Key Financials Audits</b>		<b>120</b>
<b>CORPORATE RISK AUDITS</b>		
Ad Hoc Payments	Corporate	15
Organisational Resilience	Corporate	10
Overtime Payments	Corporate	10
Service Based Budget Monitoring: Across the Organisation	Corporate	20
Staff Expenses - Compliance checks	Corporate	15
Staff Parking and Travel To Work	Corporate	20
Management of Remote Staffing	Corporate	10
Follow up of audits		6
<b>Total Corporate Risk Audits</b>		<b>106</b>
<b>DEPARTMENTAL RISK AUDITS</b>		
Schools PFI Council Funding	Children, Families and Education	10
End to end Placement process (including disabilities)	Children, Families and Education	40
"Ordinary Residents"	Health, Wellbeing & Adults	10
Adults Social Care Placements (Dynamic Purchasing System)	Health, Wellbeing & Adults	10
Blue Badges	Health, Wellbeing & Adults	10
Care Units Insourced	Health, Wellbeing & Adults	10
Clinical Governance	Health, Wellbeing & Adults	10
Continuing Healthcare	Health, Wellbeing & Adults	10
Council Owned Temporary Accommodation: Concierge and Site Management	Health, Wellbeing & Adults	10
Disabled Facilities Grants	Health, Wellbeing & Adults	10
Homelessness: Voids	Health, Wellbeing & Adults	20
Out of Borough Adult Social Care Placements	Health, Wellbeing & Adults	10
Public Health: Contracts Management	Health, Wellbeing & Adults	15
Temporary Accommodation: Standards in Private Sector	Health, Wellbeing & Adults	15
Transforming Care	Health, Wellbeing & Adults	10

2020/21 Annual Audit Plan	Department	Audit Days
Localities: Performance Data	Health, Wellbeing & Adults	10
Placement Deposits	Health, Wellbeing & Adults / Children, Families and Education	15
Apprenticeships	Place	10
Corporate Estate: Building Compliance	Place	15
Croydon Affordable Homes: Contract Management	Place	10
Emissions Based Parking Charges	Place	10
Health and Safety: Job Risk Assessments	Place	10
Housing Need and Supply: Roles and Responsibilities	Place	10
Selective Licensing	Place	10
SEN Transport - Safeguarding	Place	10
SLWP - Payments and Recharging Processes	Place	10
Walking and Cycling Schemes	Place	10
Agency Staff - Internal Recharges	Resources	10
CDS Contract Management	Resources	15
CDS Governance/Structure/Engagement	Resources	10
Establishment Control	Resources	10
Loans and Investments (Non Treasury)	Resources	10
Long Term Sick and Maternity Sick leave	Resources	10
New Supplier Set up	Resources	10
Right To Work checks	Resources	10
Procurement card expenditure under Covid-19	Resources	10
Hospital discharges - reclaims	Health, Wellbeing & Adults	10
Supplier relief under covid-19	Resources	10
Local Support Systems (under covid-19)	Resources	10
Grants to Voluntary Organisations	Resources	10
Follow up of audits		44
<b>Total Departmental Risk Register Audits</b>		<b>509</b>
<b>COMPUTER AUDITS</b>		
Security Management	Resources	20
Security of Remote Working Arrangements	Resources	10
Operating System	Resources	10
Software Licensing (FAST)	Resources	10
Application Support	Resources	10
Cyber	Resources	20
Follow up of audits		10
<b>Total Computer Audits</b>		<b>90</b>
<b>CONTRACT AUDITS</b>		
CCTV Procurement	Resources	10

2020/21 Annual Audit Plan	Department	Audit Days
Telephony Procurement	Resources	10
Capital programme - Regeneration	Place	10
Emergency and Temporary Accommodation (Phase 3) (incl. VFM)	Resources	20
Buying Team	Resources	10
Follow-up of audits		10
<b>Total Contract Audits</b>		<b>70</b>
<b>SCHOOLS AUDITS</b>		
<b>Primary &amp; Nursery Schools</b>		
Tunstall Nursery School	Children, Families and Education	5.5
Thornton Health Early Years Centre	Children, Families and Education	5.5
Forestdale Primary School	Children, Families and Education	5.5
Greenvale Primary School	Children, Families and Education	5.5
Purley Oaks Primary School	Children, Families and Education	5.5
Smitham Primary School	Children, Families and Education	5.5
Winterbourne Nursey and Infants School	Children, Families and Education	5.5
<b>Secondary Schools</b>		
Archbishop Tennysons High School	Children, Families and Education	7.5
Thomas Moore High School	Children, Families and Education	7.5
<b>PRU's &amp; Special Schools</b>		
St Giles	Children, Families and Education	5.5
St Nicholas	Children, Families and Education	5.5
Red Gates	Children, Families and Education	5.5
Follow-up of Schools audits		14
<b>Total Schools Audits</b>		<b>84</b>
<b>CONTINGENCY</b>		
Contingency for fraud including NFI and ad hoc work		25
Contingency for Grant Claims		10
<b>Total Contingency</b>		<b>35</b>
<b>ADMIN AND MANAGEMENT</b>		
<b>Total Admin and Management</b>		<b>40</b>
<b>GRAND TOTAL BUDGET</b>		<b>1054</b>

## Appendix 7 - Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Anti-Fraud Update Report 1<sup>st</sup> April 2020 – 30 November 2020</b>
<b>LEAD OFFICER:</b>	<b>David Hogan, Head of Anti-Fraud</b>
<b>CABINET MEMBER</b>	<b>Councillor Callton Young</b> <b>Cabinet Member for Resources and Financial Governance</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> The work of the Anti-Fraud service helps the Council to improve its value for money by strengthening financial management and further embedding risk management. Improving value for money ensures that the Council delivers effective services contributing to the achievement of the Council's vision and priorities. The detection of fraud and better anti-fraud awareness contribute to the perception of a law-abiding Borough.	
<b>FINANCIAL SUMMARY:</b> The budget provision for the Anti-Fraud service for 2020/21 is £328,107 and the service is on target to be delivered within budget.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

**For general release**

<b>1. RECOMMENDATIONS</b>  1.1 The Committee is asked to: <ul style="list-style-type: none"> <li>Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2020 – 30 November 2020</li> </ul>
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## 2. EXECUTIVE SUMMARY

- 2.1 This report details the performance of the Council's Corporate Anti-Fraud Team (CAFT) and includes details of the team's performance together with an update on developments during the period 1 April 2020 – 30 November 2020.

## 3. DETAIL

### Performance 1 April 2020 to 30 November 2020

- 3.1 The CAFT comprises 10 staff (9.2 FTEs), including tenancy and corporate investigators, an Intelligence Officer, financial investigators and an Investigation Manager. The CAFT investigates allegations of fraud or corruption which affect the Council's business. In addition, the team generates an income by providing a service to the London Borough of Lambeth, as well as providing Financial Investigation services to the Merton/Kingston/Sutton Trading Standards partnership as well as the LB Bexley, LB Wandsworth and the LB Newham. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 The work of the team has been severely impacted by both COVID19 lockdowns and the need to balance the work they do with the need to keep people safe and this has impacted two of the key components of their work, visiting residents and business and face to face interviewing. This has impacted on the team's ability to conclude investigations and having begun to clear a backlog of casework in late summer/early autumn the November lockdown meant that the backlog of casework built up again and our priority going forward is to try and clear this backlog during the remainder of the financial year.
- 3.3 There are local performance indicators that relate to the Council's anti-fraud work. The two indicators shown in table 1 below reflect the focus of the team. Table 2 shows a breakdown of these figures.

Table 1 – Key performance indicators

	YEAR END 19/20	ANNUAL TARGET 20/21	20/21 YTD PERFORMANCE
Successful Outcomes	181	130	88
Identified Overpayments & Savings	£1,414,384	£1,000,000	£685,906

Table 2 - Breakdown of Outcomes from 1 April 2020 – 30 November 2020 compared to the same period in 2019/20

2019/20		2020/21	
Area	Value £	Area	Value £
Housing - 22		Housing - 21	

5 Recovered Properties	£162,000	5 Recovered Properties	£162,000
2 Removed from housing list	**£4,000	3 Removed from housing list	**£6,000
5 Right to Buy stopped	£550,000	2 Right to Buy stopped	£224,600
5 Possession order		6 Legal notices issued*	
9 Legal notices issued*		2 Nomination Rights gained	£64,800
1 Nomination Rights gained	£32,400	1 Temp Accommodation	£32,400
		1 Wilful damage	£5,400
		1 tenancy warning letter	
<b>Other - 103</b>	£199,147	<b>Other – 34</b>	£190,706
29 Formal Cautions		4 Formal Cautions	
7 Dismissal/Resignation & Other Disciplinary Action		1 Grant Rejected	
4 Council Tax Discounts		2 Dismissal/Resignation & other Disciplinary Action	
3 Council Tax reduction removed		3 Council Tax Discount	
1 Council tax liability order		4 Council Tax Reduction Removed	
43 Blue Badge Abuse		13 Blue Badge abuse	
16 Other		4 Covid Business grants	
		3 Other	
<b>Total</b>	<b>£947,547</b>	<b>Total</b>	<b>£685,906</b>

\*Includes: Notice Seeking Possession and Notice to Quit

\*\* Non-cashable saving, as cost to the council only arises when someone moves from the list to a tenancy.

### 3.4 Covid Business Grants

At a previous meeting of GPAC in October 2020 we had provided the committee with an overview of the work we had been doing on fraud emerging out of the stimulus payments to local businesses, administered by the council during lockdown. These have comprised either Small Business (SBGF), Retail Hospitality and Leisure (RHLGF) and Discretionary (LADGF) payments.

Current figures relating to referrals that are under fraud investigation:

Grant scheme	Grants paid	Referred for investigation	Fraud risk
SBGF	2,932	16	<ul style="list-style-type: none"> <li>Previous business applied as the current business</li> </ul>

			<ul style="list-style-type: none"> <li>had never registered for business rates</li> <li>• SBRR claimed falsely</li> </ul>
RHLGF	881	4	<ul style="list-style-type: none"> <li>• Company splitting</li> <li>• Previous business applied as the current business had never registered for business rates</li> </ul>
Discretionary (LADGF) Grant fund	543	3	<ul style="list-style-type: none"> <li>• Fake business</li> <li>• Multiple claims/single applicant</li> <li>• Virtual offices</li> </ul>

As a result of our previous overview, the committee asked to see a couple of case studies, to illustrate how and why the fraud had happened and to see how we it can be dealt with.

### **Case study 1**

Concerns were raised with us by a Ward Councillor regarding a small café forced to close during lockdown. The business owner was reporting he had not received a grant and had just been advised by the council the grant had already been paid to the person registered as liable for the business rates.

Investigation revealed the person who had previously run the business, before selling to the current owner in 2016, had remained as the responsible person for business rates. Taking advantage of this she then applied for and was paid the SBGF payment of £10k. This only came to light as the person currently running a business from the premises came forward to claim the SBGF.

In this case we have successfully recovered in full the funding paid to the former business owner and are in the process of re-allocating that funding to the rightful recipient but this case does highlight the main fraud risk associated with business rates and the stimulus packages put in place to support business through Covid. The majority of the fraudulently claimed grants we are investigating have arisen as there is no legal requirement for a business to register with its Local Authority. With many small businesses, such as in this case, the award of Small Business Rates Relief (SBRR) means there is nothing to pay and this further acts as a disincentive for the previous business owner telling their council they have ceased trading and means business rates records are not an accurate reflection of local businesses.

### **Case Study 2**

A business grant was claimed by a small business trading as a convenience store in Thornton Heath. We were alerted by the bank who identified the payment of £10k as a suspicious activity in their account holder's account.

An investigation revealed that the person who had claimed the grant, who was also liable for the business rates, actually worked elsewhere in the retail sector and had contacted the council to make himself liable for the business as a favour to the business owner. The owner of the business had themselves previously been investigated by the council's licencing team for alcohol sales infringements and was no longer licenced to do so. The owner had got around this by getting a friend to 'front' the business and obtain the licence to sell alcohol. They then had to continue this arrangement or miss out on the opportunity to claim a grant. Working with the bank we managed to recover all of the grant funding and have passed details on to licencing colleagues for them to deal with the licencing breach.

In both of these cases it was as a direct result of the decision to put in place an application process for these grants that we were able to successfully recover all public funds. The application process ensured we captured up to date contact details for each business and this was integral to us being able to locate individuals and their banking arrangements.

### **3.5 Staff Internal Investigations**

At the meeting of GPAC on 2<sup>nd</sup> December 2020, the committee requested details of the numbers of internal investigations, involving staff or contractors, undertaken by the team over the last 5 years and this information is provided in the table below:

<b>Status</b>	<b>Number</b>
Open/current	19
Investigated but no further action needed	42
Not investigated	11
Investigation and action taken	48

Reporting period 2015 to 2020

## **4. FINANCIAL INVESTIGATIONS**

- 4.1 The Council employs two Financial Investigators to undertake work using the Proceeds of Crime Act 2002. This includes investigating and developing cases to obtain confiscation orders plus cash seizure and cash forfeiture cases.

Croydon's Financial Investigators undertake work for other councils, who do not have this capacity, on a fee basis. This year they currently are undertaking work for LB Bexley, LB Newham, LB Wandsworth and Adur and Worthing Councils.

Their investigations relate to a broad section of service areas within the Councils including:

- Environmental enforcement
- Trading Standards - trademark and rogue trader cases
- Planning – enforcement case;
- Licensing
- Internal cases
- Safeguarding cases
- Business rates evasion by fraud

- 4.2 The Financial Investigators, as is the case with many other teams across the council, are experiencing significant delays in legal proceedings due to Covid. This is resulting in constant adjournments as the courts appear to try to deal with their own backlogs.

## **5. LOCAL GOVERNMENT TRANSPARENCY CODE**

- 5.1 Members will be aware of the Local Government Transparency Code which requires Councils to publish data about various areas of their activities. Included in the 2014 code is detail on Counter Fraud work, most of this information has always been reported to committee; however below are some additional areas which we are required to make public. The figures detailed below for the period from 1 April to 30 November 2020:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	6
Total number of employees undertaking investigations and prosecutions relating to fraud	10
Total number of full-time equivalent employees undertaking investigations and prosecutions of fraud	9.2
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	9
Total number of full-time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	8.4
Total number of fraud cases investigated*	213

\*The number of investigations that have been closed during the period April 20 to 30 November 2020.

## **6. FINANCIAL AND RISK ASSESSMENTS**

- 6.1 The budget provision for the anti-fraud service for 2020/21 is £328,107 and the service is on target to be delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Felicia Wright, Head of Finance, Resources & Place)

## **7. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

- 7.1 The Solicitor to the Council advises that there are no additional legal implications arising from this report

(Approved by Sandra Herbert, Head of Litigation and Corporate law, for and on behalf of Sean Murphy, Interim Director of Law and Governance and Deputy Monitoring Officer)

## **8. HUMAN RESOURCES IMPACT**

- 8.1 There are no immediate human resource considerations arising from this report for LBC staff or workers.

(Approved by: Gillian Bevan, Acting Head of HR – Resources and CE Office)

## **9. CUSTOMER FOCUS, EQUALITIES, ENVIRONMENTAL, CRIME AND DISORDER REDUCTION & HUMAN RIGHTS IMPACTS**

- 9.1 There are no further considerations in these areas.

## **10. EQUALITIES IMPACT ASSESSMENT**

- 10.1 An initial screening equalities impact assessment has been completed for the Anti-fraud and Corruption Policy. No further action was found to be necessary.

## **11. DATA PROTECTION IMPLICATIONS**

### **11.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No, this report is for information only.

### **11.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO

No DPIA has been completed as no personal data is used in the report. Any cases studies used do not include personal identifiers such as name and address

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

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**CONTACT OFFICER: David Hogan (Head of Anti-Fraud)**

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<b>REPORT TO:</b>	<b>GENERAL PURPOSES AND AUDIT COMMITTEE</b> <b>14 January 2021</b>
<b>SUBJECT:</b>	<b>Corporate Risk Report</b>
<b>LEAD OFFICER:</b>	<b>Lisa Taylor, Director of Finance, Investment &amp; Risk and S151 Officer</b>
<b>CABINET MEMBER</b>	<b>Councillor Stuart King, Deputy Leader of the Council &amp; Cabinet Member for Croydon Renewal</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <p>As part of the General Purposes and Audit Committee's role of overseeing the risk management framework and receiving assurance that significant corporate (Red) risks are identified and mitigated by the organisation, this report accompanies the appendix document which presents those risks recorded as 'high rated' or RED on the corporate risk register as at 14 January 2021.</p> <p>In line with the Council's commitment to openness and transparency, the corporate risk report will appear in Part A of the agenda unless there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).</p>	
<b>FINANCIAL SUMMARY:</b> No additional direct financial implications.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> N/A	

## 1. RECOMMENDATION

The Committee is asked to note the contents of the corporate risk register as at January 2021

## 2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at January 2021.

## 3. DETAIL

### Risk Register Report

- 3.1 The register presented details all the current corporate risks rated at a total risk score of 20 and above (Red Risks).
- 3.2 In line with the Council's commitment to openness and transparency, the register will appear with the corporate risk report in Part A of the agenda unless, in

accordance with the Access to Information Procedure Rules in the Council's Constitution there is specific justification for any individual entries being considered under Part B (set out under Paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended).

- 3.3 It should be noted that some of the grounds for exemption from public access are absolute. However, for others such as that in para.3, 'Information relating to the financial or business affairs of any particular person (including the authority holding that information)', deciding in which part of the agenda they will appear, is subject to the further test of whether, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

#### **4. FINANCIAL CONSIDERATIONS**

- 4.1 There are no additional financial considerations arising from this report.

(Approved by Lisa Taylor –Director of Finance, Investment & Risk and Section151 Officer)

#### **5. LEGAL CONSIDERATIONS**

- 5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are no additional legal considerations arising from the recommendations in this report.

(Approved by: Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance and Deputy Monitoring Officer)

#### **6. HUMAN RESOURCES IMPACT**

- 6.1 There are no additional Human Resources implications arising from this report.

(Approved by: Sue Moorman, Director of HR)

#### **7. EQUALITIES, ENVIRONMENTAL AND CRIME AND DISORDER REDUCTION IMPACTS**

- 7.1 None

#### **8. RISK ASSESSMENT**

- 8.1 No further risk issues other than those detailed in the report.

- 8.2 The corporate Risk Management Team (RMT) operates a '**horizon scan**' strategy as part of the Council's Risk Management Framework.

- 8.3 The horizon scan strategy is implemented through the distillation of cross – organisational & external professional networks that are maintained by the RMT. This strategy incorporates a multi-faceted approach including activities such as:

- Intelligence sharing (especially in respect of significant events / incidents) with other local authorities such as the Local Government Association;
- Collaborative working particularly the London Boroughs network, London Councils and the Greater London Authority;
- Research conducted via professional and generic media mechanisms for example The Association of Local Authority Risk Mangers, CIPFA;
- Regular attendance at DMT's / DLT's on a quarterly basis;
- Participation in the relevant 'working group' activities / projects for example major systems implementation such as Oracle Cloud, or policy/legislative change implementation such as IR35 compliance; and
- The ability to 'add value' and strategic direction and guidance is an integral aspect of the risk management consultancy available to senior officers.

## **9. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS**

- 9.1 Information contained in the Council's Risk Register or held in relation to the Council's risk management procedures may be accessible under the Freedom of Information Act subject to the application of any relevant exemptions, such as commercial sensitivity and whether disclosure was in the 'public interest'.

## **10. DATA PROTECTION IMPLICATIONS**

### **10.1. WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

No.

No personal data is processed as part of the production of the Corporate Risk Register.

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk and Section 151 Officer)

### **10.2. HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

No.

Not applicable as no personal data is processed as part of the production of the Corporate Risk Register

(Approved by: Lisa Taylor, Director of Finance, Investment & Risk and Section 151 Officer)

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**CONTACT OFFICER:**

Malcolm Davies,  
Head of Risk & Insurance  
Ext 50005

**BACKGROUND DOCUMENTS:**

Appendix 1 Corporate Risk Register

## Corporate Risk Register

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHCS0001  Pendry, Nick	<p>The number of unaccompanied asylum seeking children and care leavers looked after by Croydon remains significantly higher than the national average, leading to substantial financial pressure on the Council.</p> <p><b>**The voluntary structure of the scheme means there is always vulnerability. Croydon is responsible for all new presentations to Lunar House as a locally based service**.</b></p>	<ul style="list-style-type: none"> <li>• Significant service and staff resources pressures, with pressures on placement supply of in-house and independent foster carers, and pressures on school places and LAC health services.</li> <li>• Impact on Council revenue budgets as a result of insufficient funding for overhead costs due to volume.</li> <li>• National Transfer Scheme (NTS) continues to fail.</li> <li>• Dedicated teams required to deal with large numbers of UASC meaning that the processing of UASC cannot be absorbed into the existing staffing structure like in other Council's.</li> <li>• Additional overheads including staff management and legal costs not paid for by Government grants like other Council's e.g. Kent.</li> </ul>	<p>Jones, Debbie</p> <p>Children Families &amp; Education Services</p>	<p>2020/21 Budget assumption of £9m incorporated into current financial year.</p> <p>Additional Home Office funding of £4m for 2020/21 has been agreed.</p> <p>Age Assessment Team, supported by the Controlling Migration Fund to fast track all age disputed cases.</p> <p>Continued use of the rota to place young people in other boroughs through the Pan-London Protocol.</p> <p>Emphasis on wider negotiation of fair funding arrangements for Croydon.</p> <p>Ensuring compliance and ensure opportunities are utilised through a formal system for dispersing unaccompanied child migrants as introduced by central government.</p> <p>Implementation of the National Transfer Scheme.</p>	5	5	25	<p>Complete a forensic review of income against the total expenditure for unaccompanied asylum seeking children and care leavers over the past 3 years.</p> <p>Negotiate with the Home Office and Department for Education to secure agreement to the support currently provided to other port of entry authorities.</p> <p>Negotiation / lobby of MHCLG to continue as part of the capitalisation negotiation, in order to resolve the UASC pressure.</p> <p>Present options for decision to elected members to meet the needs of children within the grant funding available.</p> <p>Support young people with appeal rights exhausted to plan for their futures removing the automatic support to all young people until age 25.</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>The Council continues to hold meetings with the Immigration Minister and others in Home Office. Ongoing correspondence, conversations and clarifications with Home Office taking place.</p> <p>Working with London Council's and the LGA to raise awareness of the specific UASC pressures facing 'Port of Entry' locations (such as Lunar House).</p> <p>Working with the Association of London Directors of Children's Services, the Department for Education and Home Office to implement the voluntary National Transfer Scheme.</p> <p>Working with the Home Office to ensure that only appropriate young people are placed.</p>				Work with London local authorities to secure practical support to share the disproportionate burden on Croydon.			

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0005  Kerswell, Katherine	<p>The Council does not agree and deliver a balanced 2020/21 budget following the issuing of the s.114 notice leading to the Ministry of Housing, Communities &amp; Local Government (MHCLG) imposing additional restrictions.</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s): 12, 16, 19.</p>	<ul style="list-style-type: none"> <li>• Damage to reputation and service delivery risk.</li> <li>• Reduction in financial resources.</li> <li>• Continuing erosion of reserves.</li> <li>• Insufficient resources will lead to inability to meet statutory obligations and political aspirations.</li> <li>• Bankruptcy.</li> <li>• Government commissioners brought in to run Council.</li> <li>• All services immediately ceased (except where statutory duty).</li> <li>• Political scrutiny and interest at local and national level.</li> <li>• Media interest at local and national level.</li> <li>• Increasing financial loss.</li> <li>• Legislative action.</li> <li>• Loss of staff and significant redundancies.</li> <li>• Recommendations from the Report in the Public Interests (RIPI) are not actioned.</li> </ul>	<p>Kerswell, Katherine</p> <p>Executive Leadership Team</p>	<p>Delivery of March 2020 savings (£14m)</p> <p>Finance Review Panel identified immediate measures (in year savings £10.2m).</p> <p>Spending Control Panel in place monitoring and approving all expenditure across the Council.</p> <p>Staffing review being implemented to save 15% of costs.</p> <p>Task Force produced submission / application to MHCLG for additional funding via Capitalisation Directive</p>	5	5	25	<p>Assurance on the Quarter 2 (2020/21) Report to be provided.</p> <p>Departmental Leadership Teams (DLT's) to monitor departmental expenditure on monthly basis.</p> <p>Monthly reporting to the Executive Leadership Team (ELT) on 'in year' savings (£14m + £10.2m)</p> <p>The s.151 Officer and the Monitoring Officer to review and consider the ongoing financial rationale for the Council in the equity investment arrangement with BxB.</p> <p>The s.151 Officer to lead a review of the financial rationale and associated risks and then make recommendations to Cabinet and ELT as to the continuation and viability of the Revolving Investment Fund.</p> <p>The s.151 Officer to revisit the Minimum Revenue Provision Policy to demonstrate that a prudent approach is being taken.</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0006  Kerswell, Katherine	<p>Robust governance &amp; risk management procedures/frameworks are not activated to safeguard the interests (financial &amp; reputational) of the Council and it's taxpayers within all subsidiary organisations where the Council has an interest.</p> <p>(Specifically in reference to Brick X Brick &amp; Croydon Homes LLP).</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s): 8,12,17,19 &amp; 20.</p>	<ul style="list-style-type: none"> <li>• Significant financial loss.</li> <li>• Reputational damage.</li> <li>• Political interest and scrutiny.</li> <li>• Media interest and scrutiny.</li> <li>• Council placed in unstable financial position leading to potential bankruptcy.</li> <li>• Significant fraudulent activity.</li> <li>• Continuing and increasing levels of non-compliance.</li> </ul>	Kerswell, Katherine  Executive Leadership Team	<p>Annual business plan of BXB reported to Cabinet.</p> <p>Cabinet member responsibility in portfolio.</p> <p>LBC non-executive directors allocated to serve on all subsidiary Boards.</p> <p>Shareholder Board created September 2019.</p>	5	5	25	<p>Create a dedicated shareholder function to manage relationship and risks.</p> <p>Enhanced review of papers being presented to Boards.</p> <p>Review of the transparency of reporting of any remedial action taken to address in year overspends.</p> <p>S.151 Officer review of the financial rationale and associated risks. Recommendations to Cabinet &amp; Council on the future of the revolving investment fund.</p> <p>Strategic review recommendations agreed to reduce risks and deliver secure financial path forward.</p> <p>The s.151 Officer and the Monitoring Officer to review and reconsider the ongoing financial rationale for the Council in the equity investment arrangement with BxB.</p>	5	3	15



Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0007  Kerswell, Katherine	<p>Poor financial control and ineffective governance arrangements leads to financial bankruptcy.</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s):1-20.</p> <p>).</p>	<ul style="list-style-type: none"> <li>• Internal Controls rated at 'limited' or 'no assurance' by Head of Internal Audit.</li> <li>• Continuing instances of non-compliance with corporate policies and legislative requirements.</li> <li>• Political scrutiny and interest at local and national level.</li> <li>• Media interest at local and national level.</li> <li>• Increasing and uncontrollable financial loss.</li> <li>• Legislative action.</li> <li>• Staff redundancies.</li> <li>• Report in the Public Interests (RIPI) issued by External Auditors.</li> </ul>	<p>Kerswell, Katherine</p> <p>Executive Leadership Team</p>	<p>CLT co-ordination to identify and instigate savings strategies.</p> <p>Collaborative working initiated with MHCLG.</p> <p>Finance Consultant issued report into improving finance system.</p> <p>Finance Review Panel initiated. Led by independent Chair(s) to investigate the Council's financial strategy and approach and to make recommendations for changes to operational and strategic practice.</p> <p>Immediate spending controls implemented across the Council. Recruitment; PCards; Expenditure control greater than £10k (Purchase Orders).</p> <p>Introduced non-essential spend and recruitment controls as if s.114 notice issued.</p> <p>Leader, Cabinet Member for Finance &amp; Resources and the Chair of General Purposes &amp; Audit Committee attended LGA Training 07/11/2020.</p>	5	5	25	<p>Move to monthly reporting to ELT / Cabinet.</p> <p>Proper management of purchase orders to ensure compliance with corporate policy to eliminate retrospective activity.</p> <p>Rapid review completed to highlight issues.</p> <p>Training programmes to be introduced to improve General Purposes &amp; Audit Committee (GPAC) and Scrutiny Committees.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				Spending Control Panel in place monitoring and approving all expenditure across the Council.							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
FIR0021  Taylor, Lisa	Funding levels provided through the Government Grant are significantly lower than forecast or anticipated, resulting in considerable savings being required to balance the Council's Medium Term Financial Strategy.	<ul style="list-style-type: none"> <li>• Service disruptions or services ceased</li> <li>• Key manifesto / corporate objectives not achieved.</li> <li>• Resident dissatisfaction.</li> <li>• Media and political scrutiny.</li> <li>• Legal challenge and associated consequences.</li> <li>• Staff reductions / redundancies.</li> <li>• Unable to deliver a balanced budget.</li> <li>• Issue Section 114 notice.</li> </ul>	Harris-Baker, Jacqueline  Resources Department / Corporate	<p>Continued lobbying with MHCLG for fair funding.</p> <p>Continued maintenance of general fund reserve at current levels, with an ambition to increase the minimum level of reserves to 5% of the net revenue budget to cover any major unforeseen expenditure.</p> <p>Continuing approach to organisational efficiency including smart commissioning &amp; procurement strategies, and recruitment controls. Targeted approach to early intervention and prevention strategies (children's and adult's social care) and exploitation of opportunities for working in collaboration with our partners.</p> <p>Continuous monitoring / scrutiny of all budgets and commitments.</p> <p>Diversification of organisational operating portfolio's (incl. asset investment / revenue generation opportunities.</p> <p>Ongoing Covid-19 financial assistance is being provided by central government to all LA's.</p>	5	5	25	<p>Continued focus / investigation into effective approaches to managing social care demand.</p> <p>Continued strategic approach to identifying efficiencies and savings through changes to the way the Council works e.g. exploiting new technology, consolidation of buildings and processes.</p> <p>Detailed MTFS planning as part of MHCLG submission.</p> <p>Further bids for Covid-19 funding are being formulated.</p> <p>Identification of new ways to strengthen the long term financial position through increasing income sources.</p> <p>Strategies being developed to promote and stimulate new growth opportunities.</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
PH0001  Flowers,Rache I	<p>All statutory obligations are not fulfilled by the Director of Public Health as required by the 1938 Public Health Act.</p> <p><b>**Effective and appropriate activities are in place in respect of the Council wide activation (March 2020) of it's emergency preparedness protocols / response activities in respect of an excess death event (COVID-19)**.</b></p>	<ul style="list-style-type: none"> <li>• Central government control implemented (civil control removed).</li> <li>• Political scrutiny.</li> <li>• Inability to ensure operational delivery in relation to the Council's ability to respond.</li> <li>• Reputational damage.</li> <li>• Financial loss.</li> <li>• Media interest and scrutiny.</li> <li>• Civil unrest due to inadequate / inappropriate response.</li> </ul>	<p>Van Dichele, Guy</p> <p>Health, Wellbeing &amp; Adult Services</p>	<p>Activation of LBC GOLD and SILVER national standard Emergency Planning meetings.</p> <p>BECC activated 16th March 2020.</p> <p>Council GOLD meeting weekly to monitor and review situation.</p> <p>Excess Death Scenario 'Task &amp; Finish Group' participation.</p> <p>LSP of all Croydon parties regularly briefed.</p> <p>Ongoing collaborative working with Corporate Resilience Team to ensure regular review and update of Council's Pandemic Plan.</p>	5	5	25	<p>Director of Public Health influence in respect of non-assurance with Exec Management. - incorporates liaising with relevant Directors and HoS to ensure clarity around plans in place and receive assurance as to organisational preparedness.</p> <p>Q3 (2020/21) Anticipate more information / learning published re: Council &amp; Multi-Agency approach to responses e.g. COVID-19</p>	5	3	15

		Risk Scenario			Current			Future Risk Rating			
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
ASC0001  McPartland, Annette	Social Care market supply disruption leading to market failure and inability to fulfil statutory requirements.  Risk jointly owned with Commissioning & Procurement.	<ul style="list-style-type: none"> <li>• Reduction in choice.</li> <li>• Failure to meet service user needs.</li> <li>• Delayed discharge from hospital.</li> <li>• Increase budget pressure.</li> <li>• Reduced quality of provision.</li> <li>• Increase in safeguarding concerns.</li> <li>• Increase number of providers within the provider concerns process.</li> <li>• Increases in delays or overpayments to providers.</li> <li>• Increase pressure on all internal services.</li> </ul>	Van Dichele, Guy  Health, Wellbeing & Adult Services	<p>ADASS Pan London minimum standards programme adopted.</p> <p>Brokerage and Placements Quality Assurance.</p> <p>Corporate programme initiated on reviewing Placements &amp; Payments process in Adult Social Care (ASC).</p> <p>Croydon Dynamic Purchasing and e-market system commissioned September 2018.</p> <p>Inflation strategy in place to manage fees paid.</p> <p>Insourcing commenced on 04/01/2020 to help improve services to residents.</p> <p>Market management by Contract monitoring team.</p> <p>Monitoring of the provider market on a daily basis to ensure Care Homes and Domiciliary settings / providers are operating at appropriate levels following all statutory guidance.</p> <p>New Dynamic Purchasing System (DPS) for Home Care commenced May 2020.</p> <p>One Croydon Alliance Commissioning strategy ongoing implementation.</p>	5	4	20	<p>Bring Services 'in-house' where cost effective to do so.</p> <p>Creation of more 'Supported Living' capacity. Completion December 2020.</p> <p>Micro Commissioning arrangements for new DPS for Care Homes to be in place by January 2021.</p> <p>New Placement and Brokerage service to be introduced.</p> <p>Reablement in South of borough - Review ability for provision within area. Completion December 2020.</p> <p>Refreshed Market position statement.</p> <p>Restructured contract &amp; market management function with increased number of monitors.</p>	5	3	15

Risk Scenario		Impact	Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
Risk Ref	Risk				Impact	L'hood	Total		Impact	L'hood	Total
				Pan London provider concern's process managed by safeguarding team.  Provider Failure Policy updated with C-19 Chapter.							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ASC0012  McPartland, Annette	The Council does not provide appropriate financial resource to meet the demand for Adult Social Care in line with all statutory obligations.	<ul style="list-style-type: none"> <li>Residents do not have their statutory needs met, reducing quality of life, and increasing the risk to life.</li> <li>Legal challenge (judicial review), and associated financial and reputational costs.</li> <li>Political and media scrutiny and interest.</li> <li>Unable to attract or retain a proportionately skilled permanent workforce, leading to increased use of agency staff, higher costs and reduced service quality.</li> </ul>	Van Dichele, Guy  Health, Wellbeing & Adult Services	<p>20/21 period 6 forecast used to identify current budget gap (run rate).</p> <p>Budget development meetings with cross Council peers, are enabling transparency, growth of service knowledge, and scrutiny of proposals.</p> <p>Change and efficiencies programme delivers savings / service change meeting annual targets, or escalating to the Croydon Renewal plan where there are significant issues.</p> <p>Cost of care tool and ASC FR national reporting tool, used to identify current activity and unit costs.</p> <p>Daily challenge panel lead by Director and heads of service, will ensure packages/placements do not exceed unnecessarily, the new target unit costs; and are appropriately using the strengths based practice model.</p> <p>Developing key performance indicators to identify the year on year target activity and units costs.</p> <p>Director and head of service / budget holder monthly monitoring.</p>	5	4	20	<p>5-7.5% reduction in spend on packages of care in mental health, younger and older adults.</p> <p>A Business Intelligence dashboard on key metrics on activity and unit costs aligns with monthly budget monitoring.</p> <p>Annual budget developed using performance review, aligned with continued modelling on activity and unit cost, demand and inflation advice from LGA.</p> <p>Directors, heads of service, budget holders and staff, know the budget, activity against targets and unit costs, and deliver services within these metrics and aligned to the Care Act (2021/22).</p> <p>Full Review of contracts and development of a 3 year commissioning plan.</p> <p>Older people activity and unit costs are at or below the national average. (By end of 2023/24).</p> <p>Options appraisal on Provider Services.</p>	5	3	15

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	Risk Scenario				Current				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>Ongoing equality impact analysis maintained on all projects, ensuring negative impacts are mitigated where possible.</p> <p>Senior management team have accepted the issues raised in the report in public interest; and the Local Government Association advice that our activity levels and spend are too high.</p> <p>Support from Local Government (LGA) Association to review proposed growth, key performance indicators and projects to deliver service change and savings.</p>				Younger adult activity and unit costs are at or below the London average (By end of 2023/24).			



Risk Scenario					Current				Future Risk Rating		
Risk Ref	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ASC0017  McPartland, Annette	<p>Young people transitioning from 18-25 to 25-65 Social Care Services are disadvantaged due to operational restrictions:</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>• Unaffordability and budget overspend;</li> <li>• Delays in assessment, reassessment and review;</li> <li>• Increase in staff caseload.</li> <li>• Managing parental expectations;</li> <li>• Insufficient management oversight and scrutiny of proposed placements</li> </ul>	<ul style="list-style-type: none"> <li>• High value care packages and placements transferring to 25-65 budget and creating additional budget pressures;</li> <li>• Additional case management activity transferring to the 25-65 service including reviews, reassessments, support planning, placement changes and potentially crisis intervention;</li> <li>• Existing short-term provision (defined as up to 2 years) could no longer be financially viable under the new funding model.</li> <li>• Closure of short-term supported housing schemes.</li> <li>• Commissioning new short-term supported housing more challenging due to the capital and revenue cost implications for providers and lack of certainty about future funding.</li> <li>• LBC may find its grant funding capped at a level that will not sustain short-term supported housing and may have to provide additional revenue support from its own resources to sustain schemes.</li> <li>• Implementation of the new funding model requires additional resources and shifts in existing resources.</li> </ul>	<p>Van Dichele, Guy</p> <p>Health, Wellbeing &amp; Adult Services</p>	<p>1 year forecast of service users transitioning at year end.</p> <p>3 year forecast of service users transitioning.</p> <p>Children with Disabilities (CwD) -- Recruitment of assessment and support planning staff in transitions to ensure stable and cost effective placements and packages of care prior to transition.</p> <p>Current protocols require transition with stable placement or care package and thereby reducing the requirement for urgent intervention.</p> <p>Developing and improving the local service offers for supported accommodation, active lives and employment.</p> <p>Forecasting used to develop growth bids and inform budget build.</p> <p>High value placements and care packages are selected for reassessment by Complex Care Team as part of the high cost placement reviews.</p>	4	5	20	<p>Complex care team intervention through high cost placement review may have a positive impact in terms of reducing financial impact.</p> <p>Manage parental expectations through the broader work stream on strength based assessment model.</p> <p>Provision of a comprehensive service offer for accommodation, active lives and employment.</p>	4	4	16

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ASC0024  McPartland, Annette	The level of resource required to manage demand and reduce costs safely within time-frame is insufficient.	<ul style="list-style-type: none"> <li>• Even if the 21/22 growth is approved based on the 20/21 run rate, demand and inflation growth; savings and service change will not be delivered to ensure activity and unit costs are reduced to the advised level.</li> <li>• Overspent budget, if resources are not at the required level.</li> </ul>	Van Dichele, Guy  Health, Wellbeing & Adult Services	<p>Daily challenge panel lead by Director and heads of service.</p> <p>Delivery of £5.3m in year target for 20/21 and delivery of £350k immediate measure targets for 20/21.</p> <p>Direct payments as a first offer.</p> <p>Voluntary sector commissioning model review.</p> <p>Weekly senior management team meeting to oversee operational business as usual performance, safeguarding and workforce issues are managed.</p>	5	4	20	<p>A Health Wellbeing and Adults Department change and innovation team, identifying and delivering the savings and change programme.</p> <p>Director and head of service / budget holder monthly monitoring.</p> <p>Integration continues to focus on integrated governance, pooled budgets and system planning.</p> <p>Ongoing equality impact analysis maintained on all projects, ensuring negative impacts are mitigated where possible.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
C190017  Kerswell, Katherine	Continuing increase in the infection rate leads to the Government placing further restrictions on residents & businesses resulting in a prolonged demand for emergency provision of services.	<ul style="list-style-type: none"> <li>Services are severely disrupted or stopped (including P1).</li> <li>Reputational damage.</li> <li>Death or serious injury.</li> <li>Political and media interest and scrutiny.</li> <li>Support businesses are unable to meet demand (i.e. pharmacies etc).</li> </ul>	Kerswell, Katherine  Covid-19	<p>Public Health and all statutory service teams collaborating with all relevant partner organisations and central government to operate at 'best practice' standard and to comply with all legislative instructions and guidelines.</p> <p>SILVER meeting regularly to review and escalate where appropriate to GOLD.</p>	5	4	20	<p>Continue to monitor the R rate and emerging data in relation to infection rates and virus strains.</p> <p>Continuous review of ability to activate mutual aid and status to engage redeployment strategies.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
C190019  Kerswell, Katherine	<p>The spread of the C-19 infection and the nature of the interventions implemented to reduce it widen health inequalities and increase demand on all Council services.</p> <p>** e.g. overcrowded/poor housing - less effective self-isolation; those in deprived areas more likely to have underlying conditions; unsecure employment leading to great financial insecurity**.</p>	<ul style="list-style-type: none"> <li>Increasing demand on Council services as this occurs.</li> <li>Increased mortality and morbidity in more vulnerable groups.</li> <li>Adult Social Care pressure.</li> <li>Housing demand.</li> <li>Political and media interest.</li> </ul>	<p>Kerswell, Katherine</p> <p>Covid-19</p>	<p>Council wide Inequalities programmes including Local Strategic Partnerships (LSP).</p> <p>Deep dive with data to identify if there are patterns around testing e.g. people not accessing testing or testing positive e.g. community clustering.</p> <p>Epidemiology data provided by DHSC and LCRC reviewed by PH Team on a daily basis to enhance understanding.</p> <p>Good engagement across borough with C19 Health Protection Board that provides oversight to the Outbreak Control Plan.</p> <p>Lower level risks discussed on regular basis at SILVER and escalated where necessary.</p> <p>The Outbreak Control Plan operating to ensure that there is coordinated approach to provide effective delivery across the borough in a coordinated and targeted process.</p>	5	4	20	<p>Targetting comms and engagement to the 'at risk' populations.</p> <p>COVID-19 and flu messaging detailed in the NHS Health Check invitation letter sent to people aged 40-74.</p> <p>Developed ward level Power BI dashboard to analyse data at a local level.</p> <p>Director of PH is Regional Lead for London (ASC) and briefing LSP / ELT / GOLD on epidemiology and control measures.</p> <p>Ensuring vulnerable people are supported through the support grant and, where necessary, food and medication support.</p> <p>Provided free school meal vouchers.</p>	5	2	10

Risk Scenario					Current				Future Risk Rating		
Risk Ref	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ED0001  Davies, Shelley	<p>Increasing population with complex learning needs and parental expectations leads to rising demand and financial pressure on SEN fixed budgets including pressure on High Needs Dedicated Schools Grant (DSG) budget, which can't be funded from General Fund reserves.</p> <p><b>**The in-year overspend for 2019/20 was £5.434 million, with a DSG cumulative overspend of £14.558 million. The Department for Education (DfE) has confirmed the provisions in The School and Early Years Finance (England) Regulations 2020 establishing a statutory requirement for any DSG deficit balance to be held within the local authority's overall DSG, meaning authorities cannot fund deficit from general fund without Secretary of State approval**.</b></p>	<ul style="list-style-type: none"> <li>• Children and families do not receive the advice and support they would expect.</li> <li>• Increased costs due to tribunals and complaints leading to reduced reputation.</li> <li>• Inability to achieve outcomes for children and families in Croydon.</li> <li>• LBC over reliance on 'independent sector'.</li> <li>• Increase in Education, Health &amp; Care (EHC) Plans issued with no additional funding provided.</li> </ul>	Jones, Debbie  Children Families & Education Services	<p>Addington Valley Academy Free School opened in temporary site for Year 7 (September 2020).</p> <p>Continue to use Council Members / MP's to lobby Central Government for a review of the model that funds higher needs to reflect the actual demand for Croydon.</p> <p>DSG Recovery Plan (balanced budget 2024/25) approved by Schools forum.</p> <p>Free School opened which will relieve pressure in spend in non-mainstream sector.</p> <p>Further senior management review of existing plans.</p> <p>High Needs Funding Review planned.</p> <p>Implement strategies for managing demand for more effective mainstream school placements.</p> <p>Implementation of joint working with other local authorities to reduce placement costs. South London dynamic purchasing system (SL DPS).</p> <p>Improved forecasting and reporting of demand led spend to manage overall budget position.</p>	5	4	20	<p>0-25 SEND Strategy Implementation Plan to deliver change across the system.</p> <p>Addington Valley Free School will open on substantive site for all year groups (September 2021).</p> <p>Early Identification and Intervention –improved HV assessment, identify needs, work with families early. Support for EY education providers, personalised inclusion funding until the end of EY Foundation Stage.</p> <p>Graduated response – right support, right time. Meeting needs locally in local schools at SEN Support level; reduced reliance on alternative education.</p> <p>Joint Working – children's needs are met locally in Croydon (cost avoidance in independent sector), through co-ordinated and coherent pathways which are achieved through collaborative work with parents and YP; across education, health and care.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>Improved projections for school places.</p> <p>July 2019 5 yr deficit recovery plan submitted to DfE.</p> <p>Modelling of Locality Based Working &amp; Staged Approach supporting mainstream schools meeting SEN needs.</p> <p>Post 16 specialist placements provision created at Coulsdon College for pupils in Sept 2019.</p> <p>SEN strategy 2019 - 2022 presented and approved by Cabinet March 2019 following consultation. Plans to improve impact of service and measure to mitigate against cost.</p> <p>Utilised the additional funding allocated in the 2019 'Spending Review'.</p>				<p>Post 16 pathway development so that there are effective local education, care and health pathways to adulthood, and EHC Plans are ceased in timely way (currently 40% HNB spend is post 16).</p> <p>South London Partnership SEN Commissioning Programme for commissioning residential and day placements for children and young people with Special Education Needs.</p> <p>Training for travel providers in supporting PMLD and any other pupils requiring APG treatments – and how to maintain safe Covid 19 Health practices should this be required.</p>			

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ED0002  Davies, Shelley	<p>That a 'Local Area (OFSTED) Inspection' could issue a letter detailing improvement requirements / concerns in respect of the SEND Service.</p> <p><b>**The Education Directorate is coordinating the Council's approach but the responsibility is jointly shared by Education, Health &amp; Children's Social Care**</b></p>	<ul style="list-style-type: none"> <li>• Reputational damage.</li> <li>• Government intervention.</li> <li>• Financial cost of implementing wide ranging changes.</li> <li>• Difficulty in recruiting and retaining experienced and effective workforce.</li> <li>• Media scrutiny.</li> <li>• Political scrutiny and activity.</li> <li>• Increased referrals into SEND service and associated financial pressures.</li> <li>• Judicial Review.</li> </ul>	<p>Jones, Debbie</p> <p>Children Families &amp; Education Services</p>	<p>Governance structure introduced to oversee delivery and implementation of the Improvement Strategy.</p> <p>SEN Improvement Board established &amp; meeting monthly to monitor SEN improvement plan and strategy.</p> <p>SEND Inspection Readiness Working Group set up September 2020.</p>	4	5	20	<p>Consideration as part of the Children's Improvement Board objectives.</p> <p>Implement plan to ensure 'Local Area' is Inspection ready. The SEND strategy is a three year strategy, we have a five year DSG recovery plan and in terms of inspection readiness we are awaiting the inspection call in either the Autumn term 2020 or Spring Term 2021.</p> <p>Implementation of 0-25 SEND strategy.</p>	4	4	16

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ED0003  Davies, Shelley	<p>Increasing number of Council maintained schools moving into a financial deficit leading to default and arrears.</p> <p>**Currently there are 10 of our 50 maintained schools in deficit. Two schools account for a significant proportion (St Andrews at £2.716m and Virgo Fidelis at £2.5m) for which the Council holds liability**.</p>	<p>• Financial loss to LBC as the Council holds liability to settle deficit should schools transfer to academy status.</p>	<p>Jones, Debbie</p> <p>Children Families &amp; Education Services</p>	<p>'Schools of concern' are under monthly review.</p> <p>Deficit schools report financial outturn monthly to LBC.</p> <p>Implementation of new strategies following Independent Financial Review of 'Schools in Deficit' funded from DSG schools block. Visits to 'Schools in Deficit' commenced September 2020.</p> <p>Oversight of any significant deficit reporting as a result of C19 in place.</p> <p>Regular update meetings with the Governing Body's / SLT's of schools with the highest levels of debt.</p> <p>Risk rating system is in place for each of the schools that are either in deficit or 'causing concern'.</p> <p>Schools are met with by senior finance and education officers to discuss their deficit and their action plan for setting a balanced budget in the future.</p>	4	5	20	<p>The decision was made to delay the independent financial review of the schools to later in the autumn term to allow schools to restate their budgets following the impact both positive &amp; negative from the pandemic.</p>	4	3	12



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	Risk Scenario				Current				Future Risk Rating		
Risk Ref	Risk	Impact	Exec Director	Existing Controls	Impact	L'hood	Total	Future Controls	Impact	L'hood	Total
				<p>Schools are requested to set a licence deficit plan – this includes a 3 year budget plan as to how the school will return to a balanced position.</p> <p>We have input into the school's 3 year business plan to shape repayment terms and included a formal letter of agreement. Termly finance meetings for all maintained schools sharing best practice etc.</p> <p>Where appropriate the Council is using its statutory powers to investigate installing an Interim Executive Board (IEB). Powers are limited in terms of financial benefit to the LA but could steer the school towards a form of collaboration with another education body. Output from the independent Financial Review to inform the LA of next steps. Target date of September 2020.</p>							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0001  Kerswell, Katherine	<p>Effective action is not taken to address the underlying causes of social care overspends within Children's Services, specifically in terms of both the demand and the resulting cost pressures.</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number: 1</p> <p>).</p>	<ul style="list-style-type: none"> <li>• Continuing financial loss.</li> <li>• Political scrutiny.</li> <li>• Media interest.</li> <li>• Senior officer resignations.</li> <li>• Legislative action.</li> <li>• Reputational damage.</li> <li>• Potential harm to clients.</li> </ul>	<p>Kerswell, Katherine</p> <p>Executive Leadership Team</p>	<p>Finance Review Programme completed and recommendations being acted on.</p> <p>Renewing Croydon Task &amp; Finish Group activated.</p>	5	4	20	<p>Ongoing implementation of audit recommendations.</p> <p>Submission to MHCLG identified clear focus on improvement of Children's Social Services to achieve specific actions.</p> <p>Work streams tasked with reviewing existing processes to identify cost and demand savings.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0002  Kerswell, Katherine	<p>Effective action is not taken to address the underlying causes of social care overspends within Adult's Services, specifically in terms of both the demand and the resulting cost pressures.</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number: 1</p>	<ul style="list-style-type: none"> <li>• Continuing financial loss.</li> <li>• Political scrutiny.</li> <li>• Media interest.</li> <li>• Senior officer resignations.</li> <li>• Legislative action.</li> <li>• Reputational damage.</li> <li>• Potential harm to clients.</li> </ul>	<p>Kerswell, Katherine</p> <p>Executive Leadership Team</p>	<p>Finance Review Programme initiated.</p> <p>Renewing Croydon Task &amp; Finish Group initiated.</p>	5	4	20	<p>Ongoing implementation of audit recommendations.</p> <p>Workstreams in place to identify cost savings and demand management processes.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0004  Kerswell, Katherine	Ineffective management of identified risk leads to organisational failure.  Grant Thornton - 'Report in the Public Interest' recommendation number(s):1-20.	<ul style="list-style-type: none"> <li>• Inaccurate risk reporting leads to risk materialisation and consequences associated with them.</li> <li>• Service disruption, death or serious injury.</li> <li>• Political and media interest and scrutiny.</li> <li>• Leadership Team (senior officer / Cabinet Member) resignations / potential legislative action taken against individuals.</li> <li>• Continuing and increasing financial loss.</li> <li>• Public unrest / disorder.</li> <li>• Legal action against Council instigated.</li> <li>• S.114 Notice submitted.</li> <li>• Political scrutiny (national level).</li> <li>• Media interest and scrutiny.</li> </ul>	Kerswell, Katherine  Executive Leadership Team	<p>Corporate Risk Management Framework adapted to ensure organisation is able to function effectively and efficiently.</p> <p>Effective risk recording mechanism in place allowing for 'high level Risk Register reporting to leadership. ELT are accountable for successful delivery of the Council's Risk Management Framework.</p> <p>Frequency of management oversight of risk register has increased at a senior level in line with demand.</p> <p>Risk is standing item on regular ELT risk reviews.</p> <p>Risk Register utilised as a framework for review and therefore included as a standing item on GOLD Agenda.</p> <p>Risk Team form part of core organisational groups.</p>	5	4	20	<p>Continuous horizon scan review of national and global events / trends.</p> <p>Rapidity of escalation to ELT being reviewed to achieve desired outcome.</p> <p>Thorough review of RM Framework once emergency response decommissioned to identify lessons learned and best practice to incorporate in future corporate Risk Management Framework.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0008  Kerswell, Katherine	<p>There is no effective challenge, review, investigation or ownership taken on all activities that the Council undertakes by the Executive Leadership Team, Cabinet and all Scrutiny Committees (including GPAC).</p> <p><b>**This risk specifically relates to financial strategy, treasury management strategy (including borrowing), capital investment strategies and appropriateness of continuing investment and association with BXB**</b></p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s): 2,5,8,9,10,11,14,15 &amp;17.</p>	<ul style="list-style-type: none"> <li>• Government commissioners brought in to run Council.</li> <li>• All services immediately ceased (except where statutory duty).</li> <li>• Political scrutiny and interest at local and national level.</li> <li>• Media interest at local and national level.</li> <li>• Increasing financial loss.</li> <li>• Legislative action.</li> <li>• Staff morale decreased.</li> </ul>	Kerswell, Katherine  Executive Leadership Team	<p>Appropriate risk assessments being conducted prior to budget approval.</p> <p>ELT, Cabinet and Scrutiny Committees regular report review process initiated.</p>	5	4	20	<p>Detailed Treasury Management training to be delivered in order to assist Members to better understand and challenge the long-term financial implications of matters reported within the Treasury Management Strategy.</p> <p>Reports on actions presented to GPAC and Scrutiny Committees in a timely manner. These reports will include:</p> <ul style="list-style-type: none"> <li>• A comprehensive update on the High Needs Funding Block being taken to address the Dedicated Schools Grant (DSG) and highlight whether appropriate progress is being achieved. This is added to the GPAC Agenda.</li> <li>• An appraisal of the Growth Zone activities (and assumptions) and recommendations as to whether there should be continued investment in the scheme.</li> </ul>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0015  Kerswell, Katherine	The data provided from within the organisation via corporate systems and processes is inaccurate and incomplete.	<ul style="list-style-type: none"> <li>• Inaccurate / misleading reporting.</li> <li>• Financial loss.</li> <li>• Reputational damage.</li> <li>• Political and media scrutiny.</li> </ul>	Kerswell, Katherine  Executive Leadership Team	<p>Data validation activities to ensure accuracy.</p> <p>Review of existing data recording practices / processes to ensure accuracy.</p> <p>Workstream initiated to ensure activities are appropriate.</p>	5	4	20	<p>Enhanced review of data recording to identify appropriate strategies to mitigate.</p> <p>Project underway to correct establishment data within My Resources (review progress / reporting January 2021).</p> <p>Subject experts to be engaged to workflow current practices and identify control weaknesses.</p>	5	2	10

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0019  Kerswell, Katherine	<p>The scale and ambition of the capital programme creates a requirement for borrowing that exceeds affordability.</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number(s):12,16 &amp; 19.</p>	<ul style="list-style-type: none"> <li>• Insufficient capital available to meet financial commitments / obligations.</li> <li>• Leadership collapse.</li> <li>• Political and media scrutiny.</li> <li>• Government intervention.</li> <li>• s.114 Notice submitted.</li> <li>• Leadership and senior officer resignations.</li> </ul>	<p>Kerswell, Katherine</p> <p>Executive Leadership Team</p>	<p>Finance Review Programme initiated.</p> <p>Quarterly review and scrutiny.</p> <p>Review of existing expenditure / workstreams to identify cost reductions.</p> <p>Specific workstream initiated to identify capital programmes that can be decommissioned.</p>	5	4	20	<p>Best practice identification.</p> <p>Ongoing Cabinet and ELT review.</p> <p>Ongoing monitoring and strategy identification.</p>	5	2	10

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
ELT0020  Kerswell, Katherine	<p>The council's financial strategy does not enable it to maintain the required level of reserves.</p> <p>Grant Thornton - 'Report in the Public Interest' recommendation number: 2.</p>	<ul style="list-style-type: none"> <li>• Insufficient reserves available leading to financial insolvency.</li> <li>• Leadership collapse.</li> <li>• Political and media scrutiny.</li> <li>• Government intervention.</li> <li>• s.114 Notice submitted.</li> <li>• Leadership and senior officer resignations.</li> </ul>	<p>Kerswell, Katherine</p> <p>Executive Leadership Team</p>	<p>Medium Term Financial Strategy (MTFS) Programme initiated.</p> <p>Activities to mitigate further losses initiated.</p> <p>Comprehensive budget setting activities initiated.</p> <p>Finance Review Programme completed and recommendations arising currently being implemented.</p>	5	4	20	<p>Best practice identification.</p> <p>Ongoing Cabinet and Executive Leadership Team (ELT) review.</p> <p>Ongoing monitoring and strategy identification.</p>	5	3	15



Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
HSI0001  Ali, Ozay	<p>The investment strategy and income generating properties do not deliver the required financial benefits.</p> <p><b>**Main Risks CPH (£1.75m), Colonnades (potential £700k), Davis House (£200k), BWH (Arcadis £750k) remainder portfolio (£100k). Issue compounded by the inability of landlords to take swift action through the courts to pursue non-payment remedies**.</b></p>	<ul style="list-style-type: none"> <li>Financial loss due to under-performance of assets through non-payment of rents due to failure of tenants, reduced rents or deferments.</li> <li>Service area funding / continuity of delivery could be impacted as a result of lower revenue income to support.</li> <li>Reputational damage due to failure of high profile assets.</li> <li>Political and media scrutiny.</li> <li>Covid-19 pandemic and Brexit significantly impact on investment properties and the general rental income across the wider portfolio leading to reduced revenue generation.</li> <li>Inability of landlords to take swift action through the courts to pursue non-payment remedies</li> </ul>	<p>Mustafa, Shifa</p> <p>Place Department</p>	<p>Clear and agreed (Scrutiny &amp; Cabinet) strategy in place. Strategy incorporates CIPFA recommendations.</p>	4	5	20	<p>Development of a new corporate Asset Strategy will help focus resources in the most appropriate way.</p> <p>Employing experienced Asset Managers to advise on major investment asset to ensure longer term security through extended leases and securing strong covenants / tenants.</p> <p>Looking at new ways to utilise properties to secure longer term security.</p> <p>Spending strategy stopped with immediate effect for any more investment purchases.</p> <p>The outputs identified in the MTFS sprint sessions will assist in the achievement of the financial benefits through the implementation of the investment strategy.</p> <p>The senior management reorganisation and restructure will provide the supporting framework to ensure the necessary stakeholders are able to contribute effectively and efficiently to the delivery of the financial benefits through the investment strategy.</p>	4	3	12

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
HSI0011 Ali, Ozay	The Council does not meet its obligations in respect of new and emerging legislation for the delivery of the General Building Works and Mechanical upgrade works across the HRA estate.	<ul style="list-style-type: none"> <li>• Unsafe buildings.</li> <li>• Enforcement action against the Council by regulatory bodies.</li> <li>• Political scrutiny and interest at local and national level.</li> <li>• Media interest at local and national level.</li> <li>• Substantial financial loss.</li> <li>• Serious incident / injury.</li> <li>• Criminal investigation with charges brought against officers possibly leading to custodial sentences.</li> </ul>	Mustafa, Shifa  Place Department	<p>Forward Programming of works to substitute other HRA non-essential works. In addition where required to install a 'Waking Watch' provision.</p> <p>On-going review of draft legislation. Liaison with key stakeholders.</p>	4	5	20	Commissioning of fire safety works to be prioritised over other HRA workstreams.	4	3	12

Risk Scenario					Current				Future Risk Rating		
Risk Ref	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
PST0001  Cheesbrough, Heather	<p>The Whitgift Centre is not redeveloped as anticipated.</p> <p>Previous uncertainty in respect of retail behaviours has been exacerbated by Covid 19, which has further affected the likelihood of the risk materialising. The redevelopment was removed from the Unibail development pipeline in Feb 20 and there is no date for the redevelopment.</p> <p>The Croydon Limited Partnership (CLP) partners are both suffering from loss of income and are seeking to raise funding to strengthen their balance sheets.</p>	<ul style="list-style-type: none"> <li>Major economic and social impact if development does not go ahead.</li> <li>Political and media scrutiny.</li> </ul>	Mustafa, Shifa  Place Department	<p>A robust Meanwhile and Management Strategy to maintain footfall.</p> <p>Communication channels between politicians and officers kept cordial and relationship maintained with CLP to optimise influence.</p> <p>Officers and their consultant team continue to seek to hold CLP to account on their plans and to manage the CPO process to minimise impact to the Council's reputation and the vitality of the town centre.</p> <p>Projects will need to be reprofiled within the Growth Zone to later years.</p> <p>The Council through its statutory powers - Local Planning Authority (LPA), CPO and land assembly, and as a Highway Authority.</p> <p>The Indemnity Land Transfer Agreement (ILTA) sets out the responsibilities of the parties, penalties with timeframes, which will need to be complied with and will need to be actively managed.</p>	4	5	20	<p>Consultation with all interested parties, including major land holders.</p> <p>End the arrangements entirely with agreement, but would have to address all outstanding issues, land transfer, compensation and make provision for various outstanding claims.</p> <p>Refusal to issue Notice of Entries (NoEs).</p> <p>Regular meetings with CLP to maintain dialogue between partners. Robust discussion through planning pre-application process.</p> <p>Robust discussion through planning pre application process for any new application.</p> <p>The Council introduces a new development partner.</p> <p>The preparation of a new Indemnity Land Transfer Agreement (ILTA) that reflects the current circumstances.</p> <p>Withdrawing Notice to Treat (NTT).</p>	4	4	16

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