

General Purposes & Audit Committee Agenda



To: Councillor Karen Jewitt (Chair)
Councillor Joy Prince (Vice-Chair)
Councillors Jeet Bains, Jan Buttinger, Sherwan Chowdhury,
Jason Cummings, Patsy Cummings, Mike Fisher, Patricia Hay-Justice,
Bernadette Khan and Muffaddal Kapasi

Reserve Members: Carole Bonner, Pat Clouder, Maddie Henson,
Steve Hollands, Humayun Kabir, Dudley Mead, Andrew Rendle,
Donald Speakman, James Thompson and John Wentworth

A meeting of the **General Purposes & Audit Committee** which you are hereby summoned to attend, will be held on **Thursday, 7 December 2017** at **6.30 pm** in **F10, Town Hall, Katherine Street, Croydon CR0 1NX**

JACQUELINE HARRIS-BAKER
Director of Law and Monitoring Officer
London Borough of Croydon
Bernard Weatherill House
8 Mint Walk, Croydon CR0 1EA

Stephanie Davis
stephanie.davis@croydon.gov.uk
www.croydon.gov.uk/meetings
Wednesday, 29 November 2017

Members of the public are welcome to attend this meeting.
If you require any assistance, please contact the person detailed above, on the righthand side.

N.B This meeting will be paperless. The agenda can be accessed online at www.croydon.gov.uk/meetings

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 - 12)

To approve the minutes of the meeting held on 20 September 2017 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. SEN Transport Update

To receive a presentation.

6. Appointments

The report is to follow.

7. Local Government Ombudsman Report (Pages 13 - 20)

The report outlines the Council's response to the findings of the Local Government Ombudsman.

8. Council Meeting Dates 2018/19

The report is to follow.

9. Grant Thornton Annual Audit Letter (Pages 21 - 34)

To receive the Annual Audit Letter for 2016/2017 from the external auditors.

10. Treasury Mid-Year Review (Pages 35 - 56)

The Council's Treasury Management activities mid-year review to take account of activities during the first half of 2017/2018 and the Council's compliance with the 2011 Prudential Code for Capital Finance.

11. Internal Audit Update Report April to October 2017 (Pages 57 - 84)

This report details the work completed by Internal Audit so far during 2017/18 and the progress made in implementing recommendations from audits completed in previous years.

12. Anti-Fraud Update Report April to September 2017 (Pages 85 - 92)

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 2017 – 30 September 2017.

13. Corporate Risk Register (Pages 93 - 104)

The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 07 December 2017.

14. 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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General Purposes and Audit Committee

Meeting held on Wednesday 20 September 2016 at 6:30pm in Council Chamber, Town Hall, Katharine Street, Croydon

MINUTES - PART A

Present: Councillor Karen Jewitt (Chair)
Councillors Jeet Bains, Jan Buttinger, Sherwan Chowdhury, Jason Cummings, Patricia Hay-Justice, Maddie Henson
Mufaddal Kapasi, Co-Optee

Also present: Councillor Simon Hall, Cabinet Member for Finance & Treasury
Richard Simpson, Executive Director – Resources
Lisa Taylor – Director of Finance Investment and Risk
Ian Geary – Head of Accountancy
Nigel Cook, Head of Pensions and Treasury
Paul Grady, Jamie Bewick, Grant Thornton, External Auditors
Dave Philips, Mazars, Internal Audit Manager
David Hogan, Head of Anti-Fraud
Pratima Solanki, Director of Adult Social Care & All-Age Disability
Clare Davies, Complaints Manager
Alison Farmer, Head of 0 to 25 SEN and Disability

Apologies

Councillor Joy Prince sent her apologies and Councillor Maddie Henson attended as substitute.
Simon Maddocks, Director of Governance
Malcolm Davies, Head of Insurance Risk and Corporate Programme Office

MINUTES - PART A

A23/17 Appointment of Vice-Chair

Councillor Sherwan Choudhry nominated Councillor Joy Prince and this was seconded by Councillor Maddie Henson. Following a vote, it was:

RESOLVED: That Councillor Joy Prince be appointed as Vice-Chair of the General Purpose and Audit Committee for the remainder of the 2017/2018 Municipal Year.

A24/17 Minutes

RESOLVED: That the minutes of the meeting held on 29 June 2017 be signed by the chair as an accurate record of the meeting.

A25/17 Disclosure of Interest

There were no disclosures of interest.

A26/17 Urgent Business (If any)

There was none.

A27/17 Committee Membership

Further to the appointments detailed within the report, the Chair noted the resignation of Nero Ugwujabo as an independent member of the committee and thanked him for his support and contribution over the last few years. The Chair also noted that recruitment for a new independent non-voting member would commence.

RESOLVED: That the appointments as detailed within Paragraph 3.3 of the report be agreed.

A28/17 Minor Amendments to the Constitution

The Executive Director of Resources outlined proposed changes to the Constitution in relation to the Health and Wellbeing Board and the Pension Committee. The amendments did not include the Pension Board.

RESOLVED: That

1. The amendments to the Constitution detailed in sections 4 and 5 of this report and detailed more specifically in Appendix 1 be agreed.
2. Subject to approval of the proposed change to the Health and Wellbeing Board membership, that in accordance with the Provisions of the Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) Regulations 2013 that the additional Member of the Health and Wellbeing Board specified in paragraph 4.1 of the report be a non-voting member.

A29/17

Audit Findings Report for Croydon Council and the Croydon Pension Fund 2016/17 Accounts

Paul Grady and Jamie Bewick of Grant Thornton introduced the report and stated that the audit had concluded and that they were able anticipating being able to issue unqualified opinions on both the Council's Accounts and the Pension Fund Accounts for 2016/17 by the end of September, by which time the Accounts and the Letters of Representation will have been signed by the Executive Director of Resources (Section 151 Officer) on behalf of the Council.

There were no adjustments resulting from the audits that impacted upon the available revenue reserves of the Council as reported in the financial statements.

The Committee were informed that the quality of the financial statements were good, and it was recognised that there is still work to do by all parties to achieve the revised time table in 2018 and officers and auditors are working together to achieve this.

The auditors stated that the policies, audit work and judgements were consistent with no cause for concern regarding internal control issues.

Auditors advised the committee that the public inspection of the accounts had been conducted and concluded and that there was one formal objection to the accounts that they were still working on.

The auditor made the committee aware that in all significant respects except Children's Social Care, as a result of the recent Ofsted inspection the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the Council's use of resources for the year ending 31 March 2017.

In response to Members' queries regarding the risks attributed to the Brick by Brick accounts, officers stated that the risks had been included on the plan as this was the 1st year for the programme, there was no prior pattern to follow and as a result had to be recorded in this way and did not cause for concern.

The Auditor advised the committee that they had set out 10 recommendations as a result of their review of the Council's accounts. They cover readiness for next years closing and auditing of the accounts, a review of the Council Tax system and general ledger, improved process for elected Members declaration of interest returns, a review of debtor balances VAT, a review of bad debt and IT controls and improving the processes for bank reconciliations.

There were no recommendations in relation to the Pension Fund accounts.

RESOLVED: The Audit Findings report was noted and officers and external auditors were thanked for their work

A30/17

Internal Audit Update Report 1 April to 31 July 2017

Dave Phillips, Mazars presented the report and informed the Committee that the internal audit plan was on track to be delivered in year, with 30% audit days delivered to date compared to 28% last year.

The Committee was assured that the fixed price of the internal audit contract of £333,000 for 2017/18 was being sustained.

In response to Member comments that the percentage of all recommendations that had been achieved to date was low compared to the targets, officers stated that this was because they continued to address priority recommendations initially and this would affect the overall results.

Members queried whether there should be concerns, given the current situation that the recommendations for LAC 2015/16 showed none resolved. Officers explained that there would be a report to follow on this as some of the audit data were not available at the time of collating information for this report.

In response to members concerns on the monitoring of placements of SEN children in the borough, the head of 0-25 SEN and Disability stated that strategies had been put in place for monitoring placements. They had worked with good/outstanding schools to increase the capacity of children they could accommodate from 8 to 22 this year. Officers advised that extra work had been carried out by head teachers of the schools to ensure children's transition and integration process ran smoothly.

The Head of 0-25 SEN and Disability informed the committee that a bid had been put in place to develop a post 16 centre of excellence and that a development of a free special school was underway. A site had been identified and secured with building work to be launched on 27 September 2017.

The Chair and members of the Committee congratulated the council on work that had been done so far in this area of service.

RESOLVED: That the Internal Audit Report for April 2017 to July 2017 be noted.

A31/17 Anti-Fraud Update Report April – July 2017

The Head of Anti-Fraud introduced the update report by directing members to page 282 of the report which highlighted key performance results of the department through case studies as was requested at the last meeting of the Committee.

Members queried the variance between increased successful outcomes and unchanged savings. Officers advised that outcomes were not always based on monetary results. The case studies showed assets such as council properties being reclaimed and then let to other families on the housing register. Officers expressed the importance of the role that the public played in the resolution of cases.

Officers informed the Committee that individual records on recovery were kept on the database of the departments and that the fraud team provided support.

Members voiced an interest to examine comparative performance data between local authorities who had adopted the style and values set by the Cabinet office. Officers stated that comparative data would be available in years to come.

Members congratulated officers on the good performance and results of the department.

RESOLVED: That the Anti-Fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017-31 July 2017 be noted.

A32/17 Treasury Annual Review 2016/2017

The Head of Pensions and Treasury presented the report and drew attention to the fact that the Bank of England had indicated interest rate increase September 2017. Officers advised that this was contradictory to the statement made on page 288 of the report that interest rates would stay the same until the second quarter of 2018. Officers advised that the rise of the interest rate would bring the council's debt back in line to where it was before Brexit and were confident that this rise would occur before the end of the financial year.

Members raised concerns about debt rising and questioned how close to the limit set against borrowing versus spending before a cap would be placed. Officers stressed that the council had not taken up all of its entitlement to borrowing this year and had instead of further borrowing, utilised internal balances on expenditure and this had

driven down debt.

The Executive Director of Resources informed the Committee that the council's debt was below the operational limit and this was attributed to operation debt set against historical and potential borrowing, business rates collected on investment and investments in the Brick by Brick programme.

Officers advised the Committee that the debt incurred by borrowing to support the Brick by Brick and Growth Zone programmes would be repaid over a number of years and funding for this had been ring fenced in the general fund. The timescales of the programmes meant that debt is associated with the length of the programmes.

The Committee was informed that the council would continue to use its reserves that had been accumulated over time before further borrowing is considered. Finances were being plotted against capital management programmes and monitored closely.

RESOLVED: That

1. The contents of the report be noted; and
2. The Treasury Annual Review 2016/2017 and the continued implementation of the Council's Treasury Strategy 2017/18 by the Executive Director of Resources (Section 151 Officer) be endorsed

A33/17

Corporate Risk Register

The Executive Director of Resources provided an update on the risks identified from the last meeting and information on current risks to the budget. Officers advised that demand on SEN transport had been escalated to red risk due to a rise in demand volume, overspend and complexity. The Ofsted inspection also escalated the people department to red risk as a result of government involvement with the council.

In response to Members' concerns of SEN transport coming onto the risk register for the first time and request to take as an item for the next meeting, the Head of 0-25 SEN and Disability advised that a report would be made available which would forecast high end placements that would require support. Officers informed the committee that the rise in population of children that were identified as high risk and increase in assessments were linked to the new EHCP guidelines and extension of SEN services till the age of 25

The Committee were informed of positive outcomes of risks that had

been de-escalated from the register such as Brexit which presented no immediate risk in the short term, with more work to be done to understand the implications over the next coming years. Risks around housing had also been de-escalated as the council had put in place programmes to meet demand and no projected overspend forecasted for the Temporary Accommodation budget.

RESOLVED: That the contents of the Corporate Risk Register as at 20 September 2017 be noted.

A34/17

Local Government Ombudsman

The Director of Adult Social Care and All Age Disability introduced the report with reference to the investigative work which followed a complaint made by a service user to the LGO of maladministration. The committee was advised that the council failed the family on a number of grounds which caused distress. The council was instructed by the LGO to fulfil objectives under recommendations made and that this had to be completed within a set timeframe.

Actions were taken to address the issues highlighted within one month of the report being published and as a result of the lessons learnt, improvements and preventative measures had been put in place which included the following:

- Joined up working between departments to ensure a clear and seamless pathway is adopted for transition to adulthood.
- Development of a new and transparent transitions policy.
- Quality and Data Monitoring now robust
- Consistent Best Practice training sessions with staff and management.

Members were concerned by the failings of key professionals in this case and were interested in whether there had been a correlation between a reduction in funding available to the Council and the standard of service offered to the resident and his family. Officers explained that the complaint arose due to flaws within processes and that as a result a review of processes was undertaken due to the inefficiencies highlighted in this case.

The Committee enquired as to what follow up work had been undertaken to support the family. Officers confirmed that weekly checks were being completed via the family social worker on the wellbeing of the service user and family to ensure that their needs were being addressed as appropriate.

Members requested data on the volume of ombudsman complaints

received in the last three years. The complaints manager resolved to provide the data as requested.

The Chair requested that a full report on learning outcomes be provided to the committee and members heard that the report would contain full details on specific actions that had been taken, wider learning initiatives and the sharing of learning across departments. It was agreed that the report be provided in 6 months which would have afforded enough time for new processes to be embedded. Officers stated that the changes to processes has been in place since September and were working closely with the departments to change working culture.

RESOLVED: That

1. The Council's response to the Local Government Ombudsman report be noted.
2. A detailed update report be provided to the Committee in 6 months.

MINUTES - PART B

None

The meeting ended at 8.11pm

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 7 December 2017
AGENDA ITEM:	Local Government Ombudsman Report
SUBJECT:	Local Government Ombudsman
LEAD OFFICER:	Barbara Peacock, Executive Director of People
CABINET MEMBER	Councillor Louisa Woodley, Lead Cabinet Member, Families, Health and Social Care Councillor Alisa Flemming, Lead Cabinet Member, Children, Young People and Learning
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
FINANCIAL SUMMARY: The findings of this Local Ombudsman Report have resulted in a financial cost to the Council of £8,206.52. These costs have been funded from within existing social care budgets.	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

1.	RECOMMENDATIONS
1.1	The Committee is asked to note the Council's response to the Local Government Ombudsman report.

2. EXECUTIVE SUMMARY

2.1 A complaint came in to the Council from a service user which escalated to the Local Government Ombudsman (LGO). After the investigation was completed, The LGO asked the Council to view the draft decisions and recommendations. The Council accepted the report with no disagreement to the recommendations that were advised by the LGO. The Council expressed the view that it accepts the investigation findings and recommendations and the service team have formulated a timetable of actions in line with these recommendations and these have been completed (or are in progress) in line with the time scales given. (See appendix 1)

3. DETAIL

A complaint was made regarding how the Council failed to provide support to the complainant's daughter for a year. The complainant provided support using his own funds over that year which meant his daughter missed out on services she should have had as he could not afford to fund the whole package of care the Council failed to provide. It also meant the family missed out on things as there was no spare money after paying for the care.

3.1 Findings of the Ombudsman

In November 2017 the Local Government Ombudsman published a report detailing significant failings around the support provided to this young person. The report clearly outlined the areas of failing and made clear recommendations as to how these problems can be avoided in the future.

The new leadership of the services involved have taken the issues that have been identified very seriously and have implemented the recommendations as directed by the LGO. The service has also taken action to learn from this case and ensure that measures are put in place to avoid similar issues from arising in the future.

The key findings and recommendations by the LGO are detailed in Appendix 1.

3.2 Actions taken by the Council

The actions the Council have taken are as follows:

- Letter of apology sent on 24 October 17.
- Compensation and backdated direct payments made November 17.
- Carers assessment completed in November 17.

The above actions were completed within one month of the report being published.

Additionally, the LGO required the Council to consider the report at its full Council, Cabinet or other decision making committee within 3 months from the publication of the report. Therefore, we will be presenting the report and this cover note to the General Purposes Audit Committee on 7th December 2017.

3.3 Lessons Learnt, Improvement and Prevention

The All Age Disability Service apologises unreservedly for the poor experience provided to the complainant and his daughter, and is committed to ensure that situations like this do not arise again.

There are a number of lessons learnt from this case and we are ensuring that these mistakes are avoided in the future as follows:-

- We have reviewed and amended our procedures to ensure we fulfil our obligations under the Guidance to The Care Act 2014. Previously our procedures did not reflect our duty when a client relocates to the borough, to

agree to continue funding their existing care package until we have completed our own assessment. This update has been communicated to all relevant staff and funding panels.

- The complex care panel is now chaired by experienced senior managers who have a greater depth of understanding of the Care Act and the duties within. During 2012 to 2016, all heads of service posts were covered by interim staff
- A recruitment and retention campaign is underway to improve work-force stability and reduce staff case-loads, improving outcomes for all clients.
- Training and lessons learned sessions are being held with staff and managers to ensure that poor performance and service delivery is improved significantly.
- Quality assurance and data monitoring is more robust. Managers have been trained and held to account in terms of improving front line practice alongside driving service improvement
- The new senior management of the service is committed to improving the customer experience and now have robust oversight of all complaints and or concerns raised by clients and are working much more closely with the Complaints Manager and team
- Croydon also recently commissioned an independent review of its SEND and has an improvement plan in place to improve key areas of our performance, particularly focussed on customer care and significantly improving the customer journey.

4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- The financial recommendations made by the LGO, will result in costs of £8,200. These costs are made up of the following elements and will be funded from within the existing 0 to 25 Disability Services Budget:-
- apologise to the family for the faults identified;
- pay £2,500 to the complainant which the family can use towards a holiday or activities that they have missed out on over the last year;
- pay £750 to his daughter to recognise the distress and impact on her wellbeing over the last year;
- pay £1,500 to the complainant to recognise the distress, time and trouble the Council's actions had caused him over the last year; and
- pay the complainant the missed direct payments of £3,456.52 to support him in his role as a carer since July 2016, and complete a carer's assessment as soon as possible.

Approved by Lisa Taylor, Director of Finance, Investment and Risk

5. COMMENTS OF THE SOLICITOR TO THE COUNCIL

The Solicitor to the Council comments that the Local Government and Social Care Ombudsman (LG&SCO) is the independent body responsible for investigating complaints made against the Council where it is alleged that there has been maladministration causing injustice.

The LG&SCO its power to investigate and its jurisdiction are governed by three primary pieces of legislation:

- the [Local Government Act 1974](#) (LGA 1974)
- the [Regulatory Reform \(Collaboration etc. between Ombudsmen\) Order 2007 \(SI 2007/1889\)](#) and
- the [Local Government and Public Involvement in Health Act 2007](#) (LGPIHA 2007).

The LG&SCO can only investigate claims where there has been 'maladministration' by a public body that has caused 'personal injustice' to the complainant ([section 26\(1\)](#), Part 3, LGA 1974).

A local commissioner must issue a report if they have finished the investigation of a complaint. This report can include recommendations for action (section 30(1), 30(1A) LGA 1974).

The Council cannot appeal against an LG&SCO report but the actions of an individual local commissioner can be judicially reviewed.

The remedies that the LG&SCO can recommend are intended to put the complainant back in the position that they would have been in had there been no fault. The remedy should be 'appropriate and proportionate to the injustice' ([LG&SCO: Remedies: Guidance on good practice](#)) and should remedy the immediate injustice as well as preventing it recurring in the future ([sections 30\(1A\)](#) and [31](#), LGA 1974).

Approved by Sandra Herbert, Head of Litigation and Corporate Law for and on behalf of Jacqueline, Harris-Baker, Director of Law Monitoring Officer.

6. HUMAN RESOURCES IMPACT

6.1 None

7. EQUALITIES IMPACT

8. ENVIRONMENTAL IMPACT

9. CRIME AND DISORDER REDUCTION IMPACT

CONTACT OFFICER: Clare Davies, Complaints Manager

BACKGROUND PAPERS: None

APPENDICES: Appendix 1- Actions timetable

Appendix 1: Timetable of works in respect of Local Government Ombudsman report – Sept 2017

Priority	Outcome	Actions	Success measure(s)	Lead	Time	RAG 30 th Sept 2017	RAG 31 st Oct 2017	RAG 14 th November 2017	Progress update
Apologise in writing to Mr S	Ms S receives in writing a letter of apology from the LA	Letter to be drafted and agreed Letter to be sent out	Mr S in receipt of letter of apology	CD/CB/PS					Action completed
Preparation of timetable of actions in response to recommendations from within the LGO report	Timetable completed and issued to LGO and Mr S	Timetable to be drafted and signed off by Director of ASC/AAD	Timetable issued to LGO and Ms P	CD/CB/PS					Timetable Completed
Respond in writing to LGO with respect to actions and planning	Letter to be sent To LGO by 20 th July	Letter to be drafted By Complaints and ASC/AAD Service and sent by 20 th July	Letter agreed by ASC/AAD Director Letter agreed by Complaints Dept Management Letter sent	CD/CB/PS					Action completed
Issue of public notice with respect to LGO report and copies available for public perusal	Public notice to be written and published via local media by Copies of the report to be available in LA buildings for review.	Public notice to be drafted. Public notice to be published via local media Copies of LGO report available for perusal at Bernard Weatherill House	Public Notice published in local papers and on council website Copies in situ at BWH and Town Hall.	CB/VB					Action completed

Appendix 1: Timetable of works in respect of Local Government Ombudsman report – Sept 2017

		and the Town Hall for 3 weeks Copies to take away to be available at a small charge.							
Monies identified in the report to be paid to Mr S	Mr S to receive funds Identified in report	ASC/AAD to arrange and authorise payments	Monies owing from report recommendations transferred To Mr S accounts	CB/PS					Action completed
Full report and actions taken to and considered by relevant Council Committee	Report provided to and appearance of 0-25 staff appropriate Council Committee	Report drafted Report tabled at Pre Agenda meetings Attendance of 0-25 Officers at Council Meeting Inform LGO of details and times of meetings	Reports completed and attendance at meeting. LGO fully informed.	CB/PS/CD					Action completed Report to be taken to GPAC committee on 7/12/17
Complete Carers Assessment for Mr and or Mrs S	Carers Assessment completed.	Meetings with Mr and Mrs S held. Assessment completed and agreed with family	Carers Assessment completed.	LF/GR					Action completed
Direct Payment to GS of £32.39 per week backdated to 1 st July 2016	Mr S to receive funds Identified in report	ASC/AAD to arrange and authorise payments	Monies/DPs owing from report recommendations transferred	CB/PS					Action completed

Appendix 1: Timetable of works in respect of Local Government Ombudsman report – Sept 2017

			To Mr S accounts						
Implement Lessons Learned exercise with staff from AAD service	Training put in to ensure areas of poor practice identified in report are not repeated	Training sessions Completed							Action completed

RED	The action has not yet started or there is significant delay in implementation. The action must be prioritised to bring it back on track to deliver agreed work.
AMBER	The action has started but there is some delay in implementation. The action must be monitored to ensure the required action is delivered.
LIGHT GREEN	The action is on track to be completed by the agreed date. Action must be monitored to ensure work is completed in a timely manner.
GREEN	The action has been completed and there is evidence to that effect.

RESPONSIBLE OFFICERS:

- PS Pratima Solanki Director of All Age Disability and Adult Social Care
- CB Caroline Baxter Assistant Director of Disability 0-65
- AF Alison Farmer Head of 0-25 Service

Appendix 1: Timetable of works in respect of Local Government Ombudsman report – Sept 2017

LF	Lorraine Falconer	Unit Manager 16-25 Service
NL	Natasha Lingard	16-25 Social Worker
RE	Richard Eyre	Project Office Lead Manager
VB	Victoria Blinks	Project Office – Communications Lead
CD	Clare Davis	Manager – Complaints Department.

The Annual Audit Letter for London Borough of Croydon

Year ended 31 March 2017

October 2017

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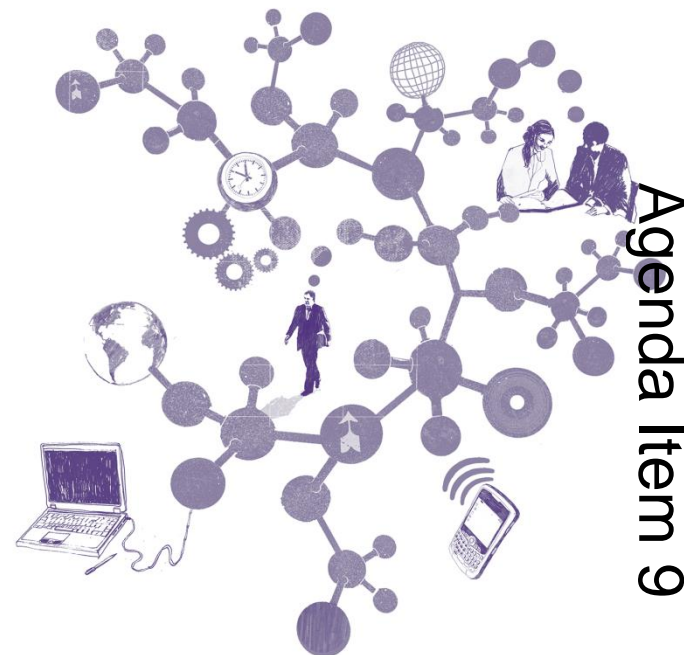
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Agenda Item 9

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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at London Borough of Croydon ('you' or 'the Council') for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to you and your external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to your General Purposes and Audit Committee (as those charged with governance) in our Audit Findings Report on 20 September.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on your financial statements, including the pension fund (section two)
- assess your arrangements for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion) (section three).

In our audit of your financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on your financial statements on 29 September 2017. The quality of your financial statements was good as in previous years. We did not identify any errors affecting your overall financial position. On the same day we also issued an unqualified opinion on your pension fund accounts.

Value for money conclusion

We were satisfied that you put in place proper arrangements to ensure economy, efficiency and effectiveness in your use of resources during the year ended 31 March 2017, except for the issue noted below.

On 4 September 2017, Ofsted published a report on their findings from their inspection of your services for children in need of help and protection, children looked after and care leavers, and their review of the effectiveness of the Local Safeguarding Children Board. Ofsted rated your children's services as "inadequate". The report highlighted that there has been a significant deterioration in the quality of service provision in relation to children's services since the previous inspection in 2012. Ofsted highlighted that there was weak management oversight of social care practice and that the failings identified left some children at risk of severe harm.

In response to the outcome of the Ofsted inspection, you have issued a Transitional Action Plan setting out key actions to be taken over the three months following the inspection.

As a result of the above matter, we therefore qualified our value for money conclusion in our audit opinion on 29 September 2017.

This qualification relates only to the issues noted within the September 2017 Ofsted report on children's services. In all other respects we are satisfied that you have demonstrated that you have in place appropriate arrangements for securing economy, efficiency and effectiveness.

We have reviewed your budget position and medium term financial planning and note that you have forecast the attainment of a balanced budget over the period to 2019/20. We are satisfied that this is based upon reasonable assumptions but note that, in common with other local authorities nationally, you face challenging savings requirements over the next few years as a result of increasing demand pressures, incurred at a time of reductions in central government funding for local government.

Whole of government accounts

We completed our work on your consolidation return following guidance issued by the NAO and we issued an unqualified assurance statement on 29 September 2017.

Use of additional powers and duties

We are required under the Act to give electors the opportunity to raise questions about your accounts and we consider and decide upon objections received in relation to the accounts.

We received an objection relating to your Private Finance Initiative (PFI) programme of street lighting. We are considering the matters laid out in this objection and your response to these matters.

Certificate

We are unable to certify that we have completed the audit of your accounts until we have completed our work in respect of the objection we received.

Certification of grants

We also carry out work to certify your Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the General Purposes and Audit Committee on a subsequent date.

Other work completed

During 2016/17 we carried out a number of other services for you.

- We carried out the audit of your subsidiary housing company, Brick by Brick Croydon Limited.
- Members of your finance team attended our financial resilience capacity building programme.
- You subscribed to our CFO Insights service, which provides you with detailed performance information and benchmarking data with other councils.

Working with you

From 2017/18, the statutory deadlines for the preparation and audit of the financial statements will be brought forward. You will be required to produce draft statements by 31 May and secure an audit opinion by 31 July 2018.

Moving towards an earlier deadline, particularly within the more complex environment within which you now operate, will require an element of redesign of some of your closedown processes, arrangements and internal business processes. We have worked with many large clients to successfully implement faster close and will continue to work with you during the coming year to support you in identifying opportunities for efficiencies in the financial reporting processes and to help improve controls around closedown in preparation for the earlier timetable.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit.

Audit of the accounts

Our audit approach

Materiality

In our audit of your accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of your accounts to be £22.3 million, which is 1.95% of your gross revenue expenditure. We used this benchmark as, in our view, users of your accounts are most interested in how you have spent the income raised from taxation and grants during the year. We did not identify any areas of the accounts where a separate materiality would apply.

We set a lower threshold, of £1 million, above which we reported errors to the General Purposes and Audit Committee in our Audit Findings Report.

Pension Fund

For the audit of the Croydon Pension Fund accounts, we determined materiality to be £10.9 million, which is 1% of the Fund's net assets. We used this benchmark as, in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a lower level of specific materiality of £547,000 for management expenses. We set the same threshold, of £547,000, as the level above which we reported errors to the General Purposes and Audit Committee.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- Your accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Executive Director of Resources are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of you and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of your business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts – Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>You revalue your land and building assets on a rolling basis over a five year period. The Code requires that councils ensure that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>We completed the following work in respect of this risk.</p> <ul style="list-style-type: none"> We reviewed the competence, expertise and objectivity of management experts used. We tested revaluations made during the year to ensure they were consistent with underlying valuer information and were input correctly into your asset register. We reviewed your processes and assumptions for the calculation of the estimate. We reviewed the instructions issued to valuation experts and the scope of their work. We discussed with the valuer the basis on which the valuation is carried out and we challenged the key assumptions. We evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Our audit did not identify any significant issues in relation to the valuation of Property, Plant and Equipment</p>
<p>First year accounting and consolidation of Brick by Brick Croydon Ltd</p> <p>This is the first year that you have prepared consolidated accounts to include Brick by Brick, and it is expected to be a material subsidiary undertaking. There is the risk of inappropriate accounting treatment.</p>	<p>We undertook the following work in relation to this risk:</p> <ul style="list-style-type: none"> We reviewed the outputs from the statutory audit of Brick by Brick performed by Grant Thornton in respect of the year ended 31 December 2016. We reviewed accounting estimates, judgments and decisions made by management during the preparation of the financial statements. We reviewed unusual significant transactions. We reviewed your accounts disclosures compared with Code requirements. 	<p>Our audit did not identify any significant issues in relation to the risk identified</p>

Audit of the accounts – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of level 3 investments Significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>We undertook the following work in relation to this risk.</p> <ul style="list-style-type: none"> • We updated our understanding of the processes and control in place to estimate the valuation of these assets. • For a sample of investments we tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • We reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuation provided for these type of investments. • We reviewed the competence, expertise and objectivity of management experts used. • We reviewed the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. 	<p>Our audit testing of the figures in the accounts identified that infrastructure and private equity investments were understated in the financial statements by £9,155k. This is due to the audited final valuation data not being available at the time of compiling the draft financial statements This is purely a timing issue for the finance team receiving the information.</p> <p>No other significant issues were identified in our work.</p>

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Audit of the accounts

Audit opinion

We gave an unqualified opinion on your accounts on 29 September 2017, in advance of the 30 September 2017 national deadline.

You originally intended to deliver draft accounts and working papers to us by the end of May 2017, in line with the forthcoming earlier close timetables, but were not able to achieve this. Your draft financial statements for the year ended 31 March 2017 were approved and issued for audit on 20 June 2017, and working papers were provided shortly after this. The absence of a successful 'trial run' increases the risk of missing the earlier statutory deadlines next year.

The challenge you face is to reduce the time taken to close the accounts by almost a third, without any reduction or deterioration in the quality and accuracy of the draft accounts submitted for audit. Achieving this may require fundamental change in some of your internal processes for preparing the accounts and supporting the audit process. You should consider the mitigating steps that can be taken to release capacity into the finance team, reduce potential bottlenecks, and reduce the time taken to facilitate the audit and respond to queries.

It will be vital to the success of achieving early close to ensure that all officers involved in the process for preparation are aware of their responsibilities for supporting the earlier closure of the audit. Capacity of the finance team to respond to the audit on top of their existing, significant, workload remains an issue, and will be compounded during a more intense early close audit cycle. Achieving such a significant earlier signoff of the audit is not something that can be achieved by the finance team alone and will require full engagement from the wider organisation.

Issues arising from the audit of the accounts

We reported the key issues from our audit of your accounts to the General Purposes and Audit Committee on 20 September 2017.

The draft financial statements and supporting working papers were prepared to a good standard of quality as in previous years, with few issues arising during the audit process. The volume of error in the accounts was reduced compared to previous years, demonstrating improvements in the accuracy and quality of the accounts submitted for audit.

We did not identify any errors affecting your overall financial position. We identified one material adjustment, being a reclassification of borrowing between long term and short term on the balance sheet. We also identified a small number of disclosure amendments and improvements to the presentation of the accounts.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the General Purposes and Audit Committee on 20 September 2017.

The Pension Fund accounts were also prepared to a high standard. There was one adjustment required of £9.1 million, affecting the Fund's reported financial position. This was an understatement of infrastructure and private equity investments, which officers made us aware of before submitting the draft financial statements for audit. The level 3 investment year end final valuation figures were not made available to officers until after the draft financial statements were completed. For 2018 officers expect to receive the valuation information by the end of June and do not envisage this being a problem for the early opinion deadline of 31 July 2018. Officers will continue to liaise with the fund managers to ensure information is received in line with the earlier deadlines.

We have also recommended a small number of adjustments to improve the presentation of the financial statements.

Audit of the accounts

Annual Governance Statement and Narrative Report

We are required to review your Annual Governance Statement and Narrative Report. You published these documents on your website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided. Following the publication of the Ofsted report into children's services you updated your Annual Governance Statement to highlight the steps you are taking to address governance failings in this service area.

Whole of Government Accounts (WGA)

We carried out work on your consolidation schedule in line with instructions provided by the NAO. We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 29 September 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about your accounts and to raise objections received in relation to the accounts.

You advertised the statutory inspection period for your accounts as required by the Act. We received one objection to the accounts during the statutory inspection period. The objection relates to your PFI scheme for street lighting in the Borough.

We concluded that the objection was not material to the financial statements and did not prevent us from issuing an unqualified opinion. We have discussed the objection with management and we are considering management's responses to the matters raised.

We are currently unable to certify that we have completed the audit of your accounts until we have completed our work in respect of the objection.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. We continued our review and risk assessment up to the date of giving our report. We identified a further significant risk against which we carried out further work, relating to the Ofsted inspection of children's services.

The key risks we identified and the work we performed are set out in table 2 below and overleaf.

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
Budget position and medium term financial planning	<p>We reviewed your arrangements in setting and controlling the budget position.</p> <p>We reviewed your processes to control and challenge budget overspends where they materialise.</p> <p>We reviewed the adequacy of your underlying budget assumptions and your plans to address the budget gaps to 2019/20.</p>	<p>For 2016/17 your outturn position was a £0.05 million underspend. This consisted of a significant departmental overspend of £10.4 million (largely in demand led services), offset by non-departmental underspends. It is not certain that non-departmental underspends will continue, so vigilance over future positions is critical. Failure to deliver departmental budgets could have a significant impact on your financial health.</p> <p>For 2017/18, you have set a balanced budget, with generally robust underlying assumptions. In doing so you have increased Croydon's share of council tax by 4.99 per cent.</p> <p style="text-align: right;"><i>continued.....</i></p>

Overall VfM conclusion

In seeking to satisfy ourselves that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources, we have considered reports issued by regulators. During the year of audit, in September 2017 a report on the inspection of services for children in need of help and protection, looked after children and care leavers, and review of effectiveness of the Local Safeguarding Children Board concluded that, overall, children's services in the London Borough of Croydon were inadequate.

Based on the work we performed to address the significant risks, we concluded that with the exception of the matter set out above in relation to arrangements for management of children's services, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Budget position and medium term financial planning</p> <p>.....(continued)</p>		<p>As service pressures are expected to grow, substantial efficiency and transformation savings will continue to be required across the organisation.</p> <p>Medium term financial plans show that your budget is balanced for three years, which is an impressive achievement. The budget incorporates assumptions around growth in the council tax base.</p> <p>Vigilance over the position and risks is still required to address future uncertainties. Longer term growth assumptions are lower than that experienced to date, so the forecast may need to be revised should growth exceed expectations.</p>
<p>Health and Social Care Integration</p>	<p>We reviewed your progress to date in implementing the planned integration and considered your arrangements to monitor and manage risks and ensure benefits from the project are realised.</p>	<p>Both health and social care face enormous pressure and greater integration is needed to relieve financial pressures and deliver a more effective service. The position in Croydon is particularly challenging.</p> <p>You are working with the NHS and other providers through the STP and the Outcomes Based Commissioning model to foster greater integration and improve outcomes. Plans are in early stages, however, arrangements appear reasonable. There are a number of risks that you have identified and are appropriately monitoring, which will be critical to ensuring future success.</p>
<p>Ofsted inspection of children's services</p>	<p>We reviewed the report of Ofsted and considered the response of the Council to the report.</p>	<p>On 4 September 2017, Ofsted published a report on their findings from inspection of your services for children in need of help and protection, children looked after and care leavers and review of the effectiveness of the Local Safeguarding Children Board that rated you as "inadequate". We issued a qualified Value for Money conclusion as a result of the issues set out within the report.</p> <p>In response to the outcome of the Ofsted inspection, you have issued a Transitional Action Plan setting out key actions to be taken over the three months following the inspection to improve child safety and the quality of service provided. A formal Improvement Plan is currently being developed for submission to Ofsted in December 2017.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	172,860	TBC***	172,860
Statutory audit of Pension Fund	21,000	21,000	21,000
Audit of subsidiary company Brick by Brick Croydon Limited	30,000	TBC *	N/A
Housing Benefit Grant Certification	25,755	TBC **	24,894
Total fees (excluding VAT)	249,615	TBC	218,754

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

* The audit of Brick By Brick Croydon Ltd is now complete and the final fee will be discussed with management.

** This work is on-going and the final fee will be determined once this work has been concluded.

***We are unable to determine the final fee until we have concluded our work on the objections to the accounts raised during the statutory inspection period.

Reports issued

Report	Date issued
Audit Plans	March 2017
Audit Findings Reports	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• none	none
Non-audit services:	
• Subscription to CFO Insights	10,000
• Finance capacity building	3,500

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence.
- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard
- We have received confirmation that the external experts whose work we have relied upon during the course of our audit, PricewaterhouseCoopers LLP and Gerald Eve LLP, are independent
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified:

Non- audit services

- We have considered whether other services might be perceived as a threat to our independence as your auditor and have ensured that appropriate safeguards are put in place, as reported overleaf.

Reports issued and fees (continued)

We have considered whether other services might be perceived as a threat to our independence as the group’s auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees £	Threat?	Safeguard
Non-audit services				
<p><u>Financial resilience capacity building programme</u></p> <p>A series of workshops were held to help finance officers to develop by learning new leadership skills, listening to guest speakers and networking with their peers.</p>	London Borough of Croydon	3,500	<ul style="list-style-type: none"> No threats noted 	The facilitators for the programme were separate to the audit team. The work was structured so as not to make any recommendations in relation to strategic decision making or partnership working or on the deployment of resources.
<p><u>CFO Insights subscription</u></p> <p>CFO Insights is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority.</p>	London Borough of Croydon	10,000	<ul style="list-style-type: none"> Self interest threat 	<p>The fee is a recurrent subscription and thus gives high self-interest threat. However, the fee for this work is negligible in comparison to the total fee for the audit and in particular Grant Thornton UK LLP’s turnover overall. It is also a fixed fee with no contingent element. We consider that these factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>CFO Insights does not provide any advice; the tool provides only information and insight that to help inform decision making by officers. It is the responsibility of your officers who use this service to undertake informed interpretation of the information provided. The team that operates this service is separate to the audit team.</p>
	TOTAL	13,500		

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- The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.
- None of the above services were provided on a contingent fee basis.
- For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the London Borough of Croydon The table summarises all non-audit services which were identified.
- The fees set out above agree to those reported in Note 29 ‘External Audit Costs’ in the financial statements.



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REPORT TO:	General Purposes and Audit Committee 6 December 2017
SUBJECT:	Treasury Management Strategy Statement, Annual Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/2018 Mid-Year Review
LEAD OFFICER:	Executive Director of Resources (Section 151 Officer)
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance & Treasury
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT:

Sound Financial Management. This report details the Council's Treasury Management activities during the first half of 2017/2018 and the Council's compliance with the 2011 Prudential Code for Capital Finance.

FINANCIAL SUMMARY: This report details the Treasury Management activities in the first half of 2017/2018 and demonstrates the Council's compliance with the 2011 Prudential Code for Capital Finance.

FORWARD PLAN KEY DECISION REFERENCE NO.:

For general release

1. RECOMMENDATIONS

- 1.1. The Committee are asked to note the contents of this report and to:
- (a) Endorse the continued implementation of the Council's Treasury Strategy Statement, Annual Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/2018 by the Executive Director of Resources (Section 151 Officer).

EXECUTIVE SUMMARY

- 2.1 This report accords with the CIPFA Code of Practice for Treasury Management and best practice. The Code recommends that members are informed of Treasury activities at least twice a year. The report:
- reviews the Council's treasury management activities for the first six months of the financial year 2017/2018;
 - details those areas of activity that formed the basis of the Treasury Management Strategy Statement, Annual Minimum Revenue Provision Policy Statement & Annual Investment Strategy 2017/2018 received by Full Council on **27 February 2017 (Minute A16/17)**; and
 - demonstrates the Council's compliance with the 2011 Prudential Code for Capital Finance ("The 2011 Code") in the first half of the year and sets out revised Prudential Indicators for 2017/2018.

3.1 BACKGROUND

- 3.1.1 The Council has adopted a Treasury Management Policy Statement, which sets out the basis on which treasury activities are to be conducted. This document is incorporated in the Council's Financial Regulations.
- 3.1.2 The Treasury Management Policy Statement sets out the arrangement for reporting to Members prior to the commencement of each financial year (a statutory requirement) on the treasury strategy for the year ahead, to receive a mid-year review of treasury activities and to receive a review of the previous year's activities.
- 3.1.3 The Council's treasury management objectives are to manage the cash flows, borrowing and investment requirements of the authority with minimum risk and to achieve this by minimising the Council's exposure to adverse movements in interest rates whilst maximising investment yield to enhance the Council's finances.
- 3.1.4 The Council's treasury management activities are regulated by statute, the 2011 Code and official guidance.
- 3.1.5 This report presents a mid-year review of 2017/2018's activities based on the following:
- The Economy and Interest Rates
 - Lending;
 - Borrowing;
 - Compliance with Prudential Indicators;
 - Repayment of Debt and Debt Rescheduling;
 - Minimum Revenue Provision; and
 - Performance Targets.
- 3.1.6 A glossary of the terms and abbreviations used in this report is attached at **Appendix D**.

3.2 The Economy and Interest Rates

- 3.2.1 After the UK economy surprised on the upside with strong growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y) which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

- 3.2.2 The Monetary Policy Committee (MPC) meeting of 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. Inflation actually came in at 2.9% in August, (this data was released on 12 September), and so the Bank revised its forecast for the peak to over 3% at the 14 September meeting MPC. This marginal revision can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment falling to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of increasing globalisation. This effectively means that the UK labour faces competition from overseas labour e.g. in outsourcing work to third world countries, and this therefore depresses the negotiating power of UK labour. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so would be inflationary over the next few years.
- 3.2.3 The MPC actually increased Bank Rate to 0.5% in November 2017. The MPC also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.
- 3.2.4 While there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two years will pan out.
- 3.2.5 Interest rate forecasts as provided by the Council's independent treasury advisers, Capita Asset Services, are detailed below.

Table 1: Economic Forecasts for End of Quarter (Q) – Capita Asset Services 14 November 2017

	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%
5yr PWLB rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%
10yr PWLB rate	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%
25yr PWLB rate	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
50yr PWLB rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%

- 3.2.6 These projections show that market commentators expect there to be one more 0.25% rate rise over the next two years. This means that the Authority should not expect a material upturn in the interest earned on cash balances in the current financial year. This market intelligence will contribute to treasury management decisions to enable

effective risk management. It is informative to compare and contrast with the forecast presented in February that at that point in time the consensus was that the then current bank rate of 0.25% was expected to remain in place until after the Brexit negotiations had been completed. Public Works Loan Board (PWLB) rates for 25-year loans, at that point at 2.90% were expected to remain the same until Q4 2017. The 50-year PWLB rate, which was at 2.70%, was also expected to remain the same until Q4 2017. The message to take from this is that is clearly very difficult to derive consistent forecasts and that market volatility has a significant impact.

3.3 Lending

3.3.1 The Council's investment policy is governed by Communities and Local Government Office (CLG) guidance which has been implemented in the Annual Investment Strategy approved by Full Council **on 27 February 2017 (Minute A16/17)**. As set out in the strategy, the criteria for the investment of the Council's surplus funds are based on formal credit ratings issued by the FITCH International Rating Agency and supplemented by additional market data such as rating outlooks, the pricing of credit default swaps and bank share prices. The prime aim is to obtain capital security and then to secure the best rate of return. In addition to the FITCH rated institutions, all UK local authorities, and some public bodies comprise the Council's Approved Lending List.

3.3.2 Since the strategy was drafted, the implied sovereign support rating for counterparties has been removed with both the Standard & Poor's and Moody's rating agencies withdrawing all sovereign support ratings. The FITCH rating agency, which the Council and Capita adheres to, still assesses the implied sovereign support rating although the importance of this rating is now diluted. This has resulted in the Council adopting revised minimum credit rating criteria for institutions to be included within the authorised lending list. This revised criteria was approved by **General Purposes and Audit Committee on 27 February 2017 (Minute A16/17)** and is as follows:

Table 2: Lending List Criteria

List	Credit Ratings Criteria
A	FITCH rating in each of the following categories:- F1+ on Short Term AA or above Long Term aa- or above Viability Rating 5 for Support Rating AA+ or above Sovereign Rating
B	FITCH Rating in each of the following categories:- F1+ on Short Term AA- or above on Long Term a+ or above Viability Rating 5 for Support Rating AA+ or above Sovereign Rating

Approved Organisations

All Non-UK Banks that meet the FITCH ratings as set out above
All UK Building Societies that meet the FITCH ratings as set out above
UK Banks that meet the FITCH ratings as set out above

Approved Organisations not meeting the above credit ratings

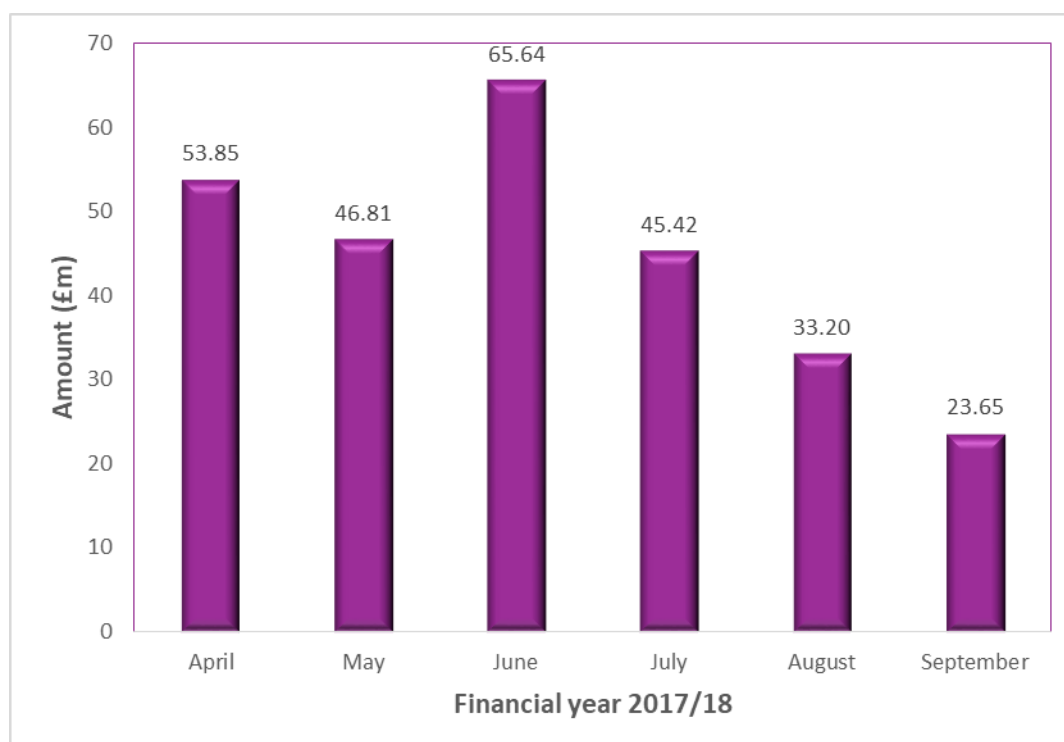
Part Nationalised UK Banks
All UK Local Authorities
AAA rated Money Market Funds
Debt Management Office (DMO)

- 3.3.3 The Council's authorised list of counterparties as at 30 September 2017 is detailed in **Appendix A**. The list and the counterparty limits applicable have been drawn up to provide maximum security for the Council's funds. Note that although there are three rating agencies, of these Moody's and Standard & Poor's focus on the US markets while FITCH concentrates on Europe and is thus the preferred choice for use here. The CIPFA guidelines require that local authorities factor in the lowest of the three potential ratings, providing an overall check. For Money Market Funds, a minimum of AAA ratings by at least 2 rating agencies one of whom must be FITCH is required for inclusion onto the Council's authorised lending list.
- 3.3.4 The principle of ensuring capital security and then of securing the best rate of return underpins all treasury investment decisions. When setting the present strategy allowance was made to enable investment in a range of other instruments that offered the potential for slightly better returns at commensurate levels of risks. To this end custodian arrangements were put in place with the Bank of New York Mellon. Market conditions have not favoured investment in such non-term deposits but should conditions become more favourable these options will be explored. A list of the Specified and Non-Specified investments that Officers are permitted to undertake in-house, which was approved by Full Council on **27 February 2017 (Minute A16/17)**, is detailed in **Appendix B**.
- 3.3.5 The financial year 2017/2018 continues the challenging investment environment of previous years, namely low investment returns and continuing heightened levels of counterparty risk.
- 3.3.6 Investment activity in the first half of 2017/2018 conformed to the approved strategy and the Council experienced no liquidity issues in the year to date with an average monthly balance of £115.4m being maintained in temporary investments. Part of this sum is made up of core balances such as provisions and reserves set aside and cash balances that can if necessary be invested for longer periods to take advantage of favourable interest rates and to limit exposure to the risk of future rate movements.
- 3.3.7 Available funds were invested for differing periods, to match anticipated movements in the Council's daily cash flows commensurate with achieving best value and based on forecasts of interest rate trends. The primary aim is to ensure the capital security of the Council's investments and then to secure the best rate of return.
- 3.3.8 Investment of the Council's cash balances is governed by the guidance on Local Government Investments which has been issued by the Department for Communities and Local Government (DCLG). This guidance requires certain investment policy parameters to be set within the annual Treasury Management

Strategy Statement, Annual Minimum Revenue Provision Policy Statement and Annual Investment Strategy approved by Council. Investment activity during the year conformed to this approved strategy and sufficient liquidity was maintained for the Council's cash flow requirements.

3.3.9 In aggregate for the first half of 2017/2018, deposits totalling £268.5m were invested and the Council maintained an average monthly balance of £115.4m yielding an investment rate of return of 0.44% compared to the LIBID 7 day rate of 0.23% and LIBID 6 month rate of 0.49% for the year. Investments outstanding at 30 September 2017 were £80.2m. These were invested as follows: £15m with UK banks, Non-UK banks £35.0m, other local authorities £30.0m and £0.2m with AAA rated Money Market Funds.

Chart 1: Investments made in 2017/2018



3.4 Borrowing

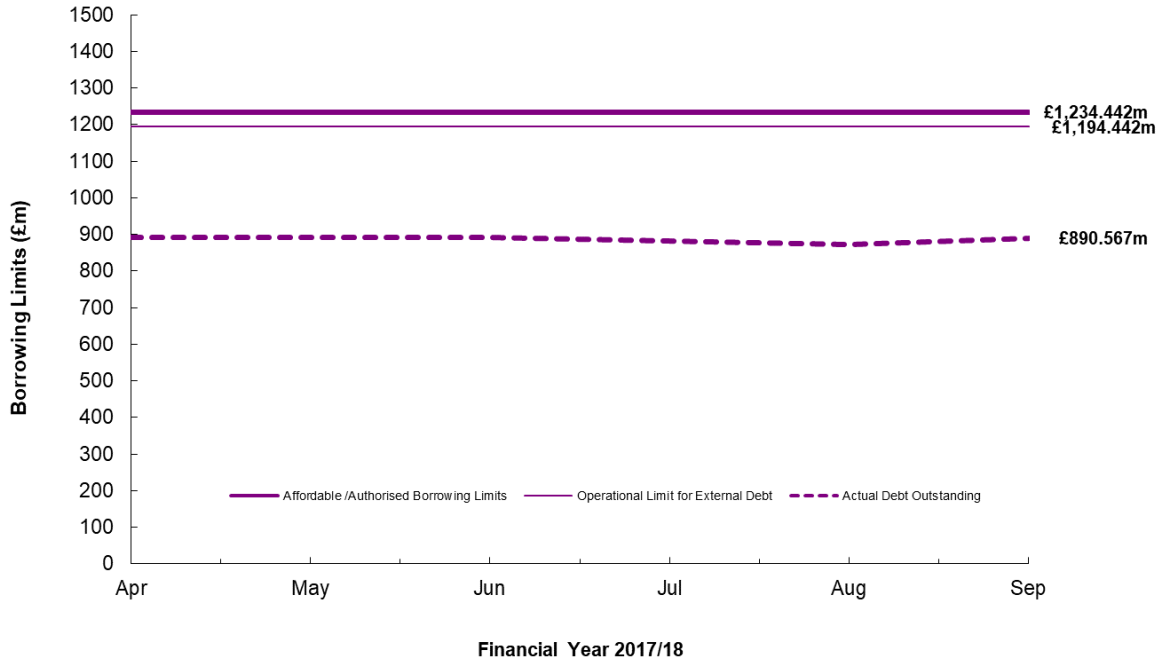
3.4.1 The Council set borrowing limits that were approved by **Full Council on 27 February 2017 (Minute A16/17 refers)** for the year 2017/2018 as part of the legislative constraints specified in Section 3 of the Local Government Act 2003 which require the Council to determine and keep under review how much it can afford to borrow.

The limits were:

Operational Limit for External Debt	£1,194.442m
Affordable Borrowing Limit	£1,234.442m
Authorised Borrowing Limit	£1,234.442m

The chart below shows the actual debt in the first half of 2017/2018 in relation to the borrowing limits applicable at the time.

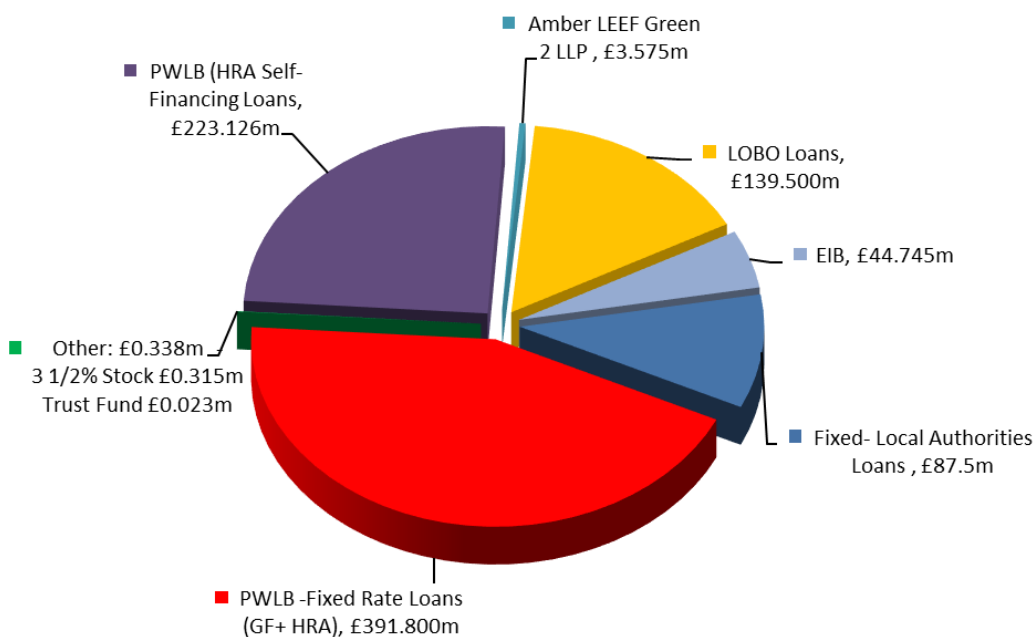
Chart 2: Actual Debt in 2017/2018 in comparison to the Operational, Affordable and Authorised Borrowing Limits for the year



3.4.2 The Authorised Borrowing Limit which sets the maximum amount that the Council can borrow for capital and revenue purposes was not exceeded. The Council's overall borrowing as at 30 September 2017 stood at £890.567m. There was therefore considerable headroom to spare between this level of debt and the Authorised Borrowing Limit.

3.4.3 The Council's long term debt as at 30 September 2017 is detailed graphically as follows:

Chart 3: Long Term and Short Term Debt as at 30 September 2017



3.4.4 The estimated borrowing requirement for the financial year 2017/2018 has been revised downwards from £349.234m to £134m. This is due to revised scheduling of works and slippage. The treasury strategy has been to use existing cash balances, to limit the need for further borrowing, and thus to reduce the cost of debt to the Council. During the first half of the year the Council has used approximately £22m of its cash reserves to finance Capital spending and decreased its borrowing by £2.5m.

3.4.5 When taking up the remainder of this year's borrowing requirement the Council's Treasury Section will examine all the options available and will compare these against both the certainty rates offered by the PWLB and European Investment Bank (EIB) rates to ensure that the most advantageous rates possible are secured on long-term funding. Consideration will also be given to the use of internal balances to fund at least a part of the requirement if this proves economically more beneficial. Borrowing undertaken will be taken to fit into the Council's existing debt maturity profile to ensure an even distribution of maturities in future years. **Appendix C** displays the movements in the PWLB interest rates for the 5-year, 10-year, 25-year and 50-year loan periods during the first half of 2017/2018.

3.4.6 The Council's effective interest payable on long term debt currently stands at 3.8%.

3.5 Compliance with Prudential Indicators

3.5.1 The Prudential Code for Capital Finance in Local Authorities was updated in 2011. It serves as a professional code of practice to support local authorities in complying with Part 1 of the Local Government Act 2003. The Code required the continual monitoring of the Prudential Indicators set by the Council.

3.5.2 The purpose of the Prudential regime is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.

3.5.3 We are compliant with the Prudential Indicators set by this Authority for 2017/2018.

3.6 Repayment of Debt and Debt Rescheduling

3.6.1 With PWLB rates low in the first half of 2017/2018 and with high premiums being attached to the premature repayment of existing PWLB debt, opportunities for debt restructuring were minimal and therefore none was undertaken.

3.6.2 Debt repayment / restructuring will only be done following external advice and only if it was proved beneficial for the Council. The Council's debt profile is structured so that loans mature over a spread of future dates. This takes advantage of the best rates offered at the time and ensures that refinancing risks are controlled. There is the risk however that when the Authority needs to take out a replacement loan, the market rates could have moved against the Council's position.

3.7 Minimum Revenue Provision

3.7.1 As part of the mid-year review of the 2015/2016 Minimum Revenue Provision Statement, the Council's General Purposes and Audit Committee approved a revised Annual Minimum Revenue Provision Statement on 9 December 2015 (Minute A62/15). The Council's MRP Policy Statement for 2017/2018 also adopts these revisions. Note that the Government is currently consulting on changes to their guidance relating to this statement.

3.8 Performance Targets

3.8.1 The gross investment income earned by the Council for the financial year 2017/2018 is forecast to be £0.75m.

3.8.2 The Council's actual investment return for the first half of 2017/2018 was 0.44% compared to the benchmark average 7-day LIBID rate of 0.23% and 6-month LIBID rate of 0.49%. Liquidity was maintained by investing in AAA rated Money Market funds at rates around 0.21% with some investments pitched over the 3, 6 and 12 month period at rates over 0.40% to produce returns in excess to the benchmark rate.

4 CONSULTATION

4.1 Full consultation in respect of the contents of this report has taken place with the Council's Treasury Management Advisers, Link Asset Services in the preparation of this report.

5 FINANCIAL CONSIDERATIONS

5.1 Revenue and Capital consequences of this report are dealt within this report.

There are no additional financial considerations other than those identified in this report.

5.2 The effect of the decision

Approval of this report will endorse the continued implementation of the Council's Treasury Management Strategy by the Executive Director of Resources (Section 151 Officer).

5.3 Risks

There are no further risks issues other than those already detailed in this report.

5.4 Options

These are fully dealt with in this report

5.5 Savings/ future efficiencies

This report sets out the treasury activities in the first half of 2017/2018 and demonstrates the Council's compliance with the Prudential Code and the limits set in both the Code and the Treasury Management Strategy Statement, Annual Minimum Revenue Provision Policy Statement and the Annual Investment Strategy 2017/2018 report presented to Members on **27 February 2017 (Minute A16/17)**.

Approved by: Lisa Taylor, Assistant Director of Finance and Deputy Section 151 Officer.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Solicitor to the Council comments the Local Government Act 1972, Section 151 states that each local authority has a statutory duty to make arrangements for the proper administration of its financial affairs. The Council's Chief Financial Officer appointed under Section 151 is responsible for reporting to the committee on the activities of the treasury management operation.
- 6.2 A variety of professional codes, statues and guidance regulate specifically to the Council's treasury management activities.
- 6.3 The Local Government Act 2003 ('the Act') provides the powers to borrow and invest. It also imposes controls and limits on these activities. The Act permits the Secretary of State to set limits on either the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken.
- 6.4 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the SI') as amended develops the controls and powers within the Act. The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code. The Prudential Code requires indicators to be set – some of which are limits – for a minimum of three forthcoming years. The SI also requires the Council to operate the overall treasury management function with regard to the CIPFA Treasury Management Code of Practice in Public Services. Under the terms of the Act the Government has issued "Investment Guidance" to structure and regulate the Council's investment activities. The emphasis of the guidance is on the security and liquidity of investments.
- 6.5 The Council has adopted the CIPFA Treasury Management Code of Practice in Public Services and a Treasury Management Policy Statement which is referred to in the Council's Constitution Financial Regulations Part 4H.
- 6.6 All treasury activity must comply with relevant statute, guidance and accounting standards.

Approved by: Sandra Herbert Head of Litigation and Corporate Law on behalf of Jacqueline Harris-Baker the Director of Law and Monitoring Officer.

7. HUMAN RESOURCES IMPACT

- 7.1 There are no immediate HR considerations that arise from the recommendation of this report for LBC staff.

Approved by: on behalf of Heather Daley, Director of Human Resources.

8. CUSTOMER IMPACT

- 8.1 There are no Customer impacts arising from this report.

9. EQUALITIES IMPACT ASSESSMENT (EIA)

- 9.1 Consistent with the requirements of equal opportunities legislation including the Public Sector Equality Duty, the Council carries out an equality impact assessment on new policies, or existing policies which are the subject of major change.
- 9.2 The Council's Capital and Revenue Budget 2016/2017 is not subject to an equality impact assessment. However, in those areas where the setting of the capital and

revenue budget result in new policies or policy change, then it is the responsibility of the relevant service department to carry out an equality impact assessment which evaluates how the new or changed policy will impact on disadvantaged sections of the community, including disabled people. The impact assessment includes consultation with disabled people and user-led disabled people organisations.

10. ENVIRONMENT AND DESIGN IMPACT

10.1 There are no Environment and Design impacts arising from this report.

11. CRIME AND DISORDER REDUCTION IMPACT

11.1 There are no Crime and Disorder reduction impacts arising from this report.

12. HUMAN RIGHTS IMPACT

12.1 There are no Human Rights impacts arising from this report.

13. FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS

13.1 There are no specific Data Protection or Freedom of Information considerations arising from this report.

CONTACT OFFICER:

Nigel Cook, Head of Pensions and Treasury, extn 62552

APPENDICES: Appendix A Authorised Lending List
Appendix B Local Government Investments
Appendix C PWL Movements
Appendix D Glossary of Terms

BACKGROUND DOCUMENTS:

CIPFA's Prudential Code for Capital Finance in Local Authorities Fully Revised Second Edition 2009 and updated 2011 edition.
CIPFA's Code of Practice for Treasury Management in the Public Services and Cross Sectoral Guidance Notes – Fully Revised Second Edition 2009 and updated 2011 edition.
CLG's Guidance on Local Government Investments March 2004.

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LONDON BOROUGH OF CROYDON**Authorised Lending List as at 30/09/2017 (Criteria as per FITCH)****LIST A**

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Royal Bank Of Canada (Canada)	20,000,000	AA	F1+	aa	2	AAA
Svenska Handelsbanken AB (Sweden)	20,000,000	AA	F1+	aa	5	AAA
Morgan Stanley Money Market Fund	15,000,000	AAA				
Aberdeen Money Market Fund	15,000,000	AAA				
Goldman Sachs Money Market Fund	15,000,000	AAA				
JP Morgan Money Market Fund	15,000,000	AAA				
Deutsche Money Market Fund	15,000,000	AAA				
Insight Money Market Fund	15,000,000	AAA				
Royal Bank of Scotland Group Plc (Part Nationalised) (UK)	25,000,000	BBB+	F2	bbb+	5	AA
Debt Management Account (UK Government Body)	No Limits					

LIST B

Name	Credit Limit £	Long Term Rating	Short Term Rating	Viability Rating	Support Rating	Sovereign Rating
Australia & New Zealand Banking Group (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
Bank Of Montreal (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
Bank Of Nova Scotia (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
Canadian Imperial Bank Of Commerce (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
Commonwealth Bank Of Australia (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
DBS Ltd (Singapore)	10,000,000	AA-	F1+	aa-	1	AAA
National Australia Bank (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
Overseas Chinese Banking Corporation Ltd (Singapore)	10,000,000	AA-	F1+	aa-	1	AAA
Toronto-Dominion Bank (Canada)	10,000,000	AA-	F1+	aa-	2	AAA
United Overseas Bank Ltd (Singapore)	10,000,000	AA-	F1+	aa-	1	AAA
Westpac Banking Corporation (Australia)	10,000,000	AA-	F1+	aa-	1	AAA
All UK Local Authorities	10,000000					

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LOCAL GOVERNMENT INVESTMENTS (ENGLAND)
SPECIFIED AND NON-SPECIFIED INVESTMENTS

- a. **Specified Investments** - Where there is a change in the current investment policy this is specifically noted. All investments shall consist of investments under one year as follows:
- Debt Management Agency Deposits Facility (DMADF) which is currently available for investments up to six months.
 - Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to one year.
 - Term deposits with credit - rated deposit takers (banks and building societies) including callable deposits, with maturities up to one year.
 - Certificate of Deposits issued by credit - rated deposit takers (banks and building societies) up to one year.
 - AAA rated Money Market Funds (i.e. a collective investment scheme as defined in SI. 2004 No 534).
 - Bonds issued by multinational development banks (as defined in SI 2004 No 534) with maturities under 12 months.
 - Enhanced AAA rated Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds.
 - UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market.
 - UK Government Treasury Bills which are debt instruments issued by the Government's Debt Management Office through weekly auctions. The bills are issued with maturities of one, three and six months.
- b. **Non-Specified investments** - Local authorities now have specific powers to invest for periods in excess of one year. Previously such investments were not permissible, except in respect of the Council's Pension Fund (where specific legislation exists). It is recommended that these shall consist of:
- Term deposits with credit - rated deposit takers (banks and building societies) with maturities greater than one year. As a general rule they cannot be traded or repaid prior to maturity. The risk with these is that interest rates could rise after making the investment and there is also the potential that there could be a deterioration of the

credit risk over a longer period. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.

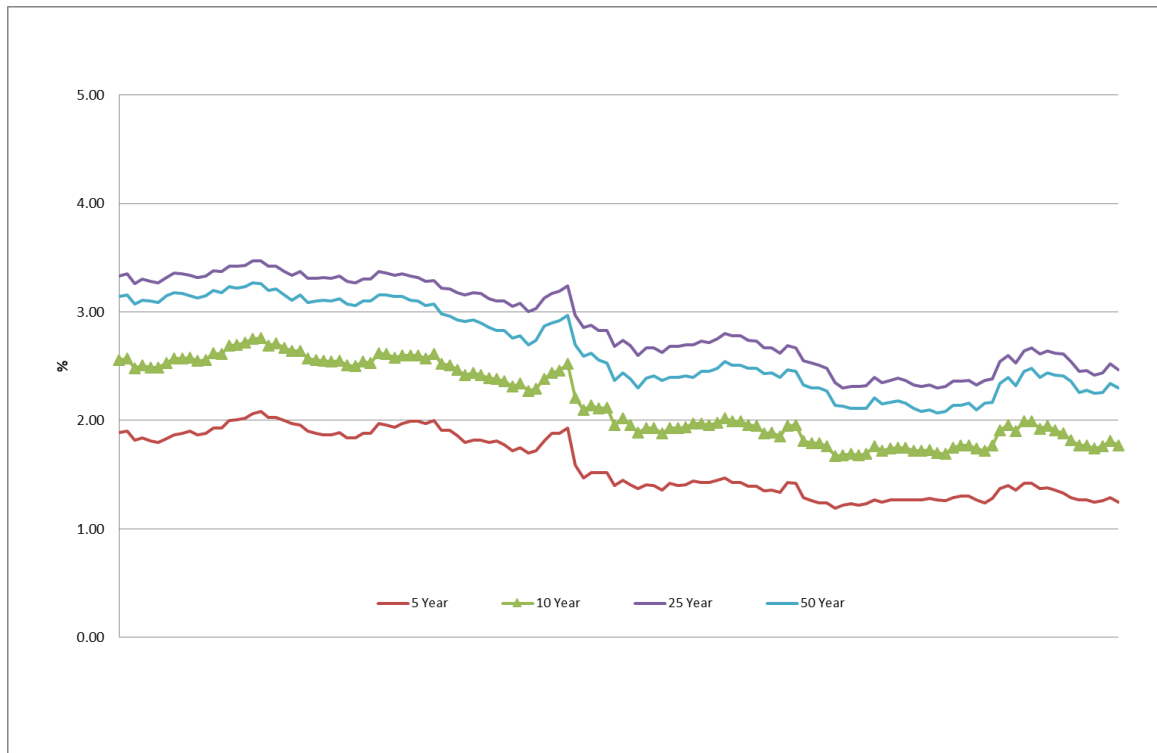
- Term Deposits with UK local authorities. This investment represents intra-authority loans i.e. from one local authority to another for the purpose of cash-flow management. The risk with these is that interest rates could rise after making the investment and it is therefore recommended that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. This risk is common to all term deposits whether with local authorities or other counterparties.
- Certificate of Deposits (C.D.) issued by credit - rated deposit takers (banks and building societies) with maturities greater than one year. With these investments there is a market or interest risk. Yield is subject to movement during the life of the CD, which could negatively impact on the price of the CD if traded early. It is recommended, therefore, that the use of this investment is limited to a maximum of five years and sold on maturity following advice from the Council's treasury management advisers.
- Callable deposits with credit rated deposit takers (banks and building societies) with maturities greater than one year. These have the potential of higher return than using a term deposit with a similar maturity. The risk is that only the borrower has the right to pay back the deposit, the lender does not have a similar call, as although the term is fixed only the borrower has the option to repay early. There is, therefore, no guarantee that the loan will continue to its maturity. The interest rate risk is that the borrower is unlikely to pay back the deposit earlier than the maturity date if interest rates rise after the deposit is made.
- Forward deposits with credit rated banks and building societies for periods greater than one year (i.e. negotiated deal period plus period of deposit). The advantage of the investment is that there is a known rate of return over the period the monies are invested which aids forward planning. The credit risk is that if the credit rating falls or interest rate rise in the interim period the deposit period cannot be changed. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Bonds issued by multilateral development banks (as defined by SI. 2004 No 534). These have an excellent credit quality and are relatively liquid. If they are held to maturity there is a known yield, which would be higher than that on comparable gilts. If traded, there could be a potential for capital gain or loss through appreciation or depreciation in value. The market or interest risk is that the yield is subject to movement during the life of the bond, which could impact on the price of the bond, i.e. if sold prior to redemption date. Given the potential for loss any investment would need to be based on the principle that they would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers.
- Enhanced Money Market Funds. These funds differ from traditional AAA Money Market Funds in that they take more interest rate risk by managing portfolios with a longer weighted average maturity period. They may also take greater credit risk by holding assets with lower credit ratings and / or have a longer weighted average life. Depending on whether the fund is UK or US administered, it would be rated by only one of the rating agencies. Hence, although the minimum requirement is an AAA

rating, the rating need only be given by one of the agencies. Typically these funds are designed to produce an enhanced return and this requires the fund manager to take more risk (whether credit, interest rate or liquidity) than the traditional AAA Money Market Funds.

- UK Government Gilts. These are bonds issued by the UK Government representing a very low credit risk with options to sell in the secondary market. If held to maturity there is a known yield but if traded there could be a potential for capital gain or loss through appreciation or depreciation in value. Given the potential for loss, any investment would need to be based on the principle that UK government gilts would be bought and held until maturity. It is recommended, therefore, that the use of this investment is limited to a maximum of five years following advice from the Council's treasury management advisers. If held to maturity, these bonds represent the nearest to a risk-free investment.
- Property Funds. Property funds can provide stable returns in terms of fixed period rents, whether commercial or industrial rentals. Property funds can be regulated or unregulated. An investment in share or loan capital issued by a regulated property fund is not treated as capital expenditure but an investment in an unregulated fund would count as capital expenditure. Given the nature of the property sector, a longer-term time horizon will need to be considered for this type of investment.
- Floating Rate Notes (FRNs). These are typically longer term bonds issued by banks and other financial institutions which pay interest at fixed intervals. The floating rate nature of these instruments reduces the exposure to interest rate risk as the interest rate is re-fixed at the beginning of every interest rate period. The option to redeem before maturity is available through the secondary market. It is recommended that investments in FRNs be restricted to those issued by institutions on the Council's authorised lending list, after consulting and taking advice from the treasury management consultants.
- Corporate Bonds are issued by corporate institutions for example General Electric, Vodafone, Volkswagen etc. They offer local authorities an alternative to the usual financial institutions. For Corporate Bonds, the minimum credit rating criteria of AA- should apply to fit within the Council's investment parameters.
- Covered Bonds. These are a type of secured bond that is usually backed by mortgages or public sector loans. An important feature of covered bonds is that investors have dual recourse, both to the issuer and to the underlying pool of assets.

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PWLB Movement since 1 April 2017



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GLOSSARY OF TERMS USED IN THE TREASURY MID-YEAR REVIEW 2017/2018 REPORT

Affordable Borrowing Limit and Authorised limit for external debit	The maximum amount the Council can borrow for capital and revenue purposes, allowing for unexpected events. It reflects a level of borrowing which, while not desirable, is affordable in the short term. This limit reflects the temporary nature of the borrowing.
Borrowing for Capital Purposes - Supported - Unsupported	The amount of borrowing to finance capital projects for which the Government will give revenue support and specific grants. Additional borrowing the Council may wish to undertake, but for which there will be no financial contribution through the grant system.
CIPFA Treasury Management Code of Practice	The professional code governing treasury management, which the Council has formally adopted.
Capital Financing Requirement (CFR)	The authority's underlying need to borrow to finance capital expenditure.
Consumer Price Index (CPI)	This is a measure of the general level of price changes for consumer goods and services but excludes most owner occupier housing costs such as mortgage interest payments, council tax, dwellings insurance, rents depreciation and the like.
FITCH	An internationally recognised rating agency which is used and approved by the Council's Treasury Advisers, Capita Asset Services.
Gross Domestic Product (GDP)	Gross Domestic Product (GDP) is a measure of a country's economic activity, including all the services and goods produced in a year within that country.

G7	The Group of Seven (G7) is an informal bloc of seven industrialised democracies – the USA, Canada, France, Germany, Italy, Japan and the UK that meets annually to discuss issues such as global economic governance, international security and energy policy.
Lenders Option / Borrowers Option Loans (LOBO's)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period of time, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate the borrower can then decide whether to accept the new terms or repay the loan with no penalty.
London Interbank Bid Rate (LIBID)	The interest rate at which major banks in London are willing to borrow (bid for) funds from each other.
Minimum Revenue Provision (MRP)	The amount which must be set aside from revenue each year to cover future repayment of loans. There is no MRP requirement for HRA borrowing.
Net Revenue Stream (NRS)	<p>The NRS for the General Fund is the “Amount to be met from Government Grant and Council Tax contributions”, as shown in the consolidated revenue account. This represents the budget requirement for the Council.</p> <p>The NRS for the Housing Revenue Account is the amount to be met from net rent income as shown in the HRA accounts.</p>
Operational boundary for external debt	The maximum amount of external debt according to probable events and consistent with the level of external debt projected in the estimates.
Public Works Loan Board (PWLB)	Part of the Government’s Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.

For General Release

REPORT TO:	GENERAL PURPOSES & AUDIT COMMITTEE 7 December 2017
SUBJECT:	Internal Audit Update Report April to October 2017
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>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.</p>	
FINANCIAL IMPACT	
<p>The Internal Audit contract for 2017/18 is a fixed price contract of £333,000 and appropriate provision has been made within the budget for 2017/18.</p>	

- 1. RECOMMENDATIONS**
- 1.1 The Committee is asked to note the Internal Audit Report for April to October 2017 (Appendix 1).

2. EXECUTIVE SUMMARY

2.1 This report details the work completed by Internal Audit so far during 2017/18 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 2017/18;
- a list of audits relating to 2016/17, but finalised after the annual report, and
- lists of follow up audits completed and the percentage of priority one, and other audit recommendations implemented.

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 Executive Director of Resources. 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 13 finalised internal audit reports published so far this year, an overall **Satisfactory Assurance** level can be given as 62% of reports finalised to date received Substantial or Full assurance.

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 2013/18 audits are shown Table 1.

Table 1: Implementation of Audit Recommendations

	Target	2013/14	2014/15	2015/16	2016/17	2017/18
Implementation of priority one recommendations at follow-up	90%	100%	100%	90%	69%	40%
Implementation of all recommendations at follow-up	80%	96%	94%	85%	83%	40%

5. PROGRESS AGAINST THE AUDIT PLAN

- 5.1 By 31 October 2017 **51%** (55% last year) of the 2017/18 planned audit days had been delivered and **31%** (38% 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.

6. PUBLICATION OF INTERNAL AUDIT REPORTS

- 6.1 Following a decision at the June 2015 meeting of this committee, all finalised internal audit reports from the year 2015/16 onwards are published on the Council's public internet site.

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 Management Teams (DMT). Details are circulated and discussed with Directors on a quarterly basis.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The fixed price for the Internal Audit Contract is £333,000 for 2017/18 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: Ian Geary, Head of Finance, Resources & Accountancy)

9. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 9.1 The Solicitor to the Council comments that 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, Director of Law and Monitoring Officer)

10. HUMAN RESOURCES IMPACT

- 10.1 There are no immediate human resources issues arising from this report for LBC staff, however the internal audit programme has a positive contribution to performance management across the council.

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

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.

CONTACT OFFICER: Simon Maddocks, Director of Governance

BACKGROUND DOCUMENTS: Internal Audit report for the period 1 April to 31 October 2017 (appendix 1)



London Borough of Croydon

Internal Audit Report for the period

1 April 2017 to 31 October 2017

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of the 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 work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we 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 the London Borough of Croydon and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited 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 set out in appendix 3 of this report for further information about responsibilities, limitations and confidentiality.



Internal Audit activity

1. During the first six months of the 2017/18 financial year the following work has been delivered:

- 51% of the 2017/18 planned audit days have been delivered
- 67 planned audits (excluding ad hoc and fraud work) commenced, either by setting up the files, attending scope meetings or by performing the audits. This was made up of:-
 - 48 system audits commenced and/or were completed;
 - 8 probity audits commenced and/or were completed; and,
 - 11 computer audits commenced and/or were completed.

In addition:

- 5 new ad hoc or fraud investigations commenced and/or were completed.

Internal Audit Performance

2. To help ensure that the internal audit plan supported the Risk Management Framework and therefore the Council Assurance Framework, the 2017/18 internal audit plan was substantially informed by the risk registers. The 2017/18 internal audit plan was presented to the General Purposes and Audit Committee on 22 March 2017.
3. Work on the 2017/18 audit plan commenced in April 2017 and delivery is now well underway.
4. Table 1 details the performance for the 2017/18 audit plan against the Council's targets. At 31 October 2017 Internal Audit had delivered 51% of the planned audit days and 29% of the planned draft reports. Although the planned drafts are behind target, there are a number of audits where the reports are close to being issued and, as is evident from the 67 (65%) audits in progress or completed above, we are still on target for completing 100% of the audit plan by 31 March 2018.

Table 1: Performance against targets

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
% of planned 2017-18 audit days delivered	100%	51%	51%	▲
Number of 2017-18 planned audit days delivered	1037	529	532	▲
% of 2017-18 planned draft reports issued	100%	40%	31%	▼
Number of 2017-18 planned draft reports issued	102	41	32	▼
% of draft reports issued within 2 weeks of exit meeting	85%	85%	89%	▲
2017/18 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	40%	▼
2017/18 % of all recommendations implemented at the time of the follow up audit	80%	80%	40%	▼
2016/17 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	69%	▼
2016/17 % of all recommendations implemented at the time of the follow up audit	80%	80%	83%	▲

Performance Objective	Annual Target	Year to Date Target	Year to Date Actual	Performance
2015/16 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	90%	▲
2015/16 % of priority all recommendations implemented at the time of the follow up audit	80%	80%	85%	▲
2014/15 % of priority one recommendations implemented at the time of the follow up audit	90%	90%	100%	▲
2014/15 % of all recommendations implemented at the time of the follow up audit	80%	80%	94%	▲
% of qualified staff engaged on audit	40%	40%	41%	▲

Audit Assurance

5. Internal Audit provides four levels of assurance as follows:

Full	The systems of internal control are sound and achieve all systems objectives and that all controls are being consistently applied.
Substantial	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. (*Note - Substantial assurance is provided on School audits.)
Limited	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.
No	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.

6. Table 2 lists the 2016/17 audits for which final reports were not finalised in time for the annual Head of Internal Audit report and have now been subsequently issued. Details of the key issues arising from these reports are shown in Appendix 1.

Table 2: 2016/17 Final audit reports issued since the Head of Internal Audit Report (June 2017) to 31 October 2017

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Adult Care packages	High	Limited	2016/17
Procurement of Consultants, Caterham Bourne Flood Alleviation Scheme	High	Limited	2016/17
Citrix Security Operating System	High	Substantial	2016/17
Cloud Services (Azure)	High	Substantial	2016/17
Windows Operating System Security	High	Substantial	2016/17

Audit Title	Risk Level	Assurance Level	Planned Year
Bring Your Own Device	High	Substantial	2016/17
Service Desk (Capita)	High	Substantial	2016/17
WAN Connectivity	High	Substantial	2016/17
Windows Gold Build Operating System Security	High	Substantial	2016/17
Procurement of Consultants – Thornton Heath Building Front Improvement	High	Full	2016/17
School audits			
St Andrew's C of E High School	Medium	Limited	2016/17
Selhurst Children's Centre	Medium	Limited	2016/17
Virgo Fidelis Convent Senior School	Medium	Limited	2016/17

7. Table 3 lists the 2017-18 audits for which final reports were issued during the first six months from 1 April to 31 October 2017. Details of the key issues arising from these reports are shown in Appendix 2.

Table 3: 2017-18 Final audit reports issued from 1 April to 31 October 2017

Audit Title	Risk Level	Assurance Level	Planned Year
Non-school audits			
Mayors Charity	High	No	2017/18
Deprivation of Liberty Safeguards	High	Limited	2017/18
Registrars	High	Limited	2017/18
Food Safety	High	Limited	2017/18
CALAT – Income Collection	High	Substantial	2017/18
Youth Offending Service	High	Substantial	2017/18
Bridges and Infrastructure	High	Substantial	2017/18
Pension Fund – Admitted and Scheduled Bodies	High	Substantial	2017/18
Anti-Virus and Malware	High	Full	2017/18
School audits			
The Minster Nursery and Infant School	Medium	Limited	2017/18
Elmwood Junior School	Medium	Substantial	2017/18
Heavers Farm Primary	Medium	Substantial	2017/18
Purley Oaks Primary School	Medium	Substantial	2017/18

Follow-up audits – effective implementation of recommendations

8. During 2017/18 in response to the Council's follow-up requirements, Internal Audit has continued following-up the status of the implementation of the 2013/14, 2014/15, 2015/16 and 2016/17 audits.
9. Follow-up audits are undertaken to ensure that all the recommendations raised have been successfully implemented according to the action plans agreed with the service managers. The Council's target for audit recommendations implemented at the time of the follow-up audit is 80% for all priority 2 & 3 recommendations and 90% for priority 1 recommendations.

Performance Objective	Target	Performance (to date*)				
		2013/14	2014/15	2015/16	2016/17	2017/18
Percentage of priority one recommendation implemented at the time of the follow up audit	90%	100%	100%	85%	69%	40%
Percentage of all recommendations implemented at the time of the follow up audit	80%	96%	94%	85%	83%	40%

The follow ups for 2012/13 and 2013/14 are now complete. The results of those for 2014/15, 2015/16, and 2016/17 and 2017/18 audits that have been followed up are included in Appendixes, 3, 4, 5 and 6 respectively.

10. Appendix 3 shows the follow-up audits of 2014/15 audits undertaken to date and the number of recommendations raised and implemented. 94% of the total recommendations were found to have been implemented and 100% of the priority 1 recommendations which have been followed up have been implemented.
11. Appendix 4 shows the follow-up audits of 2015/16 audits undertaken to date and the number of recommendations raised and implemented. 85% of the total recommendations were found to have been implemented and 90% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
EMS Application	Richard Simpson	High	Limited	A recommendation was raised due to the absence of an effective disaster recovery plan for the EMS application. The response to the follow up is that this is being worked on with Capita and a solution planned for April 2018.
Adoption	Barbara Peacock	High	Limited	A recommendation was raised as the weekly adoption payment runs were not being checked for accuracy and to ensure no inappropriate payments made.
ICT ~Service Delivery ITIL Framework	Richard Simpson	High	Limited	A recommendation was raised as it was identified that the development of an appropriate Business Impact Review (BIR) to assist in the design of both the IT Service Disaster Recovery Plan (DRP) and the associated Business Continuity Plan (BCP) are currently at an embryonic stage and no DRP or BCP solutions have been recently tested as effective. The response to the follow up is that this is being worked on with Capita and a solution planned for April 2018.

12. Appendix 5 shows the 2016/17 follow-up audits undertaken to date and the number of recommendations raised and implemented. 83% of the total recommendations were found to have been implemented and 69% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Adult Social Care – Caseload Management	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as examination of the 'Caseload Pressures Reporting', dated 20 September 2016 identified that there were a significant number of cases on the respective team waiting lists, i.e. cases not yet assigned to a case worker. There were further cases on the Centralised Duty team waiting list, i.e. cases not yet assigned to the respective teams. Discussion with the Team Managers of the OP North and South teams confirmed that no priority 1 cases were on the waiting lists; however, as some cases had been on the waiting lists for some time the initial priority assigned to these cases may no longer be appropriate.
Adult Self-Funding and Deferred Payments	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as sample testing of 8 clients in the Deferred Payments Scheme identified that legal charges had not been registered on the property of 4 of these clients. A priority 1 recommendation was raised as sample testing of 9 clients in the Deferred Payments Scheme identified that evidence of appropriate insurance cover over the property of five of the clients was not available
Disabled Facilities Grants	Barbara Peacock	High	Limited	A priority 1 recommendation was raised as although the works for each disabled facility grant is awarded through a mini-tender exercise, due to the value of the annual aggregated expenditure with some contractors, there is noncompliance with the Councils Tenders and Contracts regulations,
Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited	A priority 1 recommendation was raised as, although personal data is collected, processed and shared, appropriate data sharing agreements and fair processing notices were not in place in order to comply with the Data Protection Act 1998.

13. Appendix 6 shows the 2017/18 follow-up audits undertaken to date and the number of recommendations raised and implemented. 40% of the total recommendations were found to have been implemented and 40% of the priority 1 recommendations which have been followed up have been implemented. The outstanding priority 1 recommendations are detailed below:

Audit Title	Executive Director Responsible	Risk Level	Assurance Level	Summary of issues arising in priority 1 recommendations
Food Safety	Shifa Mustafa	High	Limited	Two priority 1 recommendations were raised as sample testing identified that not all new establishments were being sent data collection forms in a timely manner or being inspected in a timely manner. A third priority 1 recommendation was raised as not all high risk rated establishments were being inspected within required timeframes. The response to the first follow up demonstrated that, while actions were being taken, the identified issues were not yet fully resolved.

Appendix 1 - Key issues from 2016/17 finalised audits (issued since Head of Internal Audit Report in June 2017 to 31st October 2017)

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
Non School Audits			
Adult Care packages	High	Limited (Three priority 1 and 4 priority 2 recommendations)	Priority 1 recommendations were raised in relation to agreement and approval of care packages. A priority 1 recommendation was also raised as there were some cases without evidence of appropriate reviews.
Procurement of Consultants – Caterham Bourne Flood Alleviation Scheme	High	Limited (Five priority 2, two priority 2 and one priority 3 recommendations)	A priority 1 recommendation was raised as it could not be confirmed how the four bidders invited to tender were selected and whether this complied with the Tenders and Contracts Regulations. The CCB report stated that they were selected from an Environment Agency WEM Framework and were therefore competent, however the successful bidder was not an approved supplier in respect of Lot 1 Modelling, Mapping and Data services. A priority 1 recommendation was raised as financial appraisals of the consultants invited to tender could not be provided and this was not compliant with the Tenders and Contracts Regulations. A priority 1 recommendation was raised as evidence of the tender evaluation results being reviewed by the Service Director was not available. It is acknowledged the Director was involved in the execution of the consultancy agreement. A priority 1 recommendation was raised as a contract variation document extending the scope and value of the initial consultancy agreement could not be provided. A priority 1 recommendation was raised as a purchase order in respect of the extension was raised and approved prior to CCB approval being sought for the extension.
Citrix Security Operating System	High	Substantial (Two priority 2 recommendations)	No priority 1 recommendations raised.
Cloud Services and Solutions (Azure)	High	Substantial (Two priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised.
Windows Operating System Security	High	Substantial (One priority 2 and four priority three recommendations)	No priority 1 recommendations raised.
Bring Your Own Device	High	Substantial (Two priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised.
Service Desk (Capita)	High	Substantial (Five priority 2 and one priority 3 recommendations)	No priority 1 recommendations raised
WAN Connectivity	High	Substantial (Two priority 2 and four priority 3 recommendations)	No priority 1 recommendations raised.
Windows Gold Build Operating System Security	High	Substantial (One priority 2 recommendation)	No priority 1 recommendations raised.

Procurement of Consultants – Thornton Heath Building Front Improvement	High	Full (No recommendations raised)	No recommendations raised.
Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
School Audits			
Selhurst Children’s Centre	Medium	Limited (Four priority 1, nine priority 2 and seven priority 3 recommendations)	<p>A priority 1 recommendation was raised as evidence to demonstrate that the payroll was checked monthly was not available. In addition, one of the three new starters sampled was being paid off payroll.</p> <p>A priority 1 recommendation was raised as two written references were not retained on file for any of the three new starters sampled.</p> <p>A priority 1 recommendation was raised as one governor did not have a DBS clearance.</p> <p>A priority 1 recommendation was raised as goods received checks had not been evidenced for eight out of the sample of 15 transactions examined.</p>
St Andrew’s C of E High School	Medium	Limited (Six priority 1, nine priority 2 and four priority 3 recommendations)	<p>A priority 1 recommendation was raised as the School had a deficit budget but did not have an action plan agreed with the Council to eliminate this deficit within a specified period.</p> <p>A priority 1 recommendation was raised as The Schools approved annual budget did not include the carry forward deficit balance.</p> <p>A priority 1 recommendation was raised as the DBS checks for 3 governors who started in 2016 were not requested within the statutory required period of 21 days.</p> <p>A priority 1 recommendation was raised as none of the orders for the sample of 15 transactions sampled had been evidenced as agreed by the budget holders. Furthermore, 5 of these orders were raised after the invoice dates.</p> <p>A priority 1 recommendation was raised as the invoices for 12 out of the sample of 15 transactions sampled had been authorised by staff without delegated authority to do so.</p> <p>A priority 1 recommendation was raised as the School’s procurement card had been used to pay for the staff Christmas meal at Zizzi restaurant.</p>
Virgo Fidelis Convent Senior School	Medium	Limited (Three priority1, five priority 2 and four priority 3 recommendations)	<p>A priority 1 recommendation was raised as the pupil numbers and some of the estimates of costs and income in the Schools 10 year budget plan need to be critically reviewed.</p>

Appendix 2 - Key issues from 2017/18 finalised audits

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
Non School Audits			
Mayor's Charity	High	No (Five priority 1, six priority 2 and 2 priority 3 recommendations)	<p>Priority 1 recommendations were raised because:</p> <ul style="list-style-type: none"> • Meetings were not being held in accordance with the 'Trust Deed Dated 31 March 1994'; • The funds collected for the previous mayor had not yet all been received and disbursed at the time of audit; • Sample testing found that the Income and Expenditure spreadsheet used to monitor payments into and out of the Mayor's Charity fund was not complete; • Bank reconciliations were not being performed on a regular basis, and • There was no evidence that an annual report was prepared, approved or submitted to the Charity Commission.
Deprivation of Liberty Safeguards (DoLS)	High	Limited (Two priority 1 and Two priority 2 recommendations)	<p>A priority 1 recommendation was raised as the statutory requirement to complete MCA DoLS assessments within 21 days was not being met.</p> <p>A priority 1 recommendation was raised as the DoLS Year 8 tracker for 2016/17 cases was not up-to-date, including incomplete or blank data fields.</p>
Registrars	High	Limited (One priority 1, two priority 2 and three priority 3 recommendations)	A priority 1 recommendation was raised as appropriate records of stock issued, income collected and refunds issued were not being maintained by all of the Registrars and independent reconciliations of the records to the daily cash summary sheets was not being conducted.
Food Safety	High	Limited (Three priority 1, six priority 2 and two priority 3 recommendations)	<p>A priority 1 recommendation was raised as examination of the documentation for a sample of ten new establishments found that seven had not been sent a data collection form, one had the form sent 113 days after registering and another 102 days after registering.</p> <p>A priority 1 recommendation was raised as nine out of the ten new establishments sampled had not yet been inspected and the remaining establishment was only inspected 59 days after it opened.</p> <p>A priority 1 recommendation was also raised as four out of six establishments with a high risk rating (A) and 30 out of 63 with a B rating were not inspected within the required timeframes set by the Food Standards Authority. It was further noted that 612 establishments were registered and due an inspection but these had not been conducted.</p>
CALAT – Income Collection	High	Substantial (Four priority 2 and two priority 3 recommendations.	No priority 1 recommendations raised.
Youth Offending Service	High	Substantial (Three priority 2 recommendations)	No priority 1 recommendations raised.
Bridges and Infrastructure	High	Substantial (Two priority 2 and one priority 3 recommendation.	No priority 1 recommendations raised.
Pension Fund – Admitted and Scheduled Bodies	High	Substantial (Three priority 2 and one priority 3 recommendation)	No priority 1 recommendations raised.
Anti-Virus and Malware	High	Full	No recommendations raised.

Audit Title	Risk Level	Assurance Level & Number of Issues	Summary of key issues raised.
School Audits			
The Minster Nursery and Infant School	Med	Limited (Two priority 1, ten priority 2 and five priority 3 recommendations)	A priority 1 recommendation was raised as from a sample of 15 purchases sampled from the School's disbursement account, it was identified that in 12 cases there was no evidence that goods or services received checks had been undertaken. A priority 1 recommendation was raised as the School has out of date Health & Safety certificates. The School's Legionella Risk Assessment was dated October 2013 and the Chlorination certificate was dated 29 October 2015
Elmwood Junior School	Med	Substantial (One priority 2 and 2 priority 3 recommendations)	No priority 1 recommendations raised.
Heavers Farm Primary	Med	Substantial (Five priority 2 and five priority 3 recommendations)	No priority 1 recommendations raised.
Purley Oaks Primary	Med	Substantial (Four priority 2 and three priority 3 recommendations)	No priority 1 recommendations raised.

Appendix 3 - Follow-up of 2014/15 audits (with outstanding recommendations only)

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2014/15	Substance Misuse	Barbara Peacock	High	Limited (1 st follow up in progress)	7	-	-
2014/15	Programme and Projects Management – New Addington Phase 2	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	2	1	50%
2014/15	Agency Use and the New Recruitment Drive	Barbara Peacock	High	Substantial (2 nd follow up in progress)	3	1	33%
2014/15	Contract Management Framework	Richard Simpson	High	Substantial (2 nd follow up in progress)	7	0	0%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					255	244	96%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					26	26	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					271	248	92%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					29	29	100%
Recommendations and implementation from audits that have had responses					526	492	94%
Priority 1 Recommendations from audits that have had responses					55	55	100%

Appendix 4 - Follow-up of 2015/16 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2015/16	Contract Management & Governance of Croydon Care Solutions	Barbara Peacock	High	No (No further follow up planned)	9	9	100%
2015/16	Contract Management & Governance of Adult Social Care Providers	Barbara Peacock	High	Limited (No further follow up planned)	6	5	83%
2015/16	Performance Monitoring Adult Social Care	Barbara Peacock	High	Limited (1 st follow up in progress)	9	-	-
2015/16	Food Flagship Initiative	Barbara Peacock	High	Limited (No further follow up planned)	9	8	89%
2015/16	Staff Car parking and Corresponding Allowances	Richard Simpson	High	Limited (No further follow up planned)	6	5	84%
2015/16	Use of Pool Cars (Zipcar)	Richard Simpson	High	Limited (No further follow up planned)	4	4	100%
2015/16	Employee Expenses (via One Oracle)	Richard Simpson	High	Limited (No further follow up planned)	6	6	100%
2015/16	Adoption	Barbara Peacock	High	Limited (2 nd follow up in progress)	4	1	25%
2015/16	Fostering	Barbara Peacock	High	Limited (3 rd follow up in progress)	5	2	40%
2015/16	Software Licensing	Richard Simpson	High	Limited (No further follow up planned)	8	8	100%
2015/16	EMS Application	Richard Simpson	High	Limited (4 th follow up in progress)	4	1	25%
2015/16	Old Town Building Frontages	Shifa Mustafa	High	Limited (No further follow up planned)	5	4	80%
2015/16	ICT Service Delivery ITIL Framework	Richard Simpson	High	Limited (2 nd follow up in progress)	2	1	50%
2015/16	ICT Mobile Devices	Richard Simpson	High	Limited (3 rd follow up in progress)	8	6	75%
2016/16	Cyber Security	Richard Simpson	High	Limited (No further follow up planned)	2	2	100%
2015/16	Council Tax	Richard Simpson	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NDR – Non Domestic Rates	Richard Simpson	High	Substantial	3	3	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Payments to Schools	Richard Simpson	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Cultural Direction	Richard Simpson	High	Substantial (2nd follow up in progress)	1	0	0%
2015/16	Locality Early Help	Barbara Peacock	High	Substantial (No further follow up planned)	9	8	89%
2015/16	Looked After Children (placed in another LA area)	Barbara Peacock	High	Substantial (1 st follow up in progress)	7	-	-
2015/16	Youth Offending Service	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Care Act 2014	Barbara Peacock	High	Substantial (1 st follow up in progress)	2	-	-
2015/16	Better Care Fund	Barbara Peacock	High	Substantial (No further follow up planned)	7	7	100%
2015/16	Childcare Provision	Barbara Peacock	High	Substantial (4th follow up in progress)	6	4	67%
2015/16	Integrated Commissioning	Barbara Peacock	High	(3rd follow up in progress)	3	2	66%
2015/16	Gifts and Hospitality	Richard Simpson	High	Substantial (1 st follow up in progress)	3	-	-
2015/16	Member Ethics and Transparency	Richard Simpson	High	Substantial (No further follow up planned)	2	2	100%
2015/16	Connected Croydon – Programme and Project Management	Shifa Mustafa	High	Substantial (2nd follow up in progress)	4	2	50%
2015/16	People Gateway Programme	Barbara Peacock	High	Substantial (No further follow up planned)	4	4	100%
2015/16	NHS Partnership with Public Health	Barbara Peacock	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Asset Sales	Richard Simpson	High	Substantial (No further follow up planned)	6	5	83%
2015/16	Croydon Challenge (Programme Management)	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Risk Management	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	EMS Data Quality	Shifa Mustafa	High	Substantial	4	4	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(No further follow up planned)			
2015/16	Pension Fund Admitted Bodies	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Interserve – Fire Safety and Health and Safety Assessments	Richard Simpson	High	Substantial (No further follow up planned)	11	10	90%
2015/16	Public Consultations	Richard Simpson	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Street Lighting	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Waste Contract Management	Shifa Mustafa	High	Substantial (No further follow up planned)	3	3	100%
2015/16	Planning Enforcement	Shifa Mustafa	High	Substantial (No further follow up planned)	2	2	100%
2015/16	School Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	5	4	80%
2015/16	Housing Capital Delivery	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	Waste Recycling	Shifa Mustafa	High	Substantial (3 rd follow up in progress)	3	0	0%
2015/16	One Oracle Back Office	Richard Simpson	High	Substantial (2 nd follow up in progress)	2	0	0%
2015/16	Internal Network	Richard Simpson	High	Substantial (2 nd follow up in progress)	2	1	50%
2015/16	Cyber Security	Richard Simpson	High	Assurance n/a (no further follow up planned)	2	2	100%
2015/16	Procurement of Consultants – South Norwood Public Realm Lead Design	Shifa Mustafa	High	Substantial (No further follow up planned)	1	1	100%
2015/16	Clocktower and Town Hall Replacement Works	Richard Simpson	High	Substantial (No further follow up planned)	6	5	84%
2015/16	Wandle Park pavilion Works	Shifa Mustafa	High	Substantial (No further follow up planned)	4	4	100%
2015/16	EU Procurement Directives	Richard Simpson	High	Substantial (1 st follow up in progress)	2	-	-
2015/16	SEN Transport Contract	Richard Simpson	High	Substantial (No further follow up planned)	6	6	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					207	171	83%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					20	18	90%
School Audits							
2015/16	St Mary's RC High	Barbara Peacock	Medium	Limited (1 st follow up in progress)	7	-	-
2015/16	Beaumont Primary School	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	2	-	-
2015/16	Beulah Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Elmwood Infants	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	5	-	-
2015/16	Elmwood Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Gilbert Scott	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2015/16	Howard Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	Kingsley	Barbara Peacock	Medium	Substantial (No f/up - recs implemented at final report)	4	4	100%
2015/16	The Minster Junior	Barbara Peacock	Medium	Substantial (2 nd follow up in progress)	2	0	0%
2015/16	Purley Oaks Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2015/16	Rockmount	Barbara Peacock	Medium	Substantial (No f/up recs implemented at final report)	1	1	100%
2015/16	Selsdon	Barbara Peacock	Medium	Substantial (No further follow up planned)	4	4	100%
2015/16	St Chad's RC Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	10	10	100%
2015/16	Winterbourne Infant & Nursery	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2015/16	Winterbourne Junior Girls	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2015/16	Wolsey Infants	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	4	-	-
2015/16	St Joseph's RC Federation	Barbara Peacock	Medium	Substantial (No further follow up)	3	3	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					46	44	96%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					0	0	N/a
Recommendations and implementation from audits that have had responses					253	215	85%
Priority 1 Recommendations from audits that have had responses					20	18	90%

Appendix 5 - Follow-up of 2016/17 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2016/17	Adult Care Packages	Barbara Peacock	High	Limited (1 st follow up in progress)	7	-	-
2016/17	ASC Caseload Management	Barbara Peacock	High	Limited (2 nd follow up in progress)	7	3	43%
2016/17	Adult Self-Funding and Deferred Payments	Barbara Peacock	High	Limited (2 nd follow up in progress)	8	5	63%
2016/17	Client Management of Octavo Partnership	Barbara Peacock	High	Limited (No further follow up)	6	6	100%
2016/17	Disabled Facilities Grants	Barbara Peacock	High	Limited (4 th follow up in progress)	12	11	92%
2016/17	Pathways to Employment – Jobs Brokerage	Shifa Mustafa	High	Limited (2 nd follow up in progress)	8	4	50%
2016/17	Procurement of Consultants – Caterham Bourne	Shifa Mustafa	High	Limited (No further follow up)	8	7	88%
2016/17	Facilities Management – Contract Cleaning	Richard Simpson	High	Limited (No further follow up)	7	7	100%
2016/17	Council tax	Richard Simpson	High	Substantial (3 rd follow up in progress)	3	2	66%
2016/17	Debtors – Accounts Receivable	Richard Simpson	High	Substantial (2 nd follow up in progress)	9	7	78%
2016/17	Housing Benefits	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Housing Rents and Accounting	Barbara Peacock	High	Substantial (No further follow up))	7	6	86%
2016/17	Housing Repairs	Shifa Mustafa	High	Substantial (No further follow up)	4	4	100%
2016/17	Payments to Schools	Richard Simpson	High	Substantial (No further follow up)	4	4	100%
2016/17	Payroll	Richard Simpson	High	Substantial (No further follow up)	3	3	100%
2016/17	Pension Fund Investments	Richard Simpson	High	Substantial (2 nd follow up in progress)	4	3	75%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Declarations of Interests, Gifts and Hospitality	Richard Simpson	High	Substantial (No further follow up)	7	7	100%
2016/17	Sickness Absence	Richard Simpson	High	Substantial (1 st follow up in progress)	5	-	-
2016/17	HMRC Compliance	Richard Simpson	High	Substantial (3 rd follow up in progress)	5	3	60%
2016/17	Empty Property Grants	Barbara Peacock	High	Substantial (No further follow up)	6	6	100%
2016/17	Housing Registration and Allocation	Barbara Peacock	High	Substantial (3 rd follow up in progress)	8	6	75%
2016/17	Top 50 Families Review	Barbara Peacock	High	Substantial (No further follow up)	3	3	100%
2016/17	Anti-Social Behaviour	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	9	4	44%
2016/17	Household Green Waste	Shifa Mustafa	High	Substantial (1 st follow up in progress)	5	-	-
2016/17	Flood Management Plan	Shifa Mustafa	High	Substantial (No further follow up)	7	6	86%
2016/17	Licensing Income	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	2	1	50%
2016/17	Prevent Agenda	Shifa Mustafa	High	Substantial (2 nd follow up in progress)	1	0	0%
2016/17	Project Assurance (Place)	Shifa Mustafa	High	Substantial (1 st follow up in progress)	3	-	-
2016/17	Regeneration Partnership	Shifa Mustafa	High	Substantial (1 st follow up in progress)	2	-	-
	S106 Negotiating, Charging and Funding	Shifa Mustafa	High	Substantial (1 st follow up in progress)	3	-	-
2016/17	Selective Licensing	Shifa Mustafa	High	Substantial (No further follow up)	5	5	100%
2016/17	Clinical Governance	Barbara Peacock	High	Substantial (2 nd follow up in progress)	3	0	0%
2016/17	Commercial use of Bernard Weatherill House	Richard Simpson	High	Substantial (1 st follow up in progress)	3	-	-
2016/17	Debt Recovery and use of Bailiffs	Richard Simpson	High	Substantial	2	-	-

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
				(1st follow up in progress)			
	Fairfield Delivery	Shifa Mustafa	High	Substantial (1 st follow up in progress)	2	-	-
2016/17	MOU _ Clinical Commissioning Group	Barbara Peacock	High	Substantial (2 nd follow up in progress)	4	0	0%
2016/17	Public Health Integration Funding	Barbara Peacock	High	Substantial (1 st follow up in progress)	5	-	-
2016/17	Hyperion Application	Richard Simpson	High	Substantial (No further follow up)	9	8	89%
2016/17	WAN Connectivity	Richard Simpson	High	Substantial (1 st follow up in progress)	6	-	-
2016/17	Service and Maintenance of Fire Alarm and Emergency Lighting	Shifa Mustafa	High	Substantial (1 st follow up in progress)	2	-	-
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					163	125	77%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					12	8	67%
School Audits							
2016/17	The Hayes Primary	Barbara Peacock	Medium	Limited (No further follow up))	12	11	92%
2016/17	Regina Coeli RC primary	Barbara Peacock	Medium	Limited (No further follow up)	7	6	86%
2016/17	Selhurst Children's Centre	Barbara Peacock	Medium	Limited (1 st follow up in progress)	20	-	-
2016/17	St Andrew's C of E High	Barbara Peacock	Medium	Limited (1 st follow up in progress)	19	-	-
2016/17	Virgo Fidelis Convent Senior School	Barbara Peacock	Medium	Limited (1 st follow up in progress)	12	-	-
2016/17	Bensham Manor MLD Secondary	Barbara Peacock	Medium	Limited (1 st follow up in progress)	15	-	-
2016/17	Christ Church CE Primary	Barbara Peacock	Medium	Substantial (No further follow up)	4	4	100%
2016/17	Coulsdon C of E Primary	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%
2016/17	Courtwood Primary	Barbara Peacock	Medium	Substantial (No further follow up)	2	2	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Forestdale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Greenvale Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	Kenley Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	7	7	100%
2016/17	Kensington Avenue Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	5	83%
2016/17	Keston Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	13	11	84%
2016/17	Monks Orchard Primary School	Barbara Peacock	Medium	Substantial (No further follow up planned)	2	2	100%
2016/17	Orchard Way Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	12	10	83%
2016/17	Park Hill Junior	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Park Hill Infants	Barbara Peacock	Medium	Substantial (No further follow up planned)	1	1	100%
2016/17	Ridgeway Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	3	3	100%
2016/17	Smitham Primary	Barbara Peacock	Medium	Substantial (No further follow up planned)	6	6	100%
2016/17	St Peters Primary	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	9	-	-
2016/17	Archbishop Tenison's Cof E	Barbara Peacock	Medium	Substantial (No further follow up)	8	7	88%
2016/17	Thomas More	Barbara Peacock	Medium	Substantial (1st follow up in progress)	7	-	-
2016/17	Redgates SLD & Autism	Barbara Peacock	Medium	Substantial (1st follow up in progress)	11	-	-
2016/17	St Giles School	Barbara Peacock	Medium	Substantial (No further follow up)	9	9	100%
2016/17	St Nicholas MLD & Autism Primary	Barbara Peacock	Medium	Substantial (No further follow up)	6	6	100%

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
2016/17	Gresham Primary	Barbara Peacock	Medium	Full (No further follow up)	1	1	100%
2016/17	St John's C of E Primary	Barbara Peacock	Medium	Full (No further follow up)	2	2	100%
2016/17	Beckmead School	Barbara Peacock	Medium	Full (No further follow up)	4	4	100%
School Audits Sub Total: Recommendations and implementation from audits that have had responses					120	109	91%
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					1	1	100%
Recommendations and implementation from audits that have had responses					283	234	83%
Priority 1 Recommendations from audits that have had responses					13	9	69%

Appendix 6 - Follow-up of 2017-18 audits

Financial Year	Audit Followed-up	Executive Director Responsible	Risk Level	Assurance Level & Status	Total Raised	Implemented	
						Total	Percentage
Non School Audits							
2017/18	Deprivation of Liberty Safeguards	Barbara Peacock	High	Limited (1 st follow up completed)	4	3	75%
2017-18	Registrars	Barbara Peacock	High	Limited (1 st follow up in progress)	6	-	-
2017-18	Food Safety	Shifa Mustafa	Medium	Limited (2 nd follow up in progress)	11	3	27%
Non-School Audits Sub Total: Recommendations and implementation from audits that have had responses					15	6	40%
Non-School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					5	2	40%
School Audits							
2017/18	The Minster Nursery and Infant School	Barbara Peacock	Medium	Limited (1 st follow up in progress)	17	-	-
2017/18	Elmwood Junior	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	3	-	-
2017/18	Heavers Farm	Barbara Peacock	Medium	Substantial (1 st follow up in progress)	10	-	-
School Audits Sub Total: Recommendations and implementation from audits that have had responses					-	-	-
School Audits Sub Total: Priority 1 Recommendations from audits that have had responses					-	-	-
Recommendations and implementation from audits that have had responses					15	6	40%
Priority 1 Recommendations from audits that have had responses					5	2	40%

Appendix 6 - 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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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 07 December 2017
SUBJECT:	Anti-Fraud Update Report April – 30 September 2017
LEAD OFFICER:	Simon Maddocks, Director of Governance
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The work of the Audit & 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.</p>	
FINANCIAL SUMMARY:	
<p>The budget provision for the Anti-Fraud service for 2017/18 is £423,000 and the service is on target to be delivered within budget.</p>	
FORWARD PLAN KEY DECISION REFERENCE NO: N/A	

For general release

<p>1. RECOMMENDATIONS</p> <p>1.1 The Committee is asked to:</p> <ul style="list-style-type: none"> • Note the Anti-fraud activity of the Corporate Anti-Fraud Team for the period 1 April 2017 – 30 September 2017
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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 2017 – 30 September 2017.

3. DETAIL

Performance 1 April 2017 to 30 September 2017

- 3.1 The CAFT comprises 12 staff (11.4 FTEs), including investigators an Intelligence Officer and an Investigation Manager, in addition the team receives support from Mazars PSIA Ltd, the Council's external strategic internal audit partner. The CAFT investigates allegations of fraud which affect the Council's business. In addition the team provides a service to the London Borough of Bexley to investigate allegations of fraud against them and provides support to the fraud team at the London Borough of Lambeth. It also provides Financial Investigation services to the LB Waltham Forest as well as the Merton/Kingston/Sutton Trading Standards partnership. Statistics related to the other councils that CAFT supports are not included in the figures below.
- 3.2 It has been reported previously to this committee that the CAFT was selected as a pilot to take part and help develop the London Counter Fraud Hub (LCFH), alongside Ealing, Camden, Islington and Hackney councils. The ambition of the LCFH project is to see all of London matching datasets to identify discrepancy. Examples of these could be people registering housing need in more than one borough, claiming small business rate relief on more than one business or registering to vote in more than one borough. Data has now been submitted to the LCFH project and we will feedback again once the pilot phase draws to a close.
- 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

	ANNUAL TARGET 16/17	ANNUAL TARGET 17/18	17/18 YTD PERFORMANCE
Successful Outcomes	100	120	98
Identified Overpayments & Savings	£1,250,000	£1,250,000	£627,452

Table 2 - Breakdown of Outcomes from 1 April 2017 – 30 September 2017 compared to the same period in 2016

2016		2017	
Area	Value £	Area	Value £
Housing 8 Recovered Properties 3 Right to Buy stopped 1 Removed from Temp Accommodation 1 Removed from Housing list 2 Succession Stopped 4 Notices/Orders*	144,000 354,500 18,000 **2,000 36,000	Housing 12 Recovered Properties 1 Right to Buy stopped 22 Removed from housing list 1 Possession order	216,000 103,900 **44,000
Other 5 Formal Cautions 4 Dismissal/Resignation & Other Disciplinary Action 3 Council Tax Discounts 6 Blue Badge Abuse 1 Insurance Claim Stopped 2 Care Package Stopped 4 Safeguarding Referrals 2 Recommendations for Improvements 3 Other	98,173	Other 7 Formal Cautions 11 Dismissal/Resignation & Other Disciplinary Action 8 Council Tax Discounts 16 Blue Badge Abuse 1 Insurance Reviewed 1 Care Package Stopped 4 Direct Payment 5 Recommendations for Improvements 2 Landlord licence 1 NRPf deportation 6 Other	263,552
Total	652,673	Total	627,452

*Includes: Notice Seeking Possession, Notice to Quit and Possession Orders

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

3.4 **Blue Badge Case study**

Concerns were raised with the team in September 2016 by officers in parking enforcement, following sighting of a vehicle using a blue badge belonging to a deceased person. Enquiries identified the badge was issued to an elderly female who has passed away in September 2015. The vehicle seen using the badge was registered to a council tenant, Chris Mason, living in Sunridge Gardens. Investigators visited the address at the end of September 2016 but were two weeks too late as the tenant and his partner had just been evicted due to rent arrears and failure to keep to an animal control order.

Following enquiries with staff in housing services the investigator discovered that Mr Mason had an appointment in BWH to discuss his future housing needs and instinct told the investigator he was likely to try and use the blue badge when attending that appointment. Unfortunately for Mr Mason, he did, so he was confronted during his appointment by the investigator who took him out to his vehicle and confiscated the blue badge. Mr Mason was asked who owned the blue badge and he confirmed it was his mother but when asked where she was, he told the investigator she was at home sitting on the sofa when clearly she had been dead for a year.

In May 2017 Chris Mason was convicted under section 117 of the Road Traffic Act and fined £550 and ordered to pay the council's costs.

4. **FINANCIAL INVESTIGATIONS**

4.1 The Council employs two Financial Investigators to undertake cash seizures and other financial investigations, in addition to the work undertaken for Croydon, the Council's Financial Investigators are also undertaking work for Waltham Forest and have recently been commissioned by Merton Trading Standards to provide additional support. Their investigations relate to various departments within the Councils including:

- Housing Benefit – legacy cases;
- Trading Standards - trademark and rogue trader cases;
- Planning – enforcement case;
- Licensing; and
- Internal cases

4.2 At the time of writing the Financial Investigators have 10 cases under investigation involving a total of 19 defendants. These investigations relate not only to Croydon cases, but also to a case for another council.

4.3 Financial Investigators are empowered to apply for restraint orders, which is a type of court order agreed by a judge. The order has the effect of freezing property, including money and assets anywhere in the world that may be liable to confiscation following the trial. The aim of the order is to strike a balance between keeping the defendant's assets available to satisfy any confiscation order which may be made in the event of conviction and meeting the defendant's reasonable requirements in the meantime. In these cases if there is a successful prosecution then a portion of these restrained assets will be returned to the Council. The Council's Financial Investigators currently have £110,000 of cash detained as well as 64 restraint orders in place as follows:

- 49 Bank Accounts
- 13 Properties
- 2 Cars

4.4 Financial Investigator Case study

Philip Kwofie was investigated by the anti-fraud team in 2014 for benefit fraud and convicted in July 2015 and sentenced to 4 months custody, suspended for 12 months and ordered to carry out 12 months community work. As it was clear he had benefitted financially from his crime one of the councils financial investigators began the work of investigating his financial benefit, as he had owned 2 properties he was renting out while claiming housing benefit as a tenant.

This financial investigation determined there was criminal benefit of £54,000 based on the increase in value of the 2 properties over the time he claimed benefit, along with the rental income over the mortgage payments. On 27/04/2016 the court ordered Kwofie to pay £26,000 in a compensation order. On 1st of November 2017 Kwofie finally paid this amount to the court and the money will be received by Croydon Council next quarter.

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 there are some new areas which now need to be made public. These are detailed below for the period from April to October 2017:

Number of occasions the Council has used powers under the Prevention of Social Housing Fraud Act	49
Total number of employees undertaking investigations and prosecutions relating to fraud	12.0
Total number of full time equivalent employees undertaking investigations and prosecutions of fraud	11.4
Total number of employees undertaking investigations and prosecutions of fraud who are professionally accredited counter fraud specialists	11.0
Total number of full time equivalent employees undertaking investigations of and prosecutions who are professionally accredited counter fraud specialists	10.6
Total number of fraud cases investigated*	205

*The number of investigations that have been closed during the period April '17 to October '17.

6. FINANCIAL AND RISK ASSESSMENTS

- 6.1 The budget provision for the audit and anti-fraud service for 2017/18 is £423,000 and the service has been delivered within budget.
- 6.2 There are no further risk assessment issues than those already detailed within the report.

(Approved by: Ian Geary, Head of Finance, Resources & Accountancy)

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 Jacqueline Harris-Baker, Director of Law and 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.

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

APPENDICES: None

BACKGROUND DOCUMENTS: None

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REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 07 December 2017
SUBJECT:	Corporate Risk Register
LEAD OFFICER:	Executive Director Resources & S151 Officer
CABINET MEMBER	Councillor Simon Hall, Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>This report presents the corporate risk register as at 07 December 2017 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 process will ensure that the risk management function will continue to contribute to the achievement of the Council’s vision, key priorities and objectives.</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>	
FINANCIAL SUMMARY: No additional direct financial implications.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1.1 RECOMMENDATIONS

The Committee is asked to:

Note the contents of the corporate risk register as at 07 December 2017

2. EXECUTIVE SUMMARY

- 2.1 The report updates the General Purposes & Audit Committee Members on the corporate risk register (the register) as at 07 December 2017.

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 Since the register was last considered by Members, no new risks have been escalated to red status

The following risk(s) have been de-escalated to 'high amber' since the report was last considered by Members

- DASHHN0039: Lack of supply of temporary accommodation and affordable private and public sector accommodation worsens, increasing use and costs of emergency accommodation and resulting in further budget pressures. (Risk jointly owned with Mark Fowler Gateway Services) This risk was reviewed and accepted for de-escalation at DMT 04/10/2017 due to increased confidence of officers in relation to a number of schemes in this area including the Housing stock purchases (ETA 2); Concord, Windsor and Sycamore House leases have been re-gearred to ensure longevity of Council use at a more economically viable rate incorporating more favourable terms and conditions and the additional £1.4M funding secured by Gateway services division for further preventative work.
 - DASHHN0043: Affordable housing: Challenge to future supply due to: i) changes in housing market resulting in new developments not including housing/affordable housing element ii) reduced levels of affordable housing achieved through planning obligations (such as s106s and CIL) because of difficulty with viability issues iii) reduced ability to deliver affordable housing through the new Homes & Community Agency Funding and delivery model due to reduced grant funding iv) local market dynamics whereby private sector landowners/developers may follow alternative development uses, e.g., commercial uses or temporary uses v) Housing and Planning Act implications still not completely clear for example 'higher value levy' on council owned housing stock may result in housing being sold off. This risk was reviewed and agreed for de-escalation at DMT on the 04/10/2017. This reflects increased confidence by officer in this area in a number of initiatives including the setup of Croydon LB housing company to operate outside borrowing restrictions of HRA and the Brick by Brick development company currently reviewing a number of sites for development.
- 3.3 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).

- 3.4 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 Deputy S151 Officer)

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 5.1 The Council Solicitor advises that there are no additional legal considerations arising from this report.

(Approved by: Jacqueline Harris-Baker, Director of Law & 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) incorporates a '**horizon scan**' strategy in respect of the risk management activities undertaken as part of the Council's Risk Management Framework.

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

- intelligence sharing (especially in respect of significant events / incidents) with other local authorities, the LGA etc;
- collaborative working particularly the London Boroughs network, London Councils and the GLA;
- research conducted via professional and generic media mechanisms for example Association of Local Authority Risk Mangers, Cipfa etc;

- regular attendance at DMT's / DLT's on a quarterly basis; and
- 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;

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'.

CONTACT OFFICER: Malcolm Davies, Head of Risk & Corporate Programme Office

APPENDICES: Appendix 1 Corporate Risk Register

BACKGROUND DOCUMENTS: None

Appendix 1: Corporate Risk Register Red Risks

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHSC0012 Peacock, Barbara	The OFSTED (June/July 2017) inspection of 'Services for children in need of help and protection, children looked after and care leavers' has categorised the Council's Children's Services function as 'inadequate'. Following publication (04/09/2017) of the inspection report, the Council fails to action the recommendations raised or to address the findings of the report resulting in central government intervention, more frequent unannounced inspections and the removal of direct control by the Council for its Children's Services function within the borough.	<ul style="list-style-type: none"> - Reputational damage. - Government intervention. - Financial cost of implementing wide ranging changes - Legislative action arising. - Difficulty in recruiting and retaining experienced and effective workforce. - Media scrutiny. - Political scrutiny and activity. - Increased referrals to children's social care and associated service/financial pressures through lack of support to children/families at lower levels (Croydon's early intervention model). 	Peacock, Barbara People Department	<p>Children's Improvement Board chaired by Independent Officer.</p> <p>Implementation of Children's improvement plan including: *</p> <ul style="list-style-type: none"> * recruitment and retention * improved performance management * strengthen quality of practice * improve early help arrangements * strengthen Children's Safeguarding Board <p>Monthly budget plan, 'Hard to Place' panel and Early years implementation strategies.</p> <p>Review and response to resourcing requirements</p>	5	5	25	Implement new improvement plan & strengthen Croydon Safeguarding Board. Ongoing improvement identification.	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
RCSCFS0001 Simpson, Richard	Demand/budget gap is not bridged without the need for additional cuts to services as the Council faces continued significant reductions in its grant funding, during the period 2017 to 2020. These reductions are imposed whilst the Council experiences a continuous rising demand for services provision and growth in population. The results of the Children's Services OFSTED inspection (June / July 2017) places greater risk on Council budgets due to the need for greater investment in this service.	<ul style="list-style-type: none"> - Insufficient resources may lead to inability to meet community needs and political aspirations. Potential inability to meet statutory responsibilities in times of increasing demand through changing demographics, for example mental health services, older people's services, children's services and housing. - Increasing demands for services and support, for example the Council Tax support scheme arrangements (ASC & CSC). - Damage to reputation and service risk. - Reduction in resources. - Risk of failure to balance Budget and Failure to maintain capital investment strategy in infrastructure. (Strategic objective alignment: Enabling)	Simpson, Richard Resources Department	<p>Corporate Plan aligned to Ambitious for Croydon to ensure priorities align with resources</p> <p>Quarterly monitoring implemented and reported with additional control in respect of the People Dept. where the high risk areas monitored monthly.</p> <p>Quarterly monitoring of 'in year' financial performance to Corporate Leadership Team and Cabinet</p> <p>Regular monitoring of the Managing Demand Projects for both service delivery and financial savings.</p> <p>Savings for 17/18 signed off by Cabinet as part of 2017/20 budget setting report. Q1 monitoring to cabinet in September 2017. Implementation on agreed management actions to manage and control budgets ongoing work underway on 2018/20 budget. Departments working on 5% savings targets, to be presented to cabinet members in October 2017.</p>	5	5	25	<p>Continue to develop and evaluate Managing Demand projects to ensure delivery.</p> <p>Continued work on 18/20 savings options with CLT / ELT and Cabinet.</p> <p>Focus on preventative measures and early intervention particularly with identified top 50 families</p> <p>Input to government review as part of 100% business rates retention and fair funding review to ensure needs analysis part of the formula reflects the pressures faced by Croydon. There is continued engagement with government on future changes including business rates, schools funding to ensure needs of Croydon are met.</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
DASHPD0043 Solanki, Pratima	<p>The delivery of Outcomes Based Commissioning could be disrupted on the grounds that:</p> <ul style="list-style-type: none"> - The new alliance structure and form implementation is not extended. - Financial improvements in the health economy are not signed off by regulators. - Risk share model not agreed, particularly whilst the CCG remain in special measures process and pending turn around outcome. - A model of system delivery which incorporates a full range of social care providers is not developed. <p>Following review of health and social care system by McKinseys recommendation to extend programme to whole population could carry inherent risk for the Council</p>	<p>- Inability to deliver 10 Year Outcomes Based Commissioning could result in major benefits for residents who are over 65 in Croydon not being realised and adversely affect the delivery of a sustainable health and social care economy. (Risk jointly owned with Sarah Ireland, Director C & I - RCSP0125).</p>	<p>Peacock, Barbara People Department</p>	<p>Alliance agreement completed.</p> <p>Council commissioners.</p> <p>Financial Improvement Process in place by CCG and CHS. Council Officer are linked into this process.</p> <p>Focused Council and CCG savings process in place with transparency.</p> <p>Local authority actively engaged in delivering the STP OOH business case.</p> <p>OBC and ASC transformation programmes aligned.</p> <p>Older Peoples Commissioner a key lead in OBC governance.</p> <p>Ongoing dialogue through Board to Board meetings to agree new structural and contractual model which involves Alliance Partnership including Providers and Commissioners.</p> <p>Review existing planned transition arrangements.</p>	5	4	20	<p>Bring forward benefits in the existing Model of care Initiatives and work up new initiatives at pace, pilot, test and scale up</p> <p>Continued emphasis on strengthening out of hospital co-ordination role</p> <p>Embed alliance working via one team approach</p> <p>Finalise risk share and content of alliance agreement with full leadership sign up</p> <p>Legal teams to provide options appraisal of structural and contractual models proposed by Commissioners and Providers.</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
DASHPD0044 Solanki, Pratima	<p>Failure to manage the market for care services effectively.</p> <p>Provider market capacity cannot meet our demands at the cost budgeted for Care Market management incorporating:</p> <ul style="list-style-type: none"> - Demand for residential and nursing placements and homecare (domiciliary care) for Older People (OP) outstrips supply. - Disability placements continue to be made in residential settings at cost; Croydon commissions the highest number of LD placements across London. <p>Particular pressures around provider capacity particularly in relation to dementia services. Providers withdrawing from the market particularly due to national minimum wage issues.</p>	<ul style="list-style-type: none"> - Budget pressure to ASC due to rising pricing as supply outstrips demand in London. The Council makes approx. 1000 placements per year. - Inability to divert budget to prevention due to the need to fund rising costs of care. - Decrease in available OP placements resulting in delayed discharge from hospital, and subsequent Delayed Transfer Of Care costs on ASC and our partners. - Managing the quality of providers as we are less able to be selective which providers we use. Pressure on our resources to contract monitor and conduct market management activities. - The cost of disability placements in residential settings is significant; resources are needed to identify and manage the local market to meet LD needs in community settings. - Supply in Croydon does not meet Croydon's needs- which leads to high number of external placements. - Reputational damage to the council for not meeting the needs of vulnerable people. - Likely increase in reported safeguarding incidents. - Inappropriate response to market failure. - Supply in Croydon does not meet Croydon's needs there is a high number of out of borough placements. - There is a very high number of provider relationships to be managed compared to other London Boroughs. 	Peacock, Barbara People Department	<p>3-year Inflation Strategy to enable financial planning and market stability has been agreed.</p> <p>A review of Learning Disability high needs placements resulting in more appropriate services to meet needs with reduced costs.</p> <p>Adult Social Care Market Statement. Position Statement and engagement with provider market advising of Croydon's requirements.</p> <p>Brokerage team actively managing market</p> <p>Demand management programme to focus on better outcomes for clients</p> <p>Have maximised OP block contracts through increasing nursing beds, and reducing voids.</p> <p>More monitoring officers have been recruited and provide better market intelligence and oversight.</p>	5	4	20	<p>Continuation of the Learning Disability high need placement review</p> <p>Continuing to manage the market through the monitoring team</p> <p>Different models of service delivery being developed including preventing the demand for beds arising in the first instance</p> <p>Dynamic Purchasing System for procurement of care to be developed.</p> <p>Embedding of the Market Position Statement and market management strategy.</p> <p>Focus on supported living schemes and 'step down' approaches</p> <p>Older People OBC Alliance that integrates health and social care will enable more efficient use of resources and the care market</p>	5	3	15

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
				<p>Placements team manage the OP residential and nursing placements; team have identified nursing placement capacity issues and sourced providers that increase the capacity in the system and ensured short term measures implemented, including rate management and block contract maximisation.</p> <p>The monitoring team is actively managing the care home and homecare market through quality monitoring, joint working with safeguarding, managing providers in provider concerns (and those in pre-provider concern.</p> <p>Transfer of existing beds in block arrangements from residential to nursing care to add capacity where needed.</p> <p>Use of own council bed capacity</p>							

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
EHSC0001 Peacock, Barbara	<p>A continuing rise in unaccompanied asylum seekers (minors) where there is a statutory obligation to provide care/housing and a reduction in Home Office funding for them. There are additional implications in respect of the increases in relation to trafficked children and missing children as well as the implications of placing children we do not know in placements outside of the borough.</p> <p>There are also challenges being faced in the successful implementation of the National Dispersal Scheme and Immigration Act.</p>	<p>- Significant service and staff resources pressures, with pressures on placement supply in-house and in the independent sector, and pressures on school places and LAC health services. - Impact on Council revenue budgets as a result of insufficient funding.</p>	Peacock, Barbara People Department	<p>Continued work with the Home Office to ensure that only appropriate young people are placed.</p> <p>Emphasis on wider negotiation of fair funding arrangements for Croydon</p> <p>Increased use of the rota to place young people in other boroughs</p> <p>The Council has held meetings with the Immigration Minister and others in Home Office. Ongoing correspondence, conversations and clarifications with Home Office taking place.</p>	5	4	20	<p>Additional commissioning arrangements for Health services.</p> <p>Financial implication / impact for 2018/19 financial year Scoping of financial risk / impact for each quarter.</p> <p>Further engagement with Home office and Association of Directors of Children Social Services</p> <p>Implementation of the National Transfer Scheme</p> <p>Pathway Plans pathway plans identified and to be incorporated</p> <p>Service redesign in accordance with Immigration Act requirements service redesign / delivery in accordance with requirements of Immigration Act.</p> <p>Work to realise opportunity presented by the Immigration Bill and formal system for dispersing unaccompanied child migrants introduced by central government</p>	5	4	20

Risk Ref	Risk Scenario		Exec Director	Existing Controls	Current Risk Rating			Future Controls	Future Risk Rating		
	Risk	Impact			Impact	L'hood	Total		Impact	L'hood	Total
RCSP0120 Ireland, Sarah	In year budget and future demand pressure in relation to SEN Transport. Independent travel programme not achieving projected cost avoidance and cost reduction target.	- Financial and Service impact. - Reputational damage.	Simpson, Richard Resources Department	Focus of programme is adjusted in line with areas of growth in demand and cost Financial models and associated trackers have been developed to monitor financial targets. Operating as part of the corporate Demand Management programme. Robust monitoring and governance in place through monthly boards attended by Members and chaired by the Exec Director of Resources and bi-monthly programme boards. Areas of focus: -Financial monitoring -Cost mitigation plans -Demand management -Alternative travel -Effective framework management and future procurement options -Integration of Adult Services	5	4	20	Development and implementation of full cost savings programme including policy change where the Council has discretion. Identify impact from SEN 5 year projection modelling. Improved partnership work with SEN and Adult Social Care. New SEN Free School in New Addington to reduce demand for SEN transport across borough Review data to inform growth projections and future changes in demand and cost Tighter panel review and governance processes for all travel needs, with a particular focus on high cost cases	5	3	15

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