

## Appendix 1

### ANNUAL GOVERNANCE STATEMENT 2018/19

#### Scope of responsibility

Croydon Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Croydon Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Croydon Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes effective arrangements for the management of risk. Croydon Council acknowledges that it has an 'arm's length' interest in organisations (namely Brick by Brick and Octavo) but cannot enter control arrangements in this Annual Governance Statement as such companies are separate entities and responsible for publishing their own governance statements.

Croydon Council has approved and adopted a code of corporate governance, which is consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA / SOLACE 2016), ('the framework'). A copy of the authority's code can be obtained from [governance@croydon.gov.uk](mailto:governance@croydon.gov.uk). This statement explains how Croydon Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6 (1), which requires all relevant bodies to prepare and approve an annual governance statement.

Croydon Council has determined that its Ethics Committee shall be responsible for receiving and considering reports on matters of probity and ethics and to consider matters relating to the Code of Conduct. This follows the Council's review of its Code of Conduct and ethics arrangements and best practice suggestions set out in the review by the Committee on Standards in Public Life (the Committee). The Committee was established in 1994 and is responsible for promoting the Seven Principles of Public Life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership – commonly known as the Nolan Principles. The full report can be accessed [here](#).

#### The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled as well as the activities through which it accounts to, engages with and leads its communities. The framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve

policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. Internal controls evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Croydon Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

### **The governance framework**

- “Croydon’s Community Strategy 2016-21” is the overarching strategy of Croydon’s Local Strategic Partnership, which includes the Council. The Community Strategy is supported by “Our Corporate Plan for Croydon 2018-2022” and delivery plans for each department and team. These are reviewed and updated annually. In addition, the Council has its own vision and corporate values statement developed after extensive consultation amongst staff to ensure there is effective management of change and transformation. The organisation is currently also engaging with all staff to develop a new Workforce Strategy.
- The Council’s Constitution sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making that ensures compliance with established policies, procedures, laws and regulations. The Council’s policy and decision making is conducted through the Cabinet process, with the exception of non-executive matters and the Policy framework, which is set by full Council. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, the Chief Executive (& Head of Paid Service) and senior officers make decisions under their relevant Scheme of Authorisations. The Council publishes a Forward Plan that details the key decisions to be made by the Leader, Cabinet, Cabinet Committees or officers in relation to executive matters.
- The Council has a designated Executive Director of Resources & Monitoring Officer, who shall, after consulting with the Head of Paid Service and Chief Finance Officer, report to the Full Council, or the Leader in relation to an executive function, if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission would give rise to unlawful action. The Executive Director of Resources & Monitoring Officer also conducts investigations into matters referred by the Ethics Committee and delivers reports and recommendations in respect of those investigations to the Ethics Committee.
- The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution (4H). The Council has designated the Director of Finance, Investment & Risk (& Interim Section 151 Officer) as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a four year medium term financial strategy that was agreed at Council in October 2018 and is updated annually supporting the Council’s strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council’s financial standing.

- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2013).
- The Council maintains an effective Internal Audit service that has operated, in accordance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2019). As required by the Accounts and Audit (England) Regulations, the Director of Finance, Investment & Risk (& Interim Section 151 Officer) has reviewed the effectiveness of the Internal Audit service and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose. This undertaking is part of the core functions of the General Purposes & Audit Committee, as set out in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* and applied in the Council.
- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the *Delivering Good Governance in Local Government: Framework* (CIPFA / SOLACE 2016), ('the framework').
- The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports on performance monitoring to Cabinet. The performance management framework is utilised to measure the quality of services for users, to ensure that they are delivered in accordance with the Council's objectives and that these services represent the best use of resources and value for money.
- The Council has a robust risk management process to identify, assess and manage those significant risks to the Council's objectives including the risks of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Cabinet Member for Finance & Resources champions risk management which is at the heart of the Council's decision making, with each Cabinet Member having access to the risks relating to their portfolio. Key corporate risks are regularly reviewed by the Divisional and Departmental Management Teams and by the General Purposes & Audit Committee.
- The Council has adopted codes of conduct for its staff and its Members, including co-opted members. These are introduced to all staff as they are inducted into the organisation and they are given their own copies. Members and co-opted members sign an undertaking to abide by their Code of Conduct at the point of their election or appointment. These Codes are available for reference at all times and reminders and training are provided as necessary.
- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. In addition, the Council has adopted a fraud hotline.
- A whistle-blowing policy has been adopted to enable staff, partners and

contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. In addition, the Council has adopted a whistle blowing hotline supported by a third sector partner. These arrangements are part of ensuring effective safeguarding, counter-fraud and anti-corruption arrangements are developed and maintained in the Council.

- The Council's control framework extends to partnerships and other joint working and this is reflected in the Council's overall governance arrangements.
- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when awarding contracts and then robustly monitoring those contracts. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership (LSP) which is led by a board made up of the Leader, relevant Cabinet Members, relevant Chief Executives or equivalent. Each of the themes within the LSP is overseen by its own board.
- The Strategic Partnership seeks to address community engagement by, amongst other methods, involving representatives from themed partnerships, business development partnerships and the community voluntary sector alliance. The Local Strategic Partnership hosts a congress twice a year for key stakeholders from community, voluntary, business and the public sector which contribute to and influence strategy and policy of the local area. The thematic partnerships undertake a range of consultation exercises to enable all residents and customers to contribute to; and shape the strategic themed plans such as the Health and Wellbeing Strategy and the Safer Croydon Partnership Community Safety Strategy. In addition, the Council undertakes surveys with a representative sample of its residents who provide the Council with reliable feedback on important issues that help improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.
- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Appraisal Scheme. The Council's Organisational Development service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed an "Inspiring Leadership" Programme to improve leadership and management competencies across the organisation. In addition, a programme entitled 'Doing the Right Thing' is run to strengthen the governance processes and procedures of the Council.

## **Review of effectiveness**

Croydon Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This review process includes:

- The Executive Director of Resources & Monitoring Officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes a review of the financial regulations by the Director of Finance, Investment & Risk (& Interim S151 Officer)
- The Scrutiny and Strategic Overview Committee's ability to "call in" the Council's key executive decisions prior to implementation to consider the appropriateness of the decision.
- The General Purposes & Audit Committee's responsibility for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.
- Internal audit is responsible for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a plan of internal audit work is developed. The outcome of the internal audit risk-based work is reported to all relevant Executive Directors and Directors and regularly to the General Purposes & Audit Committee. Implementation of recommendations is monitored and progress reported. The work of the Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Director of Finance, Investment & Risk (& Interim Section 151 Officer) has reviewed annually, the effectiveness of the Internal Audit service, and reported this to the General Purposes & Audit Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose.
- The assurance provided by Members and the assurance of senior managers through the Council's Executive Leadership Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.
- The opinion of the external auditors in their reports and annual letter.
- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

The Council has been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the General Purposes & Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

**Table 1**

Based on the review the following key risks have been identified:

<b>Key Risks</b>	<b>Action</b>	<b>Responsible Officer</b>	<b>Responsible Cabinet Member</b>
<p>1. The number of unaccompanied asylum seeking children (UASC) looked after by Croydon remains significantly higher than the national average. LB Croydon plays a key role in supporting the National Transfer Scheme (NTS), a voluntary arrangement between local authorities to disperse and settle children and young people across the UK. This scheme has not had the anticipated success. The Pan London Protocol is in operation. London authorities have co-operated over many years to support each other (although primarily Croydon) by voluntarily taking new presentations of 16 and 17 year old UASCs on a rota basis with an agreed threshold of 0.07%. Those authorities that have been above the 0.07% threshold have come off the rota. They do come</p>	<p>The Chief Executive and senior officers continue to have a dialogue with the Home Office, other local authorities and London Leaders to encourage their participation in the NTS. It was hoped that the recent announcement by the government to increase the daily rate of payment for UASC would break down the barrier presented by those local authorities but we have yet to see any movement. Referrals to NTS are routinely made but with no response.</p> <p>The London Labour Group has agreed to increase the capacity of participating Labour controlled local authorities on the Pan London Rota from 0.07% to 0.08%, increasing the number of places for 16/17 year olds by approx.40 places.</p> <p>London Leaders have also unanimously agreed to support Croydon and other port authorities in lobbying the Government in relation to UASC.</p>	<p>Executive Director / DCS Children's, Families &amp; Education.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p>

<p>back on when young people become 18 and they fall back beneath the threshold. However, the numbers have risen in the past year and the capacity has reduced across London. One authority has recently removed themselves from the rota.</p>			
<p>2. Social Care market supply disruption leading to market failure and inability to fulfil statutory requirements.</p> <p>Situation nationally has deteriorated so likelihood is very high. Market failure has become more common, increased by 82% nationally.</p>	<p>For social care providers for clients under the age of 65, the uplift strategy for this financial year will be based on taking a proportionate approach. Providers paid at the lower end will be uplifted in line with that of benchmarked averages. Providers at the higher end or who have recently had uplifts applied will not be increased. This approach will ensure greater consistency in rates paid with a view to undertaking blanket uplifts in future as currently occurs with the older people's providers.</p> <p>The market position statement and ongoing conversations with the provider market make it clear that we are seeking less residential care and more supported living options in Croydon. There has been a good offer of support for providers who want to pursue de-registration and have properties that can be developed into supported living. Since publishing the market position statement in 2018, there has also been a lot of work undertaken to further understand future demand including number of units required for supported living and the number of children who will transition to adult services. This will be included in the next refresh, with information about the detail of the commissioning strategy for the new dynamic purchasing system and the increase in direct payments.</p>	<p>Executive Director / DASS Health, Wellbeing &amp; Adults.</p>	<p>Cabinet Member for Families, Health &amp; Social Care.</p>

	<p>The potential for joint and integrated commissioning arrangements across health and social care will continue to develop. The One Croydon Alliance integrated contracting mechanism – the ‘Service Operations Manual’ can expand to include other types of provision, and joint priorities are being considered for the short and longer term. Commissioners are supporting this with the roll out of direct payments and the procurement of systems and external support including a ‘personal assistants’ service.</p> <p>The last two provider forums have had a focus on direct payments and developing services and cost models that will increase market options for residents. Overall, the monthly provider engagement meetings, which started about 18 months ago, have focused on how we work together to find good quality, affordable housing for supported living in Croydon. The first meetings were held for disability and mental health providers on the Integrated Framework Agreement. As a result we developed a ‘pen portrait process’ that has enabled us to establish three new supported living schemes and find new placements for over 30 people with complex health and care needs. We are now in the process of setting up 18 new flats for supported living with the providers that we have developed better relationships with. This will of course be aligned to in house provision where possible and the upcoming Council’s Housing Strategy ensuring housing for all including for people with disabilities and frail elderly.</p> <p>As we progress, transform and integrate our provision to develop seamless care and support for our residents, we will develop new models of care that will require innovative</p>		
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	<p>commissioning processes and development of strategic partnerships, as well as in-house provision development.</p> <p>There will be a new dynamic purchasing system, the system to procure all future care provision. In developing the strategy for the Dynamic Purchasing System (DPS), there has been close scrutiny of finance and performance data to inform commissioning plans. The nature of the Dynamic Purchasing System supports innovation in commissioning, in that new providers can apply to the system at any time and new 'LOTS' / service categories can be added at any time, allowing for new models of care to develop in a timely way rather than waiting for long contracts to expire.</p> <p>A focus on quality is imperative. Our commissioned providers will need to demonstrate how they meet the metrics in our outcomes framework.</p>		
<p>3. Dependency of Children's Services on interim resources. This includes the challenges of recruiting (particularly in Care Planning &amp; Assessment Team) coupled with significant capacity and resourcing pressures and the impact of service reorganisations resulting in a lack of stable, high performing workforce.</p>	<p>Ongoing recruitment campaigns are in progress with specific targeting for both management and social worker roles. For the 12 months (1 June 2018 to 31 May 2019 – 92 new starters to the Division (46 being Social Workers)</p> <p>A review of the financial recruitment welcome offer has been implemented which maintains Croydon as an attractive employer both financially supported with a good learning and development offer and benefits.</p>	<p>Executive Director / DCS Children's, Families &amp; Education.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p>
<p>4. Exploitation of young people in the Borough particularly in relation to peer on peer and gang</p>	<p>There is a new child exploitation process and meeting (Complex Adolescents Panel) which is for children who are exploited, go missing or are assessed by the Youth Offending</p>	<p>Executive Director / DCS Children's, Families &amp;</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p>

<p>activities and children missing from home and care.</p>	<p>Service as high risk. The gang's team have been active within schools, providing educative programmes and there is a gang's prevention worker who is part of that team.</p>	<p>Education.</p>	
<p>5.The pace of change to achieve the improvement plan outcomes and the journey to a rating of 'Good' is too slow or not achieved, following the OFSTED inspection of 'Services for children in need of help and protection and children looked after and care leavers' which judged the Council's Children's Services as 'inadequate'.</p>	<p>The monitoring visit in March noted improved pace. It is anticipated that the final monitoring will reach the same conclusion.</p> <p>Preparation is underway for the inspection which is likely to be in October / November.</p>	<p>Executive Director / DCS Children's, Families &amp; Education.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p>
<p>6. As at the end of 2018/19, there are 9 of our 50 maintained schools in deficit potentially leading to default or an increase in arrears. The total deficit amounts to £3.7m however two of the schools are in a loan arrangement with the LA.</p> <p>In this context it is worthy of note that Internal audit work in schools during the year resulted in half of the schools visited receiving either Limited or No Assurance reports. Weaknesses identified included a range of issues including those that could impact</p>	<p>Two of the schools account for approximately £3m of the total deficit (£3.7m). There are ongoing plans in place with these schools in order to manage their positions as much as possible.</p> <p>Schools in deficit are required to submit a license deficit plan which is a future budget plan for how the school will return to a balanced position within a 3 - 5 year period. Each of the schools are required to report monthly and their positions are monitored to asses that they are adhering to their budget proposals. The schools senior leadership team and senior LA personnel meet regularly with the schools in deficit. These meetings are used to review plans and to monitor progress.</p> <p>Review of internal audit reports is carried out and issues are then used as subject topics in the termly update briefing meetings that are held with schools.</p>	<p>Executive Director / DCS Children's, Families &amp; Education.</p> <p>Director of Finance, Investment &amp; Risk &amp; Interim Section 151 Officer.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p> <p>Cabinet Member for Finance &amp; Resources.</p>

<p>on a school's financial management.</p>			
<p>7. Increasing population with complex learning needs and parental expectations leads to rising demand and financial pressure on SEN budgets including pressure on High Needs DSG budget. There is currently a £4.5m in year 2018/19 budget pressure and a cumulative £13m deficit on the High Needs DSG Budget resulting in a £9m overall DSG deficit.</p>	<p>The High Needs Block element of the Dedicated Schools Grant (DSG) is under significant pressure. Increases in expenditure in recent years as a result of demand (numbers of Education, Health &amp; Care Plan's). The extension of EHCP responsibilities beyond 16 and the cost of fulling the requirements has not been matched by the significant increase in funding required to meet these needs. The Council is moving to ensure a more sustainable position, and has submitted a DSG deficit recovery plan to DfE as required detailing the high needs recovery plan for Croydon.</p> <p>The current medium Term Financial Strategy (MTFS) review will also involve a plan to increase general fund reserves to ensure any future deficit can be managed.</p>	<p>Executive Director / DCS Children's, Families &amp; Education.</p> <p>Director of Finance, Investment &amp; Risk &amp; Interim Section 151 Officer.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p> <p>Cabinet Member for Finance &amp; Resources.</p>
<p>8. The 2019/20 budget is not managed within allocated resources resulting in an overspend and therefore the need to implement additional cuts to services. Funding reductions are imposed whilst the Council experiences a continuous rising demand for service provision and growth in population. The continuing improvement of Children's Services following the OFSTED inspection (June / July 2017) has required greater investment in</p>	<p>The 2018/19 budget resulted in a £5.466m overspend, mainly as a result of unfunded Unaccompanied Asylum Seeking Children (UASC) costs. The 2019/20 budget included a number of growth items. This was presented to Cabinet in February 2019 and Full Council in March 2019 and was endorsed by both these bodies. This budget is designed to ensure in year delivery. The Council continues to manage and monitor budgets closely, growth has been allocated to appropriate areas and high risk areas continue to be monitored on a monthly basis with a budget monitoring report for the whole budget reported to Cabinet quarterly.</p> <p>The 2019/20 budget also included a number of savings options which are also being managed and closely monitored. During 2018/19 the Council moved towards delivering</p>	<p>Executive Director for Resources &amp; Monitoring Officer.</p> <p>Director of Finance, Investment &amp; Risk &amp; Interim Section 151 Officer.</p>	<p>Cabinet Member for Finance &amp; Resources.</p>

<p>this service with over £10m having been invested in Children's Services during 2018/19. A further £12m investment has been agreed in the 2019/20 budget.</p>	<p>services on a locality basis with a number of localities now in operation. Delivery and success of these will be measured and monitored in year and reported as part of the regular budget monitoring reports to Cabinet.</p> <p>The investment in Children's Services is also monitored through monthly meetings that focus solely on this services and delivery.</p> <p>Work is also underway to refresh the Medium Term Financial Strategy and will be presented to Cabinet with the budget in February 2020.</p>		
<p>9. The Council's ability to deliver services (including all statutory requirements) are adversely / critically affected following the departure from the European Union by the United Kingdom.</p>	<p>This risk is closely monitored in terms of the level and likelihood of the multiple elements of impact. However the outcome of the parliamentary process, the stability and final policy of central government and the confirmed details of the UK exit conditions (including the date of parliamentary approval) cannot be determined at an organisational level. The Council has however initiated a formal 'working group' (incorporating senior officers) to monitor, strategise and initiate policies (where possible) to mitigate the risk.</p> <p>The Council will continue to react to the issues arising as a result of the status of the ongoing negotiations and central government's approach to the 31<sup>st</sup> October deadline.</p>	<p>Chief Executive.</p>	<p>The Leader.</p>
<p>10. Although there continues to be improvements, during the course of internal audit work during the year, a number of issues were identified with contract monitoring and</p>	<p>Contracts of different sizes are monitored and managed by Officers across the Council. Supporting and enabling Contract Managers to comply and work within the councils Contract Management Framework is an ongoing focus, and performance is improving year on year.</p>	<p>Executive Director for Resources &amp; Monitoring Officer.  Director of Commissioning &amp;</p>	<p>Cabinet Member for Finance &amp; Resources.</p>

<p>management.</p>	<p>Throughout 2018/19, we held a series of learning and development sessions to support and improve the contract management practice across the Council. This included leading Commissioning and Contract Management Working Groups to build the capabilities of the Contract Management Community. In addition, in October 2018, we also held a Commissioning and Contract Management week which included 16 learning and development sessions that were attended by over 350 officers from across the Council.</p> <p>The Contracts Hub was launched in October 2017 and with this we introduced the Contract Management toolkit and the Contract Management Plan (based on National Audit Office good practice). We also began quarterly reporting on Tier one (over £1m per annum) contracts, from October 2017. As a result of this reporting, we have enforced more consistent monitoring, management and oversight of the Councils largest contracts. A similar and proportionate approach is now being implemented for Tier 2 (between £500k and £1m per annum) contracts.</p> <p>The Tenders &amp; Contracts Regulations and Commissioning Framework have been updated to include a stronger emphasis on contract management. The Commissioning Framework lists contract management as one of the Councils key priorities and the Tender and Contract Regulations include a clear role for the Councils Contract and Commissioning Board to hold contract managers to account. These Regulations will form part of the Constitution once they are adopted by Full Council in July 2019. Following on from this, there will an awareness raising exercise across the Council which will include roadshows at DLT's and regular communications to staff. There will also be a new</p>	<p>Procurement.</p>	
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	<p>Procurement &amp; Contract Management Handbook developed which will be available to all staff and will support the Commissioning Framework and Social Value Policy. This handbook will give more practical tips to contract managers who are involved in contract management.</p> <p>A new Central Buying Team has also been established and will be leading on low value sourcing from the summer 2019. The Council's new financial system will also allow the Central Buying Team to monitor non-compliance with the Tender and Contract Regulations through providing easier access to spend analysis reports. The Central Buying Team will also have responsibility for ensuring officers in the Council are raising requisitions against a contract purchase agreement and where this isn't the case they will be reporting this to DLT's. Plans are afoot to refresh the Contract Management Framework in 2019/2020 to reflect the new practices in contract performance management.</p>		
<p>11. Internal audit work during the year identified a number of issues relating to financial management within the adult and children's social care teams.</p>	<p><b>ADULTS:</b> The Council is implementing a series of new tools (below) that will support financial management departmentally and divisionally.</p> <ul style="list-style-type: none"> <li>• ContrOCC, the finance system that links care and support plans and costs.</li> <li>• MyResources, new tool for Council staff to manage staff establishments, budgets, provider payments and income.</li> <li>• Dynamic purchasing system, the system to procure all future care provision. In developing the strategy for the Dynamic Purchasing System (DPS), there has been close scrutiny of finance and performance data</li> </ul>	<p>Executive Director / DCS Children's, Families &amp; Education.</p> <p>Executive Director / DASS Health, Wellbeing &amp; Adults.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p> <p>Cabinet Member for Families, Health &amp; Social Care.</p>

to inform commissioning plans.

On monitoring care spend on domiciliary and residential care; the successful implementation of the new adult social care Liquid Logic content management system, and the linked financial system, ContrOCC, will be key drivers to achieve the improved monitoring.

Additionally, the adult social care 'cost of care tool' will support the forecasting of future budget requirements through a series of scenario based tests, and set against the know efficiencies programme being tracked through the Adapt transformation programme.

For Adult Social Care, Internal Audit will also deliver a quarter 2 audit on our forecasting and financial planning.

**CHILDRENS:** We are continuing to experience an increase in demand for Children's Services, especially in relation to corporate parenting which is leading to the need to invest more financial resources. Finances are reviewed monthly at a departmental level at Senior Leadership Team meetings, at Departmental Leadership Team meetings and then scrutinised by lead Councillor's at monthly Children's Improvement Finance meeting before being presented to Cabinet on a quarterly basis.

At the monthly Children's Improvement Finance meetings there is discussion regarding outcomes and performance to ensure the right level of investment is made. Outcomes are closely monitored to ensure value for money.

To strengthen budgeting and financial management a new

	My Finance system (part of Oracle Cloud) has been introduced in May 2019. Finance training has been provided to budget managers to help support and improve accountability and ownership of budgets going forward.		
12. An internal audit conducted during the year on energy recharges identified some significant weaknesses resulting in circa £4M of recharges being outstanding, a significant part of which related to organisation's outside of the council. This resulted in a 'No Assurance' audit report being issued.	The majority of energy usage information has now been received from the suppliers, collated into a site by site basis and reconciled against payments. The implementation of the new financial system allows invoices to be created much more quickly, and work will take place over summer to issue credit notes and new invoices to 3 <sup>rd</sup> party organisations.	Executive Director for Resources & Monitoring Officer.  Director of FM & Support Services.  Director of Finance, Investment & Risk & Interim Section 151 Officer.	Cabinet Member for Finance & Resources.
13. Following a change in legislation during 2018, internal audit identified a number of instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose. Also noted that agreements with 3 <sup>rd</sup> parties did not always address this issue adequately.	<p>A General Data Protection Regulation (GDPR) Project Board was established to assist the Council with compliance with the new requirements. This Project Board was active from September 2017 until December 2018. GDPR includes rules on giving privacy information to data subjects as provided under Articles 12, 13 and 14 of the GDPR.</p> <p>As part of the transparency requirements, Notices are required to be made available to inform data subjects as to:</p> <ul style="list-style-type: none"> <li>• how their information will be processed, and</li> <li>• the legal basis for this processing and their rights (i.e. subject access, right to be forgotten, correction of their information, restricting processing and portability).</li> </ul>	Executive Director for Resources & Monitoring Officer.  Director of Law & Governance and Deputy Monitoring Officer.  Statutory Data Protection Officer.	Cabinet Member for Finance & Resources.



	<p>The Notices also establish a clear understanding of the limits of processing that a data subject can expect, which the Council is required to abide by subject to the reasonable application of any exemptions within GDPR and/or the Data Protection Act 2018.</p> <p>To meet this requirement, a comprehensive Corporate Notice was agreed by the GDPR Project Board and published on 24 May 2018. This was followed by the publication on a rolling basis of a suite of additional service specific notices <a href="#">Privacy Notices</a>, highlighting the particular operational differences that affect the processing of personal data within specific service areas. These Notices are subject to review by relevant service managers to ensure that any changes in processing are recorded within them.</p> <p>An e-learning module was designed and loaded onto the corporate staff electronic learning library (Croydon Learning), to reinforce the key messages and requirements brought about by the move to GDPR. At the final meeting of the GDPR Board held on 6 December 2018 it was reported that 96% of staff had completed the e-learning module. The Information Management (IM) Team are in the process of designing refresher training for staff one year on.</p> <p>Briefing sessions for staff began in January 2018 to provide information on the changes brought about by the introduction of GDPR, key issues for services to consider and the work of the Project Board. These Briefing Sessions, provided an overview of GDPR, and included specific advice around the requirement for Privacy Notices.</p>		
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	<p>Intranet guidance and training resources for staff were created and are now co-located in a single location on the Intranet as a GDPR Resources Hub including all guidance, policy documents and communications issued in a single location which also acts as a training resource.</p> <p>An audit of the overarching Privacy Notice, and service specific privacy notices, will be carried out during July and August 2019, to ensure compliance with the legislation and to encourage services to update all notices necessary on any forms and applications sent on behalf of the Council.</p> <p>Training and communications will continue from the IM team to ensure that services are completing Privacy Notices where necessary. All new Privacy Notices are reviewed by the Council's Legal Team to ensure that they are compliant with GDPR legislation.</p>		
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**Table 2 Issues raised in 2017/18 Statement and progress to date**

Key Risks	Action	Progress	Responsible Cabinet Member & Responsible Officer
<p>1. 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. Quarter 3 (2017/18) year-end forecast overspend is £5.861m. If this is not reduced it will need to be funded from the Council's reserves which are</p>	<p>The 2017/18 budget resulted in a £5.032m overspend, mainly as a result of increased demand within Children's services. The 2018/19 budget, including a number of growth items to manage these increased costs alongside a council wide 2 year savings programme. This was presented to Cabinet and Full Council in February 2018 and was endorsed by both of these bodies. This budget ensures that there is a plan that the budget can be managed over the medium term.</p> <p>The Council is continuing to manage and monitor budgets closely, growth has been allocated to the appropriate areas and high risk areas are being monitored on a monthly basis and being reported to Cabinet on a quarterly basis.</p> <p>There are a number of themes that make up the savings plans, which were detailed in the Efficiency</p>	<p>Throughout 2018/19 the budget was managed closely resulting in a year end overspend of £5.466m of which £5.121m were exceptional items mainly Unaccompanied Asylum Seeking Children (UASC) and No Recourse to Public Funds (NRPF).</p> <p>Work is underway to ensure the 2019/20 savings are delivered and overspends will be reported as part of the quarterly report to Cabinet.</p> <p>The continued delivery of services in localities and the early intervention and prevention agenda will help ensure budgets are managed and services are delivered efficiently and effectively.</p>	<p>Cabinet Member for Finance &amp; Resources.</p> <p>Director of Finance, Investment &amp; Risk &amp; Interim Section 151 Officer.</p>

<p>currently very low (second lowest in the London area) resulting in reduced funding in future years.</p>	<p>Programme approved by Cabinet in October 2016, and include improved commissioning and contract management, making better use of our assets, managing demand and early intervention and prevention as well as greater integration with health.</p> <p>The delivery of the 2 year £32m savings programme is the key action to ensure this risk is mitigated.</p> <p>Alongside this, the Council is also revising its operating model to ensure services are delivered in the right way to the right residents. This work and change to service delivery will also help manage budgets and resources.</p>		
<p>2. The OFSTED inspection of ‘Services for children in need of help and protection, children looked after and care leavers’ judged the Council’s Children’s Services as ‘inadequate’. Following publication of the inspection report, the Council fails to action the recommendations raised or to address the findings resulting in children and</p>	<p>Since the publication of the Ofsted Report in September 2017 an improvement plan has been drawn up which is being overseen by an improvement Board with an independent chair. The children’s commissioner appointed by the DFE has reported to the Minister recommended that Children’s Services remain under the control of the Local Authority subject to our entering into a partnership arrangement with Camden Council for support and guidance. Monitoring visits are being undertaken</p>	<p>The Improvement Plan was refreshed in November 2018 to focus on a smaller set of key priorities for change. The peer support arrangements with Camden have sharpened their focus on targeted improvements in service areas, and a series of joint inspections have taken place leading to clear action plans to address the issues identified. The last Ofsted monitoring visit in February 2019 identified further signs of improvement although there is still much to do to secure consistently good practice across the service.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p> <p>Cabinet Member for Families, Health &amp; Social Care.</p> <p>Executive Director / DCS Children’s, Families &amp; Education.</p>

<p>young people at risk of harm, 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.</p>	<p>by Ofsted on a quarterly basis. The most recent report from March indicates some areas of progress.</p>		
<p>3. Consistency in the high numbers of 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. There are also challenges being faced in the successful implementation of the National Transfer Scheme</p>	<p>Volumes of unaccompanied asylum seeking children (UASC) have reduced since the peak of 2015/2016 but remain steady with over 300 remaining in the care of Croydon Council. The national transfer scheme has slowed down resulting in many new arrivals remaining in our care. The combination of these factors continues to cause significant financial detriment to the Council.</p>	<p>The number of UASC is now at 285 (as at 28/06/2019). There remains issues with the National Transfer Scheme &amp; Immigration Act so any young person aged under 16 remains Croydon's responsibility. Funding from the Home Office remains inadequate and lobbying with the Government for fair funding continues.</p>	<p>Cabinet Member for Children, Young People &amp; Learning.  Executive Director / DCS Children's, Families &amp; Education.</p>

and Immigration Act.			
<p>4. Social Care market supply disruption.</p> <p>Situation has deteriorated so risk is still very high. Market failure is more common, increased by 82% nationally.</p>	<p>The care market in Croydon is still very volatile with a number of recent providers serving notice on their contracts. This is reflecting the national picture. Our primary concern is continuity of care for our residents. Commissioning colleagues and operational staff work closely together to work with residents and their families on securing alternative provision. The Council are taking a more proactive approach to minimise market failure and commissioning work with the sector through provider forums to stabilise the market. This has included negotiations on inflationary uplifts, discussions re pressures such as sleep in's and support re quality and CQC concerns. A new Market Position Statement (MPS) is also underway to replace the 2015 MPS and will be ready later this year. The work in the Alliance with the over 65s and new models of care is also supporting the increase in demand and our prevention work to reduce the number of people needing ongoing care for example through our LIFE (Living</p>	<p>Fragility of the care market remains a concern, but work is progressing to address inequity in funding across providers. In the older people's provision, a 2% uplift was applied to all provision.</p> <p>The Quality Monitoring Team undertake financial checks assessing the financial stability of providers they suspect are having financial difficulties which is considered as part of wider provider intelligence. A tried and tested provider failure procedure is in place.</p> <p>Within the adult social care disabilities service, a 'cost of care tool' has been developed that enables adult social care to forecast future budget requirements through a series of scenario based tests. For instance, the impact of reducing the ratio of residents in residential care, moving those where appropriate, to supported living; or increasing the number of residents in receipt of a direct payment.</p> <p>Additionally, a market Position statement (MPS) which informs providers of the Council's commissioning intentions, is</p>	<p>Cabinet Member for Families, Health &amp; Social Care. Executive Director / DASS Health, Wellbeing &amp; Adults.</p>

	Independently for Everyone) service which offers a greater level of support to those coming out of hospital and need reablement. We are also starting a piece of work to analyse the true cost of care and intend to use this for future budgeting of the adult social care.	available on the Croydon Observatory and has been promoted several times in conversations with providers, including at provider forums. It sets out the Council's current position and direction of travel for commissioning.	
5. Risk of exploitation of young people in the Borough particularly in relation to peer on peer activities and children missing from home and care.	A dedicated missing team has been set up as part of our improvement programme which is driving better compliance in the completion of return home interviews. Intelligence arising from these interviews is being coordinated with Police colleagues to provide a clearer oversight of risk patterns across the borough.	There is a new child exploitation process and meeting (Complex Adolescents Panel) which is for children who are exploited, go missing or are assessed by the Youth Offending Service as high risk. The gang's team have been active within schools, providing educative programmes and there is a gang's prevention worker who is part of that team.	Cabinet Member for Children, Young People & Learning.  Cabinet Member for Families, Health & Social Care.  Executive Director / DCS Children's, Families & Education.
6. Internal audit work during the year identified a number of issues arising from non-compliance with the Councils Contracts and Tenders Regulations and on-going contract management.	This risk has been identified through audits undertaken on contracts across the Council. The main issues identified include contract management and compliance with the tender and contract regulations. We have already begun a drive towards effective contract management across the Council. In October 2017, we launched the Contract Management Framework across the Council. This included	During the Commissioning and Contract Management week in October 2018, a session was held by Procurement Governance and Audit on the Tender and Contract Regulations. Furthermore, we have attended all DLT's in November and December 2018 to make them aware of their obligations in relation to the Regulations.  The Contract Management Framework will	Cabinet Member for Finance & Resources.  Director of Commissioning & Procurement.

	<p>offering the Contract Management community some key tools, templates and guidance to enable effective contract management across all spend. We are now:</p> <ul style="list-style-type: none"> <li>• consistently collecting and reporting on Tier 1 contracts;</li> <li>• building the commercial capabilities of the contract management community;</li> <li>• identifying opportunities for synergies across divisions;</li> <li>• considering how technology can support improved contract/spend management across the Council.</li> </ul> <p>We are also updating the Tender and Contract regulations to provide clarity and address some of the issues identified. This will be followed by roadshows across the Council to build awareness about the Tender and Contract Regulations, the rules within them and the importance of compliance. This will be embedded in the Council Contract and Commissioning Board.</p>	<p>be updated in 2019/2020 to reflect the new practices in contract performance management. In addition, there is a monthly Category Management Forum to build the capabilities of Category Managers and Procurement Officers.</p> <p>The new Tender &amp; Contract Regulations 2019 have been amended and strengthen the contract management commitments, along with the new Commissioning Framework these will be embedded in the new guidance and accompanying toolkits.</p> <p>Tier 1 Contracts are reported centrally and every quarter, using a balanced scorecard method, the performance of the contracts is presented to the Directorates DMTs every quarter. Under-performing contracts are supplied with a corrective action plan that is updated every quarter.</p> <p>The Contracts Register has gone live and new contracts are being published on the Register to comply with our duties under the Transparency Code.</p> <p>A new Contract Management System (Proactis S2C) is being commissioned to interface with the Purchase to Pay System (MyResources) to provide a centralised database of signed final contract paperwork during the term of the contract. The new</p>	
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		<p>system will also allow uploads from suppliers and enable the digitalisation of the contract management process e.g. the performance scorecards will be electronic.</p> <p>There are training sessions planned to increase officer's contract and commercial awareness. A Contract Management Week of Events is planned for October 2019.</p>	
<p>7. Internal audit work during the year identified a number of issues relating to budgeting and financial management within the ex-People's department (<i>now restructured into the separate departments of Children's, Families &amp; Education and Health, Wellbeing and Adults</i>).</p>	<p>Croydon has a robust and well established budgeting and financial management process. Financial management follows a risk based financial monitoring approach. Service areas considered high risk are monitored on a monthly basis, with all other areas monitored quarterly. Finances are reviewed monthly at a departmental level at Senior Management Team meetings, then at Departmental Leadership Team and then scrutinised by lead Councillor's at monthly Governance Board before being presented to cabinet on a quarterly basis. Governance Board also reviews the delivery of savings, sustainability plans, performance and managing demand projects. To strengthen budgeting and financial management in 2017/18, finance training and budget setting drop –in sessions were provided to services</p>	<p>Croydon has a robust and well established budgeting and financial management process. Financial management follows a risk based financial monitoring approach. Service areas considered high risk are monitored on a monthly basis, with all other areas being monitored quarterly.</p> <p>The separation of the People's department into the Children, Families and Education &amp; the Health, Wellbeing and Adults departments and the consequent separation of financial management support has strengthened the focus on both areas.</p> <p>Finances continue to be reviewed monthly at departmental level at Senior Management Team meetings then at Department Leadership Team meeting before being presented to Cabinet on a quarterly basis.</p> <p>To strengthen budgeted and financial</p>	<p>Cabinet Member for Children, Young People &amp; Learning.</p> <p>Cabinet Member for Families, Health &amp; Social Care.</p> <p>Executive Director / DCS Children's, Families &amp; Education.</p> <p>Executive Director / DASS for Health, Wellbeing and Adults.</p>

	with a view to deliver more widely across the People Department in the new financial year.	management in 2019/20 finance training was provided to services in connection with the implementation of My Resources.	
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. The Cabinet will also be identifying new ways of addressing the above matters. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed.....**

**Jo Negrini  
Chief Executive**

**Date.....**

**Signed.....**

**Tony Newman  
Leader of the Council**

**Date.....**