

ANNUAL GOVERNANCE STATEMENT (AGS) 2020/21

Summary

This statement reflects the Council's assessment of its governance arrangements as at 31 March 2021 and identifies actions underway and planned which have been identified to address areas of weakness.

During the course of 2020/21, further significant issues relating to the Council's governance have been identified:

- Croydon Council's external auditors published on 23 October 2020 a 'Report in the Public Interest'. The report set out serious concerns about the Council's financial situation, its financial decision-making and governance and made 20 recommendations.
- An independent strategic review of Brick by Brick, Croydon Affordable Homes LLP and the Council's Revolving Investment, Asset Investment and Growth Zone Funds was conducted by PWC in November 2020. The review found that Brick by Brick significantly underperformed against its 2019/20 business plan, there was an absence of company-wide cash flow and forecasting arrangements and the company's ambitious strategy of development had placed the Council at risk in relation to loans. Governance of all of these companies and funds and oversight by the Council required significant improvement.
- The accounting treatment of Croydon Affordable Homes and Croydon Affordable Tenures is under review and any financial implications will be dealt with appropriately. These could be very significant.
- Following an adverse qualification in the external auditor's conclusion on value for money for 2018/19, work on the 2019/20 Audit Findings report has not yet been completed. The accounts for 2019/20 and 2020/21 are in draft and some significant issues are still to be resolved.
- Significant overspending in relation to the refurbishment expenditure at Fairfield Halls is currently under review by the Council's external auditors.
- The Council issued 2 'Section 114 reports' in November and December 2020. This required the Council to identify actions in order to achieve a balanced budget: these actions included seeking a capitalisation directive from MHCLG in December 2020. Significant work remains to achieve a sustainable Medium Term Financial Strategy over the next 3 years.
- The Ministry of Housing, Communities and Local Government (MHCLG) commissioned a non-statutory 'rapid review' (completed in November 2020) and appointed an Improvement and Assurance Panel which issued its first report in February 2021.
- The Annual Report of the Head of Internal Audit for the year ending March 2020/21 provided only Limited Assurance that the system of internal control accorded with proper practice. A number of internal audit reports have nil or limited assurance.

These issues demonstrate that there is still significant work to be done to embed good practice in financial management, project, programme and risk management and other associated good governance in the Council. Actions underway and planned during

2020/21 to deliver this work are set out in Table 2.

Background

During 2020/21 the Council fully recognised the scale and significance of issues to be addressed, and the systemic change required. In December 2020 it adopted actions to address areas for improvement identified by the RIPI within the Croydon Renewal Plan, a major programme to deliver savings, strengthen governance and financial practices, and embed new ways of working to put the borough on a more sustainable financial footing.

The Improvement and Assurance Panel, appointed in January 2021 and which first reported in February 2021, provides external advice, challenge and expertise to the Council and assurance to the Secretary of State as the Council continues to deliver the Croydon Renewal Plan.

The Panel will report to MHCLG on a quarterly basis and provide support, advice and challenge to the Council on the delivery of the Croydon Renewal Plan. In addition to substantial input from the Improvement and Assurance Panel, support has been sought from a number of different sources including the Local Government Association and a review of the Council's scrutiny arrangements informed by the Centre for Governance & Scrutiny.

In order to balance the 2020/21 budget, borrowing of up to £70m for the financial year 2020-21 was sanctioned by the MHCLG in March 2021 under a 'Capitalisation Direction'. This agreement was and continues to be conditional on the Council delivering its renewal plans at pace and the provision of regular progress updates by the Improvement and Assurance Panel to MHCLG.

In addition to these developments, in March 2021 the Council launched an investigation into the condition of its housing stock following complaints and national press coverage of conditions at Regina Road, South Norwood. An independent report commissioned by Croydon from the ARK consultancy has made a number of far-reaching recommendations to significantly change the arrangements and management of Croydon Council's housing stock.

The Council has worked to deliver the necessary and significant governance improvements arising from the events outlined above during the latter part of 2020/21 and into 2021/22. Consequently, governance arrangements continue to be subject to change. This Statement sets out both the position as at the end of 2020/21 and, given the timing of this report, the actions continuing into 2021/22 to complete those improvements.

The Annual Governance Statement for 2019/20, originally agreed by General Purposes and Audit Committee in October 2020, has been revised to reflect the various external reports received in 2020 and 2021 which related to the Council's governance during that year. Improvement actions referred to in the revised 2019/20 statement are included and updated in this statement and in the action plan at Table 2.

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, 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 is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions.

The 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'). The code has not been reviewed and updated since 2017/18: a review is underway in 2021/22 for completion in November 2021.

The Annual Governance Statement (AGS) 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. Table 1 sets out progress in addressing significant areas for improvement in the 2019/20 AGS and Table 2 shows further actions to address areas of weakness identified in this statement. The Council is committed to ensuring that all identified activities in the AGS action plan are rigorously applied and monitored during the course of the year as part of its recovery plan and accountability is assigned for each specific identified risk and control measure.

The AGS has been reviewed in draft form by each directorate, the Executive Leadership Team (ELT), and the General Purposes and Audit Committee.

The Committee on Standards in Public Life report dated January 2019 made a best practice recommendation regarding separate bodies created by local authorities and how such bodies should be referenced in the Council's AGS together with the transparency expected from those bodies: '*Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place*'.

Croydon Council acknowledges that it has an 'arm's length' interest in the following organisations:

1. Croydon Council owns a 100% stake in the development company Brick By Brick Croydon Limited, which was established to deliver housing across a number of Council owned sites in the Borough. Activity in 2020/21 has continued, and group accounts have been prepared with Brick By Brick Croydon Limited. The Council took a decision in February 2021 to trade out 23 sites to completion and dispose of all of its remaining sites. It is anticipated that this process will be completed in 2023/4.
2. The Council has a 99% membership of LBC Holdings LLP which itself holds 10% holdings of the other LLPs in the structure. An independent charity, Croydon Affordable Housing, holds a 90% membership in each of the LLPs (other than LBC

Holdings LLP). The Council has entered into 80 year leases and 40 year loan transactions (amongst other agreements) with Croydon Affordable Homes LLP ('CAH') and Croydon Affordable Tenures LLP. A review of the financial accounting position in respect of CAH LLP is currently underway to address specific concerns raised by the Council's external auditor, utilizing the technical team at PWC, and is necessary as part of finalising the draft accounts for 2019/20 and 2020/21. Any financial reporting and financial implications arising from this will be analysed following this review and reported appropriately.

3. Croydon Council holds 40% of control of the board of Octavo Partnership Limited, which was created to deliver school improvement services across the Borough of Croydon and beyond and sells discretionary support services to schools directly whilst delivering statutory services on behalf of Croydon Council. Financial activity in 2020/21 was not considered material.
4. Croydon also owns a 100% stake in Croydon Enterprise Loan Fund Limited, which is a growth programme designed to support businesses in Croydon to access finance in order to start or grow a business. Group activity is not judged to be material.
5. Croydon owns a 100% stake in YourCare (Croydon) Ltd, a company that will carry out sales of aids to daily living equipment to the public. Turnover and balances are not considered material. Group accounts are not being prepared for Croydon Care Solutions Ltd, Croydon Equipment Solutions Ltd and Croydon Day Opportunities Ltd, as these companies have not traded during 2020/21, and any sums are immaterial.

In July 2021 Cabinet agreed the establishment of a Croydon Companies' Supervision and Monitoring Panel, chaired by the s151 Officer, to ensure good governance of the Council's external entities. The Panel will formally report at least biannually to Cabinet, making recommendations as appropriate.

Organisational structure and key responsibilities

The Council employs statutory officers to discharge specific functions. These include:

- The Head of Paid Service (the Chief Executive). This role was held on an interim basis from September 2020: a permanent appointment to the role was made in July 2021.
- The Monitoring Officer (the Council designated the role of the Executive Director of Resources as the Monitoring Officer in accordance with the Section 5 of the Local Government and Housing Act 1989). The Monitoring Officer role was covered by an interim Deputy Monitoring Officer from March 2021 following the absence on sickness leave of the postholder from February 2021.
- The Chief Financial Officer: the Council designated the Director of Finance, Investment & Risk (and Section 151 Officer) as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. This role was held on an interim basis from February 2021, following the resignation of the previous postholder. As at October 2021, the s151 Officer is the Corporate Director of Resources and reports directly to the Chief Executive.

Each has the power to refer certain matters to the Council. During 2021/22 a regular meeting of the statutory officers has been established, chaired by the Chief Executive, to discuss current issues and liaise regularly between meetings on matters affecting the governance of the authority. The statutory officers ensure the provision of professional advice on all decision-making reports to ensure legal, financial, risk management and equality implications are addressed, including compliance with the Public Sector Equality Duty. Going forwards the terms of reference for the meeting will be reviewed to ensure that declarations of interest are managed and any conflicts are routinely declared and to enable an overview of significant contractual arrangements, ensuring that appropriate documentation and compliance is in place.

The Council has also appointed officers with statutory responsibilities for adults and children, public health and scrutiny.

The Council's Executive Leadership Team includes all officers reporting directly to the Chief Executive: in February 2020 5 of the team were suspended and subsequently 4 officers resigned. During the latter half of 2020/21 these posts were all held by interim officers. The post of interim Assistant Chief Executive was added to the structure to build corporate capacity and to support the delivery of improvement actions. In February 2021 the Ethics Committee agreed a Statutory Chief Officer Disciplinary Procedure that is the JNC Model Disciplinary Procedure, for adoption by the Appointments Committee.

As part of the council's response to the Report in the Public Interest and the MHCLG Rapid Review a far-reaching review and consultation on the management structure of Croydon Council was launched in December 2020: the new organisational structure was approved by Full Council in July 2021 and will be implemented by November 2021. The new structure is designed to ensure the Council can deliver more effectively on its business strategy, address the significant service quality improvements and workplace culture changes required by having focused and sufficient management capacity and ensuring a more consistent, corporate and effective internal control system. The structure is a fundamental part of implementing the Croydon Renewal Plan.

Decision making and governance

The Council's arrangements for decision making and conduct of its statutory functions are set out in the Constitution. It contains rules for the conduct of decision-making meetings and the roles and responsibilities of members and officers.

There has been no systematic review of the Constitution in recent years: a comprehensive review is underway in 2021/22, informed by a member-led Constitution Working Group.

The Council's policy and decision making is conducted through the Leader and Cabinet governance model, with the exception of non-executive matters and the Policy framework, which is set by Full Council. Members are accountable for strategic and major policy decisions and hold officers to account for delivery against agreed outcomes. The annual revenue and capital budgets are consulted upon prior to consideration and approval by Full Council in March each year. This sets the level of Council Tax and capital investment for the forthcoming financial year.

The Council's meetings are open to the public, except where personal or confidential matters are being discussed.

The Chief Executive (and Head of Paid Service) and senior officers make decisions under their relevant Scheme of Authorisations and the financial scheme of delegation. The Chief Executive is responsible for ensuring the Council's overall governance and the organisational structure are fit for purpose to deliver the Council's intended outcomes.

The Council publishes a Forward Plan that details the key decisions to be made by the Leader, Cabinet, Committees or officers in relation to executive matters.

In February 2021, Council decided that a referendum should be conducted on its governance arrangements, the ballot to be held on 7th October 2021, and voters asked to choose between the current and mayoral models of governance.

The General Purposes and Audit Committee is responsible 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. The appointment of an independent chair of General Purposes & Audit Committee during 2021/22, as a recommendation of the MHCLG rapid review, is designed to enhance the Committee's effectiveness as a source of independent assurance. The Committee's Terms of Reference will be reviewed as part of the wider review of the Constitution.

The Chief Executive chairs a weekly meeting of the Executive Leadership Team to consider key items of business and ensure the organisation is delivering against the Administration priorities. The Executive Leadership Team meeting is attended by all Executive Directors, plus the Head of Communications and Director of HR.

Each Executive Director holds weekly Departmental Leadership Team meetings. These are used to support internal control processes (e.g. budget and risk management, monitoring of complaints, corporate performance) as well as key business within the department.

Directors are then responsible for cascading information down to Heads of Service (and vice versa) to ensure effective delivery of Council services and decision making in accordance with the scheme of delegation.

Overview and scrutiny

The role of scrutiny is to scrutinise the decisions of the executive and to contribute to policy review and development.

During 2020/21 the Centre for Governance and Scrutiny conducted a Scrutiny Improvement Review: their recommendations, to be implemented during 2021/22, will assist in strengthening the effectiveness of scrutiny.

Codes of Conduct

The Council has adopted a Code of Conduct for Members (including Co-opted Members): all Members are required to undertake to observe the Code of Conduct when they accept office as Councillors or are appointed to a Committee.

A review of the Members' Code of Conduct and arrangements for handling complaints on member conduct is underway during 2021/22, informed by recommendations by the Committee on Standards in Public Life and the new national Model Member Code of Conduct.

Details of Members' interests are published on the Council's website.

The 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 Members' Code of Conduct. The Monitoring Officer conducts investigations into complaints on Member conduct and, where appropriate, convenes meetings of the Hearings Panel.

The Council has appointed several Independent Persons who are consulted on investigations on Member conduct complaints and may advise on other standards matters.

The Council also has a Code of Conduct for Officers: all staff are given their own copy as they are inducted into the organisation. This Code will also be reviewed in 2021/22 to ensure consistency of arrangements for reporting interests, gifts and hospitality for Members and Officers.

The Codes are supported by Protocols such as the Protocol on Staff Councillor Relations and the Planning Code of Good Practice: these are all contained within the Constitution and will be reviewed as part of wider work on its review.

In addition, a 'Guardians programme' is being implemented in 2021/22 and promoted via a series of webinars, to provide staff with a safe space to share concerns about behaviour or the culture at Croydon and be signposted where appropriate to mechanisms within and outside the Council where they can get advice about situations that cause them concern – such as perceived bullying or inappropriate behaviour. This is an approach which is recognised as contributing to the development of an open culture.

The Croydon Renewal Plan

The Croydon Renewal Plan is an umbrella term that covers the financial recovery plan, the submission to the Ministry of Housing, Communities and Local Government for a capitalisation direction and actions to respond to the Report in the Public Interest (RIPI).

Updates are provided regularly to General Purposes and Audit Committee on progress in addressing the RIPI action plan and Internal Audit provides independent assurance of completed actions.

In November 2020 the Council adopted new Council Priorities and ways of working (replacing the Council's Corporate Plan 2018-2022) and this now forms part of the Council's policy framework. The focus of the new Priorities and Ways of Working is on practicing sound financial management, being transparent about spending and what the Council can afford by concentrating on core services, and a small number of evidence-based outcomes. Delivery of these priorities is supported by new ways of working:

becoming a more transparent, open and honest council, involving residents in decision making and being clear about what the council can do, and what it can't.

The savings projects within the Medium Term Financial Strategy have been prioritised in 2020/21 and in 2021/22 and beyond. Every project and action within the Croydon Renewal Plans has a clearly identified senior accountable officer (SAO) and a named project manager responsible for delivery. A Corporate Programme Management Office (PMO) is in place and works with the SAO and project managers to monitor progress against each project and to capture and report regular updates through a tracker system.

Each month, as part of the budget monitoring process, the PMO provides updates and insights on savings delivery which is then compared against service forecasts to identify any anomalies requiring further investigation. The Chief Executive chairs monthly savings assurance meetings to hold the SAO to account and to identify any risk areas, mitigating actions and savings.

During 2020/21 a Programme Steering Group was established to oversee delivery of key projects and programmes within the Croydon Renewal Plan. As these plans have developed and projects have mobilised, programme governance structures are under review with the intention to launch new arrangements in Autumn 2021.

During 2022/23 preparations will be made for the development of service plans for the year 2022/23, clearly linked to financial plans.

Performance and risk management

The RIPI identified signs that basic systems and controls were not in place, including a lack of appropriate performance management. From January 2021, work has been undertaken to rebuild the Council's performance and risk framework.

The performance management system sets key targets and produces performance monitoring reports for Cabinet and Scrutiny. The framework includes measures of the quality of services for users, use of resources and value for money. The corporate performance team supports benchmarking activities for services and key performance indicators (KPIs), drawing on sector wide data sets from various organisations including the Local Government Association.

The Council's risk management process is designed to identify, assess and manage significant risks to the Council's objectives including risks associated with delivering the Croydon Renewal Plan. The process includes a risk management policy statement, corporate and departmental risk registers, and appropriate staff training delivered to risk owners (Heads of Service and above).

Since January 2021, the Council has started to work towards an approach to risk management including actions consistent with the 'Three Lines of Defence' model recognised by the Institute of Internal Auditors and HM Treasury 'Orange Book' standards, as good practice. The first 'line of defence' is implemented by the risk owners (the Council's departments, Executive Directors, Directors and Heads of Service) to ensure an effective control environment, implement risk management policies in relation to their roles and responsibilities, being fully aware of the risk factors to be considered in every decision and action. The second line of defence is the

maintenance of a risk management framework and compliance functions, in supporting structured risk management implemented by risk owners. The third line of defence is implemented by both internal and external audit who take an independent view of the application of risk management, reviewing and evaluating the design and implementation of risk management and the effectiveness of the first and second lines of defence. Work is now required to ensure that this approach is embedded consistently across the Council.

Key corporate risks are reviewed quarterly by the Divisional and Departmental Management Teams, Executive Leadership Team and General Purposes and Audit Committee (GPAC). This has been strengthened in 2020/21 with the agreement that risk management 'deep dives' on individual risks (attended by Cabinet Members to discuss mitigation actions) will take place at GPAC in addition to a monthly review of corporate 'red' risks by ELT.

The action plan in response to the RIPI includes actions to increase ownership of and capability for risk management across the Council, including risks of non-delivery of financial savings. This includes:

- An externally-led review of the Council's financial risk appetite with Members and Officers to ensure that the council's financial capacity for managing risk is fully understood.
- A development session for Cabinet on risk management, to be followed up during 2021/22.
- 1-1 training sessions for relevant Officers on the identification of risks and use of risk management software, to be extended to all Directors and Corporate Directors in the new council structure from October 2021.
- During 2021/22, reporting on finance, performance and risk will be combined into one reporting function to enable a corporate overview, with monthly reports to Cabinet.
- Ensure risk considerations are identified at the outset of all new decisions, both for the individual decision and its impact on the whole of the Council by way of the risk and financial impact sections of Member reports.
- All new programmes of work will be subject to sign off at a Programme Steering Group to ensure appropriate consideration of risk.
- Terms of reference for GPAC and Scrutiny and Overview Committee are being reviewed as part of a wider review of the Constitution, to ensure clarify of roles and responsibilities in relation to risk.

Systems, policies and procedures

A new process was begun in June 2020 to develop a new three-year Medium Term Financial Strategy (MTFS) which is updated annually supporting the Council's strategic objectives. The financial strategy has been designed to ensure the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing. There is still significant work required to balance the MTFS over the three years.

An independent review of the Council's financial management arrangements was commissioned in May 2020, focused on medium to long term financial management, the annual budget setting process and financial performance monitoring. An action plan has been developed and implementation is underway. Since the Section 114 reports were issued, a Spending Control Panel meets daily to ensure compliance with the

requirement to cease all non-essential spending. An essential element of the improvement plan is for all budget managers to have training in finance for non-finance managers.

A Procurement Board meets weekly with director-level attendance to ensure compliance with the Council's Contract and Tender Regulations, holding managers to account and providing challenge to ensure that the use of waivers is minimised. Internal Audit identified a number of improvements required to tender evaluations, contract frameworks, systems and documentation. These are being addressed in a contracts improvement plan to be approved in 2021.

The Council identified a need to develop a more strategic overview of the pipeline of commissioning and contracts and in 2021 has set up a Board to achieve this.

While the Council's capacity in relation to project and programme management has been strengthened through the establishment of the PMO, significant underspends on capital projects continue and considerable work is still required to ensure robust management of capital projects, including financial appraisal skills for those leading projects.

The Council's formal complaints policy sets out how complaints can be made by the public, what should be expected in terms of response and how to appeal. Lessons learned from complaints are reported in an annual report to directorate leadership teams and ELT.

The Local Government and Social Care Ombudsman issued one public report about the Council during 2020/21: the Council accepted the Ombudsman's final report and recommendations and the Ombudsman confirmed their satisfaction with the actions taken.

The Council has an anti-fraud and corruption policy and strategy, led by the Council's head of anti fraud, which is being reviewed in 2021/22. This is supported by the whistleblowing policy which enables staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified and is supported by a whistle blowing hotline supported by a third sector partner. The policy and associated training is being reviewed in 2021/22.

Responsibility for health and safety ultimately rests with the Chief Executive. To ensure this responsibility is discharged effectively across the Council the Corporate Health and Safety Panel and departmental subgroups are established: their role includes monitoring of statistics, safety audit reports and trends of accidents, dangerous occurrences and notifiable diseases and making recommendations for and monitoring progress on corrective action on unsafe and unhealthy conditions and practices. The Panel also monitors the effectiveness of health and safety training and communications and escalating any issues to ELT as appropriate. The Panel is chaired by an executive director and attended by departmental representatives, the corporate health and safety team and trade union representatives. During the COVID pandemic routine safety checks, a review of the Council's health and safety policy and terms of reference of the Panel were delayed. These reviews and actions to address the backlog are scheduled for 2021/22.

The Information Management Steering Group (IMSG) leads the Council's strategic approach to governance of information management. Chaired by the Council's Chief Information Officer and Senior Information Risk Owner (SIRO), its membership includes the Caldicott Guardian, Data Protection Officer, Information Manager and key service leads. The Group's role is to support the Council to ensure compliance with Data Protection, Freedom of Information (FOI) and Caldicott requirements and assist in making good Information Management (IM) part of the culture of the Council. The Group provides advice to the Executive Management Team in respect of IM issues/incidents and has an overview of the Council's compliance with policies, procedure and guidance and commissions reviews of policies, procedure and guidance as appropriate.

The Council is not meeting targets for responses to FOIs and Subject Access Requests. There are plans to move the Information Management service to a new directorate and improve the management of the process and reporting in 2021/22.

The Report in the Public Interest highlighted a number of gaps in information which may have contributed to poor decision making. Work is underway to ensure that the Information Management team is appropriately structured and staffed, and to develop a programme of improvement work in relation to document retention, data protection and associated training.

The Council's approach to safeguarding both in relation to vulnerable adults and children is led by executive directors for adult social care and children's families and education respectively and also subject to the relevant statutory inspections. The Croydon Safeguarding Adult Board and Children's Safeguarding Practice Review and Quality Improvement Group are all chaired independently, as is the Children's Improvement Board.

Learning and organisational development

Members' induction training is undertaken after each local government election. In addition, an ongoing 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. The development of the programme is overseen by a member-led Member Development Panel: the programme for 2021/22 includes training identified as a requirement by the Report in the Public Interest.

Staff developmental needs are identified through the Council's Appraisal Scheme. The Council's Learning & Organisational Development service delivers and/or commissions a suite of elective and mandatory courses, children's and adult social care specialisations in a variety of formats including e-learning through a centralised learning management system. Work is underway in 2021/22 to revise and reintroduce the corporate virtual induction programme, 'Welcome to Croydon', to be delivered to all new staff joining the Council, supplemented by department specific elements.

Working in partnership

Many of the Council's services are delivered in partnership with commercial organisations and, increasingly, with other local public sector organisations. Internal Audit has identified areas for improvement in relation to contracting with the NHS which are being addressed in a contracts improvement plan.

The One Croydon alliance is a partnership between the local NHS, the Council and Age UK Croydon, seeking to offer more coordinated support for people's physical and mental health and wellbeing.

The Local Strategic Partnership (LSP) supports partners to coordinate priorities and actions across Croydon. The Partnership is led by a board made up of the Leader, relevant Cabinet Members, relevant Chief Executives or equivalent from a wide range of key partners and stakeholders.

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.

The LSP has a number of sub-groups coordinating activity along particular themes:

- Safer Croydon Partnership
- Health & Wellbeing Board
- Children and Families Board
- Sustainable Croydon Economic Renewal Board

The LSP had one priority in 2020/21 – the COVID-19 pandemic response. The LSP is considered to have functioned very effectively during the 2020/21 year. It met much more frequently than usual, at times weekly. The LSP supported partnership work in Croydon in sharing the latest information, issues and priorities in responding to the pandemic.

It is clear that the impact of the pandemic will result in long-lasting changes for communities in Croydon, and the LSP will make Covid recovery its key focus going forward. Therefore the focus of the LSP will be reviewed in 2021/22. This review will also include the current Community Strategy (which has not been withdrawn formally). Croydon's recovery plan (social and economic) internal and external will have a connection with the LSP.

Internal audit

The Council maintains an Internal Audit service delivered by Mazars as part of 'The Apex Framework' providing local authorities including Croydon with internal audit resources in a tried and tested framework that operates 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). The Council's contract with Mazars is cliented by the Executive Director of Resources.

Internal audit is responsible for monitoring the quality and effectiveness of the Council's governance, risk management and controls. An internal audit plan is compiled annually for the work to be undertaken, which is submitted to the General Purposes and Audit Committee for review and approval. The plan is informed by the results of the previous

year's audit and follow-up work by Internal Audit, the Council's risk registers and discussions with senior managers, directors and members of the Council's Executive Leadership Team.

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 to General Purposes and Audit Committee at each meeting.

In addition to the quality assurance processes in place, the Internal Audit function is reviewed annually by the external auditors and every five years by an external body to assess compliance with the Public Sector Internal Audit Standards (this is next due for Croydon in 2022).

As required by the Accounts and Audit (England) Regulations, the Director of Finance, Investment & Risk (& Section 151 Officer) reviewed the effectiveness of the Internal Audit service during the year and reported this to the General Purposes & Audit Committee which 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.

The Annual Report of the Head of Internal Audit for the year ending March 2020/21 provided only Limited Assurance that the system of internal control accorded with proper practice. 56% of the overall audits undertaken had 'Limited' or 'No' assurance, with 71% of internal audits of systems falling into these categories. The following internal audits from the 2020/21 internal audit plan had limited or no assurance:

- Payments to schools (limited)
- Overtime payments (limited)
- Service based budget monitoring across the organisation (limited)
- Staff expenses (no)
- Clinical governance (limited)
- Disabled facilities grants (limited)
- Public health grants contracts management (sexual health) (limited)
- Temporary accommodation: standards in private sector (limited)
- Overtime payments- parking services (limited)
- Special Educational Needs Transport- safeguarding (limited)
- Right to work checks (limited)
- Procurement card expenditure (under COVID-19) (no)
- Cyber security (limited)

During the year, Internal Audit identified:

- Issues with contract letting, monitoring and management across the Council;
- Instances where privacy notices relating to the collection of personal data were missing or were no longer fit for purpose;
- General compliance issues in basic areas of governance and control;
- A number of schools in deficit.

The Council has action plans to address these issues and Internal Audit will be involved in further audits of these areas. In 2021/22 ELT is starting to review on a monthly basis the management actions arising from internal audits, ensuring that historic and current actions are implemented and improvements to systems and controls are made as

appropriate.

External audit

The Council's external auditors are Grant Thornton. During 2020/21 they issued a Report in the Public Interest in relation to the Council's financial situation, its financial decision-making and governance and made 20 recommendations. Actions to address those recommendations are referenced throughout this Statement.

The external audits of the Council's accounts for 2019/20 and 2020/21 are ongoing.

The annual audit letter is compiled in accordance with the National Audit Office (NAO)'s Code of Audit Practice which reflects the requirements of the Local Audit and Accountability Act 2014. Grant Thornton complies with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Reviewing the effectiveness 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 Statutory Officers and Directors with responsibility for the development and maintenance of the Council's governance keep the effectiveness of the Council's governance framework under review. The processes which maintain the effectiveness of the governance framework include:

- The Council's Constitution, which sets out how decisions are made and the procedures that are followed to evidence open and transparent policy and decision making, ensuring compliance with established policies, procedures, laws and regulations.
- The Council's internal management processes, such as performance monitoring and reporting, the staff performance appraisal framework and monitoring of policies such as corporate complaints and health and safety policies;

A 'Re-Induction' of all managers to focus on key accountabilities and corporate objectives as part of the appraisal process is planned for the forthcoming year as part of changing and improving the culture of the Council;

- The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution (4H). 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);
- Review by the executive and departmental leadership teams of departmental and corporate risk registers;
- The annual report of the Head of Internal Audit, the opinion of the external auditors in their reports and annual letter;

- Findings from fraud and whistleblowing investigations;
- The work of Overview and Scrutiny Committees and General Purposes and Audit Committee;
- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

The 2019/20 Annual Governance Statement has been revised to reflect weaknesses which were identified in the Council's governance framework during 2020/21. A financial governance review identified 75 recommendations which have been accepted by the Council and the action plan to address them is reported on to GPAC. A Finance Review Board has operated throughout 2020/21, and control arrangements on some of the Council's partly or wholly owned companies are being strengthened.

In 2020/21, work to improve the Council's governance framework has been further informed by the Rapid Review, the Report in the Public Interest and the Scrutiny Improvement Review. A review of the Council's assurance framework, informed by the NAO's Three Lines of Defence model, will be conducted in 2021/22.

In future years the Annual Governance Statement will also be underpinned by Corporate Director Assurance Statements, as have been used in the past. These have not been sought for the 2020/21 year due to the significant level of improvement actions addressed by external reviews and work underway to address them. A review of the approach to assessing and recording assurance statements will take place in 2021/22 in preparation for the next Annual Governance Statement.

COVID-19 Pandemic Response

In addition to the other issues raised in this statement the COVID-19 pandemic necessitated an adaptation to Croydon's governance approach and in the application of many of its frameworks, with a shift of resources to support the ongoing delivery of 'life and limb' Priority 1 services during the 2020/21 year. 2021/22 has seen a gradual return to normal systems of governance, for example return to physical meetings dealing with council business, in line with the Government's roadmap to recovery.

Significant governance issues

In **Table 1**, there is an update on progress in addressing issues identified in the 2019/20 Annual Governance Statement.

Table 2 lists actions underway to address areas for improvement identified in 2020/21, including governance-related recommendations in the RIPI, the non-statutory 'rapid review', the governance review and scrutiny improvement review.

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Table 1- update on significant governance issues identified in 2019/20:

The review process to support the production of the Annual Governance Statement for 2020/21 has provided updates on significant governance issues identified in 2019/20:

Control area	Governance issue	Action taken	Responsible owner for subsequent action
Budget management	A high risk that the 2020/21 budget is not managed within allocated resources	<p>The Finance Review Panel was established to help manage the in-year budget and plan the Medium Term Financial Strategy (MTFS), meeting until July 2021 until its work was incorporated into Business as Usual activity.</p> <p>The agreed MTFS has established a balanced and deliverable budget for 2021/22 and has recognised the level of further savings required in 2022/23 and 2023/24 to balance those years' positions. Work has commenced corporately to identify options to deliver further savings or additional income sources to address this identified gap whilst at the same time identifying the position for 2024/25 as part of the next MTFS refresh.</p> <p>The Croydon Companies' Supervision and Monitoring Panel has been established to ensure good governance of the Council's external entities.</p>	<p>Cabinet Member for Resources & Financial Governance.</p> <p>Interim Director of Finance, Investment & Risk (& Section 151 Officer).</p>
Budget management	Internal audit work during the year identified a number of issues relating to financial	<p><u>Adult social care:</u> New ContrOCC system to support contract and budget management went live in September 2020.</p>	Cabinet Member for Children, Young People & Learning.

Control area	Governance issue	Action taken	Responsible owner for subsequent action
	<p>management within the adult and children's social care teams.</p>	<p>A spend control panel meets daily to consider all new and reviewed package of care requests.</p> <p>All budget holders report monthly on spend and forecast, reviewed by the senior management team as a whole and the Executive Leadership Team, with a briefing to the Cabinet Member, enabling timely and appropriate action/ escalation.</p> <p>All new proposed financial efficiencies must be validated by the head of finance in terms of their achievability before projects can be progressed for corporate sign off.</p> <p><u>Children's social care:</u> Monthly reconciliation of placements made, purchase orders receipted and payments made completed.</p> <p>The DfE- appointed Financial Adviser challenged and validated the P9 and P11 placements forecasts, making recommendations that will be incorporated into financial procedures in 2021-22. The Care Panel and Care Review Panel continue to meet, challenging entry to care and agreeing the support needed to secure reunification where it is safe to do so.</p> <p>All payments for placements for children looked after are now made through the ContrOCC</p>	<p>Cabinet Member for Families, Health & Social Care.</p> <p>Executive Director / DCS Children's, Families & Education.</p> <p>Executive Director / DASS Health, Wellbeing & Adults.</p> <p>Director of Early Help & Children's Social Care.</p> <p>Director of Operations (ASC).</p>

Control area	Governance issue	Action taken	Responsible owner for subsequent action
		system, with plans to move all children with disability payments onto the system by September 2021.	
Procurement	During the course of internal audit work during 2019/20, a number of issues were identified with contract letting, monitoring and management.	<p>An accurate up-to-date contracts register/pipeline is now in place</p> <p>Legacy arrangements have been reviewed and actions are underway in response</p> <p>New governance has been designed and being implemented in Quarter 2 2021/22.</p> <p>New practice related to electronic scoring is being embedded</p> <p>A Contracts Improvement Plan is in place, being reported to Cabinet Members and Executive Leadership Team.</p>	<p>Cabinet Member for Resources & Financial Governance.</p> <p>Executive Director for Resources & Monitoring Officer.</p> <p>Director of Commissioning & Procurement.</p>
Data protection/ GDPR	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, and that agreements with 3 rd parties did not always address this issue adequately.	<p>The intranet has been further reviewed with a view of making further changes in 2021/22 to make information simpler and easier to find.</p> <p>A review of service-specific Privacy Notices across the council is underway.</p> <p>The Council's legal team reviews all service requests for new Privacy Notices.</p> <p>The introduction to GDPR training remains a compulsory requirement for all new starters: 1,067</p>	<p>Cabinet Member for Resources & Financial Governance.</p> <p>Executive Director for Resources & Deputy Monitoring Officer.</p> <p>Interim Director of Law & Governance.</p> <p>Statutory Data Protection Officer.</p>

Control area	Governance issue	Action taken	Responsible owner for subsequent action
		staff members have completed the GDPR mandatory course. Since January 2021 731 staff members have completed the refresher course on GDPR.	

Table 2 – Significant governance issues identified in 2020/21:

This table includes new job and team titles introduced in November 2021.

Control area	Governance issue	Action	Responsible owner	Timescale
Access to information for members	Improvements required to access to information for Members	Adopt Access to Information Protocol	Corporate Director of Resources	January 2022
		Commence publication of Forward Plan		December 2021
Anti-fraud, corruption, whistleblowing	Review of anti-fraud and corruption policy overdue	Review and revise anti-fraud and corruption policy and strategy	Corporate Director of Resources	November 2021
Anti-fraud, corruption, whistleblowing	Review of whistleblowing policy and training overdue	Review and revise whistleblowing policy and implement training programme	Corporate Director of Resources	December 2021
Audit	Strengthen the effectiveness of General Purposes and Audit Committee as a source of independent assurance.	Recruit Independent Chair for General Purposes and Audit Committee	Corporate Director of Resources	COMPLETED - September 2021
Audit	Rapid review recommendation to produce a more robust	Benchmark the Council's assurance framework against the National Audit	Corporate Director of	March 2022

Control area	Governance issue	Action	Responsible owner	Timescale
	assurance framework	Office 'Three Lines of Defence' model	Resources	
Audit	Ensure appropriate corporate ownership of and engagement with the Annual Governance Statement	Develop new process for 2021/22	Corporate Director of Resources	March 2022
Audit	Ensure senior oversight of delivery of internal audit management actions	Monthly reviews at ELT of management actions arising from internal audit reports	Corporate Director of Resources	September 2021
Financial management	Recommendations arising from independent review of the Council's financial management arrangements	Implement Croydon Finance Review Finance training for non-finance managers	Corporate Director of Resources	March 2022 March 2022
Capital finance management	Recommendations arising from independent review of the Council's financial management arrangements	Establish Capital Board Review capital programme, establish monthly capital monitoring and strengthen capital project management Financial appraisal skills training for project leads	Corporate Director of Place Corporate Director of Resources	July 2021 March 2022 March 2022
Governance	Code of governance not reviewed since 2015/16	Review Code of governance alongside Annual Governance Statement	Corporate Director of Resources	November 2021
Governance	Review of Constitution overdue	Review Constitution, informed by Constitution Working Group and wider engagement as appropriate, supporting development of member/ officer	Corporate Director of Resources	March 2022

Control area	Governance issue	Action	Responsible owner	Timescale
		awareness of good governance and clarify senior officer ownership		
Governance	RIFI requirement to strengthen governance of the Council's external entities	Croydon Companies Supervision and Monitoring Panel established	Corporate Director of Resources	COMPLETED - July 2021
Health and safety	Review of effectiveness of health and safety arrangements overdue	Review effectiveness of Health and Safety Board and implement actions arising	Corporate Director Place	March 2022
Information Management	Review of record retention policy and procedures overdue Staff training required to ensure consistent implementation of policies Appropriate capacity required to deliver improvement work	Restructure Information Management team and complete recruitment Develop and implement programme of work to ensure all policies and training are updated and backlogs addressed.	Assistant Chief Executive	March 2022
Leadership	Executive Leadership Team postholders all on temporary/ interim contracts	Appointment of permanent Chief Executive Implementation of senior management restructure	Leader of the Council Chief Executive	COMPLETED - July 2021 November 2021
Leadership	Assure compliance in relation to the largest/ highest risk contracts	Establish quarterly statutory officers meetings Review terms of reference to include review of compliance and potential conflicts of interest	Chief Executive	COMPLETED - June 2021 November 2021
Member/ officer	RIFI requirement to review	Review and adopt new Member Code of	Corporate	October 2021

Control area	Governance issue	Action	Responsible owner	Timescale
conduct	Member and Officer Codes of Conduct (and to reflect recommendations of Committee for Standards in Public Life)	Conduct Review and adopt new Officer Code of Conduct Review and adopt new Councillor Officer Working Protocol	Director of Resources	October 2021 March 2022
Member/ officer conduct	Provide signposting for staff to take action in situations causing them concern in the workplace	Introduce Guardians programme	Assistant Chief Executive	COMPLETED - July 2021
Member skills and development	Requirement for member development programme to address recommendations of RIPI	Implementation of member development programme, linked to scrutiny improvements and budget scrutiny	Corporate Director of Resources	March 2022
Officer skills and development	Officer induction programme currently paused	Revise and reintroduce officer induction programme	Assistant Chief Executive	November 2021
Performance management	RIPI action to introduce regular reporting of performance and risk to Cabinet and Scrutiny	Develop and publish a corporate performance report for review by Cabinet and Scrutiny	Assistant Chief Executive	COMPLETED - October 2021
Procurement	Develop strategic commissioning and ensure appropriate oversight	Establish Strategic Commissioning and Contracts Board and contracts and commissioning pipeline Maintain Board and pipeline ongoing	Assistant Chief Executive Corporate Director of Resources	June 2021 Ongoing
Procurement	Address areas for improvement in procurement and contracting identified by Internal Audit	Adopt Contracts Improvement Plan Maintain improved practice ongoing	Assistant Chief Executive Corporate	COMPLETED - September 2021

Control area	Governance issue	Action	Responsible owner	Timescale
			Director of Resources	Ongoing
Risk management	Ensure all CMT and directors understand their roles and responsibilities in relation to risk management	CMT to review 'red' risks monthly 1:1 refresher training for all CMT and directors, update risk management guidance.	Corporate Director of Resources	April 2021 March 2022
Risk management	Benchmark against best practice standards in public sector risk management (in particular HM Treasury 'Orange Book')	Implement actions arising from RIPI relating to risk Implement further actions arising from benchmarking	Corporate Director of Resources	March 2022
Scrutiny	Areas for improvement in the scrutiny function	Adoption and implementation of scrutiny improvement programme, including budget scrutiny	Corporate Director of Resources	March 2022
Service planning	Lack of service-level plans linked to Croydon Renewal Plan	Develop process and approach to service planning for 2022/23	Assistant Chief Executive	March 2022
Transparency	Publication Scheme information not current	Establish and implement processes to ensure Publication Scheme appropriately updated	Assistant Chief Executive	March 2022

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.....

Katherine Kerswell

Signed.....

Hamida Ali

Chief Executive

Date.....

Leader of the Council

Date.....