

## Audit & Governance Committee

Meeting of held on Thursday, 21 September 2023 at 6.30 pm in Council Chamber, Town Hall, Katherine Street, Croydon, CR0 1NX

### MINUTES

**Present:** Dr Olu Olasode (Independent Chair) ;  
Councillor Matt Griffiths (Vice-Chair);  
Councillor Claire Bonham, Simon Brew, Endri Llabuti and  
Nikhil Sherine Thampi

**Also Present:** Councillor Nabukeera

**Apologies:** Councillor Enid Mollyneaux  
Councillor Sean Fitzsimons

### PART A

12/22 **Disclosure of Interests**

There were none.

13/22 **Minutes of the Previous Meeting**

The minutes of the previous meeting were agreed as an accurate record pending the inclusion of Scrutiny Health and Social Care Sub Committee and an edit to the figure within the Financial Accounts 2019-20 item, as the capital receipt generated had been for £112 million not £75 million.

14/22 **Urgent Business (if any)**

There were no items of urgent business.

15/22 **Audit & Governance Committee Action Log**

Officers agreed to provide updates for due actions.

16/22 **Audit & Governance Committee Work Programme 2023-24**

Dave Philips, Head of Internal Audit advised a first draft of the assurance mapping following the assurance mapping workshop would be developed and brought to Committee for review alongside the Committee Work Programme.

The Committee requested Officers to ensure future training arrangements did not create clashes with other Committees where possible.

## Update on Cultural Transformation Programme

Elaine Jackson, Assistant Chief Executive introduced the report for members and Dean Shoesmith, Chief People Officer gave their People & Cultural Transformation Update presentation to the Committee. Officers agreed to share the progress pillars slides with the Committee. There had been significant activity across the organisation and a recognition of the impact previous culture and the Report in the Public Interest (RIPI) had on staff. Efforts were ongoing to ensure staff felt able to speak out on issues and to build trust from the roots of the organisation.

The Committee queried the governance arrangements in place and how it could have assurance on its effectiveness. Officers advised following the adoption of the new organisational model in July 2021 a review of the council's governance model had been undertaken. As a result the Equality Diversity and Inclusion and Workforce Internal Control Boards had been established. These encompassed staff from across the council at all levels of seniority, were chaired by the Chief Executive and reported to Corporate Management Team meetings (CMT) each month. Additionally, a Transformation Board had been established in January 2022 to oversee service delivery work programmes. The newly recruited Director of Transformation was working closely with the Chief People Officer to support the alignment of the cultural transformation and programme delivery. Officers advised their attendance and reporting to Audit and Governance Committee would provide assurance and suggested it would be beneficial for the Committee to hear directly from staff in the future.

The Committee was pleased to note best value for residents was included but queried whether any benchmarking data had been utilised. On best value, officers noted that control mechanisms such as the spending control panels were in place but advised that the council was at the beginning of a journey to embed staff ownership of best value. The council had created internal data dashboards for workforce equality, diversity and inclusion (EDI) which profiled the workforce and reported to the EDI Internal Control Board. Progress towards greater representation within the workforce had been made. There had been issues with staff non-disclosure of their protected characteristic information which had now improved following internal awareness-raising campaigns. Dashboards for supporting internal data reporting on recruitment were used to monitor recruitment practice improvements. Benchmarking from London Councils which included the Human Capital Metrics datasets which covered a range of metrics e.g., staff turnover, sickness absence and staff EDI profiles analysis was used; however this did not cover all areas.

The Committee noted the presentation had not been made available to Members ahead of the Committee meeting, making it challenging to prepare for the discussion and members of the public wishing to

understand the agenda item would not have the detail of the presentation. The Committee requested officers to include a summary of presentations within their reports in future. Officers advised the presentation was internal, but a shareable version could be made available.

The Committee asked how the council was ensuring the engagement of all staff particularly those less willing to engage. Officers felt it was inevitable to have some staff who were more engaged; however all staff members were encouraged to engage and inclusivity was prioritised. The success of the culture change work was being measured by engagement, for example in staff and pulse surveys, focus groups and drop-in sessions. An upward trajectory of engagement would suggest cultural improvement, but this was anticipated to take some time. There had been targeted engagement with harder to reach staff, such as those who may not use the intranet regularly. The staff guardians programme, developed in conjunction with The Old Vic to create safe spaces for staff to discuss issues, was in place and had recently supported front line worker engagement.

The Committee asked how new transformation staff appointments were being managed when faced with the historical cultural challenges. Officers advised cultural transformation work was not happening in isolation, any new staff members were embedded and working alongside colleagues as part of teams with clear messaging on delivery plans.

The Committee queried the attendance figures of 1,535 staff at the programme development events and whether this was unique individuals. Officers advised attendance had not been mandatory and was a reasonable sample size to inform change that had been considered.

In response to questions officers advised budget monitoring training for managers had been conducted in teams with a good spread across the council and positive feedback. However, this had highlighted the need for further training. There had also been widespread Housing Revenue Account (HRA) training and following the appointment of the lead officer for Oracle change management, the training for the new system's implementation would be starting soon. It was noted that all training had been welcomed and received positively by staff.

The Committee asked if a complaint handling system and whistleblowing safety net were in place. Officers confirmed the whistleblowing process had been in place for a number of years and ensured individuals' anonymity unless their complaint was vexatious. There were several qualified assessors across the council and the Monitoring Officer's regular whistleblowing update report was due to come to October committee. There had been concerted effort to promote the whistleblowing process to staff. It was noted the ultimate whistleblowing contact was Paul Dossett, Grant Thornton, the external auditor. The Guardians network was also an early opportunity for concerns to be raised in a less formal manner.

The Committee asked officers to explain the performance management policies in place, particularly regarding managers and how non-compliance was dealt with. Officers advised the performance management system had been simplified for the current year's appraisal round. Monitoring of staff skills and accountability was sporadic across teams at present. Refresher leadership and management training would form an important part of the cultural transformation and improvement work. The performance management capability procedure was in place and utilised when needed. Staff grievance data was recorded and monitored for formal staff complaints. A workplace mediation scheme had recently been introduced as an alternative complaints resolution system based on good practice at other local authorities, and its ability to resolve complaints early and close to the point of origin. EDI data was monitored to identify any disproportionate impacts. Exit survey data from staff leavers was also monitored.

In response to questions officers confirmed the number of staff employed by the council was approximately 3,200 full time making engagement of 1,535 staff around 50%.

The Committee asked how the council's turnover and absence statistics compared with Croydon historically and with other London councils at present. Officers agreed to provide reporting on workforce data to the committee in future. Croydon was sometimes above average London turnover. However, this needed to be considered in the context of the council's financial position, subsequent reductions and enforced turnover.

In response to questions officers explained the Reciprocal Mentoring Pilot was a two-way process for staff to feedback to and receive mentoring from senior leaders.

The Committee queried the impact of Covid-19 on the development of the transformation programme. Officers advised Covid had enabled the council to realise new ways of working. However, there were also challenges with some staff being more isolated. Utilisation of MS Teams promoted greater engagement, for example in online staff 'Tea Talks'.

The Committee queried whether there had been external input and/or consideration of best practice at other local authorities. Officers advised several external organisations had supported the work including the Local Government Association (LGA), The Chartered Institute of Public Finance and Accountancy (CIPFA), and London Councils, and that Croydon had partnered with culture change experts Beyond Business School (BBS) on the culture change work. The draft People and Cultural Transformation Strategy had been shared with London Councils and received input from its regional secretary who critiqued the strategy and fed into its development.

The Committee requested future reporting on the implementation of action plan, governance and benchmarking of people and workforce.

18/22

### **Annual Treasury Management Report 2022-23**

Matthew Hallett, Pension Fund Investment Manager introduced the report to the Committee. The report was based on the Treasury Management strategy set in March 2022. The Treasury Management aim was to ensure cash availability for ongoing expenditure and investment of excess balances. The report confirmed there had been no liquidity events and where investments had been made these complied with counter-party limits. On the capital programme the borrowing figure at 2022/23 year end was £1.73 billion with external borrowing at £1.345 billion, resulting in an under-borrowed position and internal borrowing (use of reserves) of £380 million. This was within the limits set by the 2022 strategy, the authorised borrowing limit was £1.674 billion and the council had averaged £1.385 billion with a maximum £1.435 billion over the year. There had been £87 million of external borrowing repaid and the effective interest rate 2.8% had been under the target set for interest payable by approximately £5 million.

The Committee queried whether there was risk attached to internal borrowing's use of reserves particularly if the council needed large expenditure in a situation such as Covid. Officers advised the Committee that the council maintained a cash balance of approximately £100 million, the council's monthly working capital was £40-50 million monthly and anything above £100 million was utilised to repay borrowing, leaving a £50 million cushion.

The Committee RESOLVED to: note the contents of the annual report on the treasury management activity for 2022/23.

19/22

### **Annual Head of Internal Audit Report**

Dave Phillips, Head of Internal Audit introduced the annual report to the Committee, noting the report was an annual requirement in line with the Public Sector Internal Audit Standards. The report gave the council an overall Limited Assurance level, and highlighted the key issues based on the work undertaken by Internal Audit. Some were recurring issues and the challenge was to progress these. An update on those outstanding issues would be included in the Annual Governance Statement update report due to come to the Committee in October. Updates on the implementation of Internal Audit recommendations were also included in the report and the council had made some good progress on actioning recommendations.

The Committee noted the limited assurance level had not been a surprise in previous years but queried the higher level of nil assurance reports, indicating a downturn during the reporting period, and what this implied about the improvement environment generally.

Officers noted there were areas of improvement; for example, corporate governance had been upgraded from unsatisfactory to satisfactory. It was found while top level governance had improved, the lower levels still required improvement. Many of the previous year's reports were working through the backlog of historic recommendations which had taken some time, due to issues such as staff turnover or recommendations requiring systems change work to be completed. The Limited Assurance level had been expected due to the issues unearthed during the opening the books exercise in 2022/23 and the Section 24 recommendations and interim reports by the external auditors. Improvements in engagement with the Annual Governance Statement (AGS) process had been made across the organisation. Engagement with internal audit reports had generally improved compared with the previous year and CMT was monitoring this closely. A session with Mazars was planned to improve the process. Officers noted plans to bring the AGS to Committee before the summer in 2024 and hoped it would show assurance improvements but noted there were still areas requiring improvements such as financial and HR systems. Audit reports also tended to be backward looking, due to the nature of gathering evidence, so were not as reflective of recent improvements.

The Committee raised concerns around limited/non-engagement by teams and queried if this was due to capacity or cultural issues. The Committee asked for an approximate breakdown of slow engagement versus complete non-engagement. The Committee also queried the report citing 'further strengthening of financial internal controls have taken place' despite the assurance being down in comparison with the previous year.

Officers advised that of 80 Internal Audit reports planned there were 2 or 3 where non-engagement had been an issue. This had been raised at the CMT focus group. Staff were reluctant to engage due to capacity and a culture of teams working in silos, which was something the organisation was working to improve. Internal Audit planned to implement a calendar of audits for the year to provide greater notice to management. There was work to be done to change organisational perception of audit to something that was useful and positive. The planned workshop with CMT on engagement improvement and building relationship between Mazars and managers would support this. The Committee agreed showcasing improvements and how engagement with internal audit could be an effective tool would be useful to take forward. Officers confirmed any non-engagement was reported to CMT, which was ultimately reported to Audit and Governance Committee, which could then invite the officers to attend meetings. The Committee requested the issues raised be included in future reporting.

The Committee RESOLVED to: note the Head of Internal Audit Report 2022/23 (Appendix 1) and the overall Limited level of assurance of the Council's systems of internal control.

## **Dedicated Schools Grant (DSG) Deficit Management Plan**

Shelley Davies, Director of Education introduced the report to the committee and explained the expectation on local authorities setting a deficit budget in relation to the dedicated schools grant to have a management plan in place, to set out the pay down of the cumulative deficit and reduce in-year spend. Croydon's overspend had been reduced from £5.4 million to £2.05 million over the past two years. Croydon's position as part of the safety valve programme required liaison with the Department for Education (DfE) and signing of a safety valve agreement which outlined how the council would reduce its in year overspend to zero and subsequently receive grant funding from central government over 3 years to pay off the culminative overspend. Croydon had received the first two tranches of payment and was working to meet the Key Performance Indicators (KPIs). Officers assured the committee the council was monitoring against the KPIs regularly and noted the balance of focussing both on finance and ensuring it was meeting the needs of children and young people with Special Educational Needs and Disabilities (SEND).

Charles Quaye, Principal Accountant highlighted the success within the service of meeting the non-financial targets and noted the good performance of the deficit management plan. Last year's balance had been £15.384 million and this was expected to be £12.749 million by the end of this financial year. By 2026/27 a surplus was expected.

The Committee advised it was pleased to see the progress being made and queried whether the safety valve agreement was particular to Croydon. Officers advised a number of local authorities were part of the programme, Croydon did not have the highest deficit level in relation to its population. All safety valve agreements were bespoke and contextual to individual local authorities. The main basis for savings in Croydon was through educating children locally by ensuring enough in-borough provision was available, including post-16 years and post-19 years.

The Committee raised concerns about how unforeseen expenditure on capital or other issues would be mitigated. Officers advised any capital expenditure sat elsewhere in the budget and SEND provision was ringfenced.

The Committee queried how SEND provision for children in mainstream school settings was being managed to ensure their needs were met. Officers noted the importance of this issue and explained Croydon's implementation of Croydon Locality SEND Support (CLSS). CLSS provided specific funding for mainstream schools to provide early intervention support for children, particularly during transition from nursery to reception. This did not impact Education Health and Care Plan (EHCP) assessments which were a statutory requirement and ongoing. The CLSS initiative was for early intervention to provide support when needed more quickly. It had started in 2 locations and was now rolled out across borough, and the provision was widening to include maintained nursery

classes. Implementation and areas for improvement were being monitored and the council was working in partnership with schools and encouraging peer to peer support between schools.

The Committee asked how the services were evaluated as offering best value for money for Croydon residents, and, once in place, how the provision was reviewed during a child's education. Officers advised the council was continuously monitoring progress against the safety valve agreement plan and reporting to the Department of Education against the KPIs. Strong internal governance was in place for SEND, overseen by the SEND Board which was chaired by the Director of Children's Services with membership from families, Croydon Active Voices, Headteachers and Health and Care colleagues. The SEND Board set the strategic direction and provided challenge to safety valve KPI reporting and the internal dashboard reporting. There was also a SEND forum and delivery groups. The importance of families and children and young people's voices being heard was noted.

The Committee requested clarification on the requirement of increased capacity cited in the report. Officers advised whilst there were children known to the authority, it was not possible to predict, for example, children who would come into the borough or receive a SEND diagnosis later. There was a balance required to predict these changes in demand to ensure the support needed was made available and this risk was always highlighted to the DfE. There was budget contingency set aside for unexpected cases to mitigate this.

The Committee asked if the deficit recovery funding was taken from the general fund. Officers advised the DfE safety valve grant funding was paying off the cumulative deficit and the in-year overspend reductions were achieved through Croydon's strategic changes to provision set out in its strategy, including the increases to in-borough and post-16 SEND provision.

The Committee RESOLVED to: note

- a) The key performance targets set under the DfE Safety Valve agreement.
- b) The overall performance of the Deficit Recovery Plan against the target and challenges and risks of delivery.
- c) The impact on the accounting treatment of the DSG deficit as provided for in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003/3146, as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2022.



Dave Philips, Head of Internal Audit advised the committee of the amendment to the tenure of the appointment which had been changed to a 1 year appointment initially with a further 3 years following a review of performance.

The Committee queried the inclusion of 'audit only functions' in relation to the independent member's appointment and whether as an Audit and Governance Committee this was appropriate. Officers explained the independent member would be non-voting and the recommendation was for appointment to the Audit and Governance Committee.

Committee RESOLVED to:

- a) Support the recommendation of the recruitment panel for the preferred candidate David Clarke to be appointed as an independent co-opted non-voting member of the Committee; and
- b) Recommend to Full Council that David Clarke be appointed as an independent co-opted non-voting member of the Audit and Governance Committee for an initial period of 1 year, to be extended thereafter for another 3 years and that said appointment be subject to standards of conduct which encompass the Nolan Principles.

The Chair thanked Officers for their support in the appointment process. Officers confirmed the next step was for the Audit and Governance Committee to recommend the appointment in a report to Full Council.

The Chair thanked Members for their engagement and attendance at the meeting.

The meeting ended at 8.27pm