

REPORT TO:	GENERAL PURPOSES AND AUDIT COMMITTEE 16th SEPTEMBER 2021
SUBJECT:	Croydon Finance Review – Update on Implementation
LEAD OFFICER:	Richard Ennis, Interim Director of Finance, Investment and Risk (S151 Officer)
CABINET MEMBER:	Councillor Stuart King, Deputy Leader (Statutory) and Cabinet Member for Croydon Renewal
WARDS:	ALL
CORPORATE PRIORITY / POLICY CONTEXT:	
Implementation of the recommendations of the Croydon Finance Review forms part of the Croydon Renewal Plan	
FINANCIAL IMPACT:	
Implementation of the recommendations set out in the Croydon Finance Review will support the Council in delivering on and within a sustainable and affordable budget envelope, whilst allocating resources against corporate priorities. Thus the Croydon Finance Review improvement programme has an impact on the Council's overall financial position and forecasting.	

1. RECOMMENDATIONS

- 1.1 Note the latest position and progress in implementing the recommendations of the Croydon Finance Review as set out in the body and appendices to this report.

2. EXECUTIVE SUMMARY

- 2.1. An independent review of the Council's financial management arrangements was commissioned in May 2020 and was focused on three key areas: medium to long term financial management; the annual budget setting process; and financial performance monitoring. An action plan containing 75 recommendations, based on best practice as contained in the CIPFA Financial Management Code, has previously been considered by this committee as have subsequent updates – the last being in April 2021.
- 2.2. This report provides a progress report and update on actions taken in continuing to implement those recommendations. As with the previous report on to this committee on this project, Appendix 1 sets out a full listing and narrative relating to each recommendation.
- 2.3. A number of the recommendations are annual in nature and have already been adopted and implemented as part of the 2021/22 budget setting process.

Having been embedded into business as usual they are separately categorised and shown as being embedded rather than being shown as incomplete as they need to be refreshed on a cyclical basis

3. BACKGROUND

- 3.1. The emerging scale of the financial challenge faced by the Council in the early part of 2020/21, and significantly impacted by the Covid-19 pandemic, led the Council to commission a review of its financial management, governance and budget setting / monitoring arrangements. That review has been undertaken by a financial consultant (Ian O'Donnell) and, using the CIPFA Financial Management Code as a guide to good practice, resulted in 75 recommendations being made. These recommendations for improvement have been accepted by the Council and have themselves been incorporated into the Renewal Plan.

4 UPDATE ON PROGRESS

- 4.1 Significant progress has been made over the last twelve months to improve the standard of financial management within the Council.
- The budget setting process has been much more robust, recognising underlying spending pressures and requiring savings proposals to be evidence-backed;
 - The budget setting process has returned to planning ahead on at least a three-year planning horizon – identifying pressures and need to identify need to find savings earlier;
 - Scope within service areas to achieve savings or achieve greater value for money have been referenced to comparative data to provide insight and context as to where further savings might be achieved;
 - Monitoring and reporting of revenue and capital budgets has been embedded on a monthly reporting basis both at officer and member levels rather than being previously reported quarterly;
 - The commencement of the budget setting process has been brought forward in the financial year to allow for greater due diligence and scrutiny of the process and proposals. Cabinet is due to receive an update on the latest position for the 2022/23 budget in October with a further report in December;
 - Greater focus is given to managing the delivery of agreed savings programmes through Chief Executive-led Budget Assurance meetings to regularly monitor progress on delivery of savings and necessary mitigating actions – such progress is now incorporated into the monthly financial performance reports;
 - Regular monthly monitoring is allowing the likely outturn to be tracked and so far is able to be fully met from available contingency reserves. This is a significant improvement on the forecast position at the same time last year;
 - In addition to the monthly forecast itself, further risks or opportunities are also being monitored and reported on so as to track activity in managing those risks or delivering on opportunities.

- The development of a thirty-year business plan to assess the funding requirements and affordability of the HRA, and thus guide its borrowing and capital investment decisions, is now in draft stage and will be ready for consideration by members in the coming months;
- A task and finish group is nearing completion of the review of all Council group holdings and is putting in place suitable arrangements for their governance. Related to this the review of Brick by Brick has led to a strategy going forward that delivers maximum benefit to the Council.

4.2 A number of the recommendations relate to annual processes that have previously been completed and adopted as part of business as usual. Being cyclical they would otherwise re-appear as incomplete each year. Accordingly a separate classification has been added to the tracker to recognise these as “embedded”. In total the tracker records 37 of these in this category.

4.3 Whilst the Council has made good progress over the last year, more remains to be achieved if we are to operate fully in accordance with best practice as set out in the CIPFA Financial Management Code. Whilst few councils are likely to be fully compliant it remains our target to be best in class by addressing all 75 recommendations over a suitable time-span. In addressing those already dealt with, a prioritisation has been used to deal with the most important first and which deliver the greatest benefits. Some of the improvements set out in the previous paragraph are as the result of this prioritisation.

4.4 Of the total 75 recommendations, the detailed tracker set out in Appendix 1 a summary of the improvements is shown in the table below:

Status	Priority Classification					Total
	1	2	3	4	5	
Embedded	16	6	7	5	3	37
Green	3	1	2	1	4	11
Amber	-	-	-	6	21	27
Red	-	-	-	-	-	-
Total	19	7	9	12	28	75

4.5 A number of the recommendations relate to the adoption and implementation of a new Capital Strategy which in itself requires a number of detailed and complex work-streams to come together across both the General Fund and HRA and includes completion of detailed property condition surveys.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 The approved MTFFS budgets included provision for bolstering the capacity of the finance function and with modest investment through the capital programme to improve the functionality of key financial systems.
- 5.2 The prioritisation and delivery of the improvements as set out in the Finance Improvement Plan are critical to the Council being able to manage its budgets and financial challenges going forward.

Approved by: Richard Ennis, Interim Director of Finance, Investment and Risk

6 LEGAL CONSIDERATIONS

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that standards being used for the review are set out in the Chartered Institute of Public Finance and Accountancy's Financial Management Code (the CIPFA FM Code) and other professional advisory publications which embed the various statutory and professional requirements which apply to financial management within the Council. The Council is required to apply the requirements of the FM Code with effect from 1 April 2020.
- 6.2 The CIPFA FM Code is also supported by the statutory requirement to have in place sound financial management set out in Section 151 of the Local Government Act 1972 which requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".
- 6.3 Those responsibilities are further reinforced by Section 114 of the Local Government Finance Act 1988 which requires the Chief Finance Officer to report to all Members if there is or is likely to be unlawful expenditure or if expenditure in the year (including forecasted expenditure) is likely to exceed resources (including borrowings). Members will be aware of the two section 114(3) reports which have to date been issued by the Chief Finance Officer to all Members under these provisions.
- 6.4 CIPFA's judgment is that compliance with the CIPFA FM Code is necessary for local authorities to demonstrate that they are meeting those legislative requirements and evidence how the Chief Finance Officer is meeting their statutory responsibility for sound financial administration.

7 HUMAN RESOURCES IMPACT

- 7.1 There is a proposal in development concerning the structure of the Finance team. This will be brought forward through the council's usual decision-making processes in 2021/22 financial year.

8 EQUALITIES IMPACT

8.1 There are no specific equalities implications.

9 ENVIRONMENTAL IMPACT

9.1 There are no specific environmental impacts

10 CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no specific crime and disorder reduction impacts.

11 DATA PROTECTION IMPLICATIONS

11.1 There are no specific data protection implications