

LONDON BOROUGH OF CROYDON

REPORT:	Audit and Governance Committee	
DATE OF DECISION	18 July 2024	
REPORT TITLE:	Revenue and Capital Monitoring Improvements: Updating report on progress	
CORPORATE DIRECTOR	Jane West Corporate Director of Resources (Section 151 Officer)	
LEAD OFFICER:	Allister Bannin, Director of Finance (Deputy S151)	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member for Finance	
KEY DECISION?	No	Reason: N/A
CONTAINS EXEMPT INFORMATION?	No	Public Grounds for the exemption: N/A
WARDS AFFECTED:	All	

1 SUMMARY OF REPORT

- 1.1 This report provides a further update on progress against the recommendations from two external reviews:
- The Opening the Books reports by Worth Technical Accounting Solutions in February 2023, and
 - The Capital Framework Improvement Plan by PWC in January 2023.

2 RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- 2.1 note the update on progress against recommendations from the Opening the Books external review, as detailed in Appendix 1.
- 2.2 note the update on progress against recommendations from the Capital Framework Improvement Plan, as detailed in Appendix 2.
- 2.3 note that this is a further update to the previous report to Audit and Governance committee on 30 November 2023 and now includes an indication of priority for the outstanding actions.

3 REASONS FOR RECOMMENDATIONS

- 3.1** The Opening the Books – Reports from Worth Technical Accounting Solutions report was presented to Cabinet on 22/2/23 and the Executive Mayor in Cabinet accepted and referred the Worth Technical Accounting Solutions reports to the Audit and Governance Committee for debate. In addition Audit and Governance Committee were requested to monitor the implementation of the recommendations from the reports. For member's ease of reference, the full reports can be accessed at <https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=183&MId=2990>
- 3.2** The Capital Framework Improvement Plan from PWC in January 2023 provided recommendations based on good practice to support the Council's aim to improve governance, management and monitoring of the Capital Programme. For member's ease of reference, the plan was included in the previous update to Audit & Governance Committee on 30 November 2023 and can be accessed at <https://democracy.croydon.gov.uk/documents/s52423/Appendix%20%20-%20Capital%20Framework%20Improvement%20Plan.pdf>

4 BACKGROUND AND DETAILS

Opening the Books

- 4.1** The Opening the Books project was launched by the Mayor in July 2022 to improve the Council's understanding of current financial risks and to work towards a sustainable financial future. The project had a number of facets including the commissioning of a series of reviews by Worth Technical Accounting Solutions. The resulting reports were presented to Cabinet on 22 February 2023 with the recommendation that the Audit and Governance Committee be asked to debate them and requesting that the Committee monitor the implementation of the recommendations.
- 4.2** The recommendations made by Worth TAS were accepted by officers in their entirety. Following the report to Cabinet, this Committee considered and debated the reports and agreed to receive monitoring reports providing updates on progress against the recommendations. Officers were also requested by the Committee to ensure that future monitoring reports would include prioritisation of the recommendations. Appendix 1 of this report provides an update on progress against the recommendations and an indication of priority has been added to recommendations not yet completed. 45 recommendations (59%) have been completed to date out of the total of 76 recommendations.
- 4.3** In relation to training to support improvements across the Council, the Council commissioned CIPFA to provide training to over 300 budget holders in 2022 and to provide Housing Revenue Account (HRA) ringfence and recharge training to officers and Councillors in June 2023.

- 4.4** Ongoing improvements will be supported through the Oracle Improvement Project and the Strategic Finance restructure. The finance and procurement workstreams of the Oracle Improvement Project were agreed by the Executive Mayor in Cabinet in March 2024, and the HR workstream has been agreed by the Executive Mayor on 18 June 2024.
- 4.5** The Strategic Finance restructure reviewed the capacity and skill levels required in the accountancy function and identified required growth of £0.5m in the revenue staffing budget which has been agreed through the 2024-25 budget. Recruitment into the new structure commenced with six Head of Strategic Finance posts. Three have been filled through internal candidates and three with external candidates (who joined the Council in June and July 2024). Recruitment has now commenced for nine Finance Managers (the level that reports to the Head of Strategic Finance posts).
- 4.6** The Council has participated in a pan-London finance workstream of the National Graduate Development Programme for graduate trainees that will study CIPFA during a three years' fixed term contract. Final interviews were recently carried out and placements have been offered to three Graduate Trainee Accountants.
- 4.7** The Council will also recruit four Accounting Apprentice posts through CroydonWorks to support local residents into the workforce and provide Association of Accounting Technicians (AAT) training funded through the apprenticeship levy.
- 4.8** The format and content of the monthly financial performance reports was reviewed and improved in 2023. The format and content will be reviewed on an annual basis going forward. For 2024-25 reporting it is planned to add information on the Collection Fund (council tax and business rates billing and collection) and treasury activities (interest payable and receivable).
- 4.9** The frequency of reporting monthly to Cabinet is not common practice for London boroughs with the majority reporting on a quarterly basis. The level of frequency is time consuming for service and finance staff, however it recognises the recent financial challenges of the Council and the Mayor's aim for transparency and openness as stated in the Mayor's Business Plan Priority 4 "Ensure good governance is embedded and adopt best practice. The Council must learn the lessons of past failures and embed sound governance processes to ensure that decision-making is transparent, open and honest. These must ensure effective control of our projects and programmes and encourage meaningful scrutiny and challenge".
- 4.10** For the 2023-24 financial year a provisional outturn financial performance report is also being presented to Cabinet in July 2024.

Capital Framework Improvement Plan

- 4.11** In November 2022 PWC was commissioned to support the Council in developing its Capital Strategy which was updated for 2023-24. In parallel, a high-level current state assessment was undertaken, reviewing existing capital framework documentation against good practice, as set out in CIPFA's 2021 Guidance (Capital Strategy Guidance: A Whole Organisation Approach), and through liaison and discussion with key Council stakeholders. This process enabled the identification of key areas for development and improvement as articulated in a set of recommendations and an indicative high-level implementation plan.
- 4.12** The Capital Internal Control Board (CICB) is leading on the improvements identified in the Capital Framework Improvement Plan and an update on progress against the recommendations is attached as Appendix 2. Five recommendations (56%) have been completed to date out of the total of nine recommendations.
- 4.13** Improvements were made to capital budget monitoring in 2023. Project status update forms were implemented at the beginning of 2023-24 for monthly completion by capital project leads. These are consolidated by the corporate finance capital accountant and presented to the monthly CICB meetings alongside the spend to date and forecast position, to allow consideration of risks and slippage. The CICB also uses these to identify capital projects on a risk-based approach, which they request deep-dives on, with the project leads asked to attend CICB and present an update on their specific projects.
- 4.14** Capital monitoring has also been harmonised with revenue budget monitoring, to ensure consistent timelines and consolidation of information for both revenue and capital to be taken to Directorate Management Teams (for consideration at the same meeting) for integration into the monthly financial performance reports.
- 4.15** The Verto project management system is being implemented on an "agile" (incremental) basis across the Council. Capital projects are being added to the system, alongside system training for the project leads, and the CICB is monitoring progress of the roll-out. It is expected that once the roll-out is complete, then reporting from Verto will replace the monthly project status update forms.
- 4.16** The CICB receives quarterly updates on major capital projects (over £5m) and concentrates monthly monitoring on the top 15 capital projects (selection taking into account the importance to achieving the Mayor's Business Plan, monetary value and level of delivery risk).

5 ALTERNATIVE OPTIONS CONSIDERED

- 5.1** None.

6 CONSULTATION

6.1 None.

7. CONTRIBUTION TO COUNCIL PRIORITIES

7.1 This report supports the Mayor's Business Plan 2022-2026 objective one "The council balances its books, listens to residents and delivers good sustainable services".

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

8.1.1 Financial issues identified through the "Opening the Books" external review were taken into account for the 2023-24 budget setting process and for updates to the Medium Term Financial Strategy (MTFS).

8.1.2 Recommendations from the "Opening the Books" and Capital Framework external reviews have been agreed in full, and this report serves to provide an update on progress against these recommendations.

8.1.3 Work will continue to make and embed improvements, including in governance frameworks, processes and procedures, structural organisation, IT systems and training. Any funding (above existing revenue and capital budgets and the Opening the Books and Oracle Improvement Programme earmarked reserves) required to support improvement work will be requested/agreed through the appropriate governance routes in the Council.

Comments approved by Allister Bannin, Director of Finance (Deputy s151 Officer).

8.2 LEGAL IMPLICATIONS

8.2.1 The Audit and Governance Committee is required by its terms of reference to monitor the effective development and operation of the Council's risk management arrangements, the control environment and associated strategies, actions and resources, and to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. The Committee is also responsible for overseeing the financial reporting and annual governance processes and providing independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

8.2.2 Under Regulation 3 of the Accounts and Audit Regulations 2015, as amended, the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and

objectives, ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk.

8.2.3 Separately, the effectiveness of the Council's internal control environment has a direct impact on the Council's ability to deliver its functions in a manner which promotes economy, efficiency and effectiveness. Therefore, the consideration of this report also seeks to demonstrate the Council's compliance with its Best Value Duty under the Local Government Act 1999.

Comments approved by Kiri Bailey, Head of Commercial, Housing and Litigation and Deputy Monitoring Officer on behalf of the Director of Legal Services and Monitoring Officer, 01/07/24.

8.3 HUMAN RESOURCES IMPLICATIONS

8.3.1 There are no immediate workforce implications arising from the content of this report.

Comments approved by Gillian Bevan (Head of HR) on behalf of Dean Shoesmith, Chief People Officer, 26/06/2024.

8.4 EQUALITIES IMPLICATIONS

8.4.1 The Council has a statutory duty to comply with the public sector equality duty set out in section 149 of the Equality Act 2010. The Council must therefore have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.4.2 There are no immediate equalities implications arising from this progress report, however the improvements driven through the 'Opening the Books' project overall should improve Croydon's ability to serve residents.

Comments approved by Helen Reeves, Head of Strategy & Policy, 09/07/24.

9. APPENDICES

9.1 Appendix 1 - Opening the Books Recommendations Tracker

Appendix 2 - Capital Framework Improvement Plan Recommendations Tracker

10. BACKGROUND DOCUMENTS

10.1 None.