

Croydon Council

For General Release

REPORT TO:	AUDIT ADVISORY COMMITTEE 25 th June 2013 CORPORATE SERVICES COMMITTEE 26 th June 2013
AGENDA ITEM NO:	
SUBJECT:	Annual Governance Statement 2012/13
LEAD OFFICER:	Nathan Elvery Interim Chief Executive
CABINET MEMBER:	Councillor Dudley Mead, Deputy Leader (Statutory) and (Capital Budget and Asset Management) and Cabinet Member for Housing
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT: The Council is required by the Audit and Account Regulations to prepare an Annual Governance Statement as part of the Annual Accounts process and in discharging this responsibility, complies with the with the principles laid out by the CIPFA/SOLACE Framework <i>Good Governance in Local Government</i>.	
FINANCIAL IMPACT There are no direct financial considerations arising from this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

1.1 The Audit Advisory Committee is asked to:

- o Note the draft Annual Governance Statement for the year 2012/13 attached as appendix 1 and appendix 2 'Those charged with governance, response to Grant Thornton' in support of the draft Annual Governance Statement
- o Recommend to the Corporate Services Committee that the draft Annual Governance Statement be approved.

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| <p>1.2 The Corporate Services Committee is asked to approve the draft Annual Governance Statement, attached as appendix 1.</p> |
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2. EXECUTIVE SUMMARY

- 2.1 The Accounts and Audit (England) Regulations 2011 (the Regulations) require the Council to review, at least annually the effectiveness of its governance arrangements and publish an Annual Governance Statement (AGS) each year alongside the financial statements.

3. DETAIL

- 3.1 Appendix 1 shows the draft AGS for 2012/13. The information for the AGS has been generated through the Council's Governance framework including:

- External Audit
- Internal Audit
- Risk Management
- Directors Assurance Statements
- Performance Management
- Financial Management

- 3.2 The Council has in place a framework to manage the identified issues through the Audit Advisory Committee, where the actions reported in the AGS will be reviewed during the year. The AGS has been reviewed and endorsed by the Corporate Management Team. The AGS will be published alongside the Council's statutory accounts and annual report.

4. FINANCIAL & RISK CONSIDERATIONS

- 4.1 There are no direct financial considerations relating to the recommendations in this report. There are no additional risk considerations than those detailed in Appendix 1, AGS.

(Approved by: Richard Simpson, Director of Finance and Deputy Section 151 officer)

5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

5.1 The Council Solicitor comments that Regulation 4 of the Accounts and Audit Regulations 2011 make the Council responsible for ensuring:-

- That the financial management of the Council is adequate and effective;
- That the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
- That it reviews the effectiveness of those systems at least once a year; and.
- That following the review, it approves an AGS, prepared in accordance with proper practices in relation to internal control.

5.2 The preparation and publication of an Annual Governance Statement in accordance with the CIPFA / SOLACE Framework meets the statutory requirement set out in the Regulations for authorities to prepare a statement of internal control in accordance with "proper practices".

(Approved by: Gabriel Macgregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer)

6. HUMAN RESOURCES IMPACT

6.1 There are no human resource considerations relating to this report.

(Approved by Heather Daley, Interim Director of WCR)

7. EQUALITIES, ENVIRONMENTAL & CRIME AND DISORDER REDUCTION

7.1 Any impacts in relation to these areas are detailed in the strategic and departmental risk register. The process of managing risk through the risk register mechanism ensures that all impacts are considered and managed.

CONTACT OFFICER: *Sarah Ireland Director of SCPP*

Appendix 1

ANNUAL GOVERNANCE STATEMENT 2012/13

Scope of responsibility

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

In discharging this overall responsibility, Croydon Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Croydon Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code can be obtained from our website or from governance@croydon.gov.uk. This statement explains how Croydon Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Croydon Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

The governance framework

- "Croydon's Community Strategy 2010-15" is the overarching strategy of the Local Strategic Partnership, including the Council, in support of delivery of the borough's ambitious 30 year vision, "We are Croydon". The Community Strategy is supported

by the Council's corporate plan and service plans for each department and team. These are reviewed and updated annually. In addition, the Council has its own Vision and Corporate Values statement developed after extensive consultation amongst staff ensuring effective management of change and transformation.

- The Council's Constitution sets out how decisions are made and the procedures that are followed to ensure open and transparent policy and decision making that complies with established policies, procedures, laws and regulations and is accountable to local people. The Council's policy and decision making is through the Cabinet process, other than non executive matters and the Policy framework, which is set by full Council. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, the Chief Executive and senior officers make decisions under their relevant Scheme of Authorisations. The Council publishes a Forward Plan that details the key decisions to be made by the Leader Cabinet, Cabinet Committees or officers in relation to executive matters.
- The Council has designated the Director of Democratic & Legal Services as the Monitoring Officer whose function is to ensure compliance with established policies, procedures, laws and regulations. After consultation with the Head of Paid Service and Chief Financial Officer, the Monitoring Officer will report to full Council if she considers that any proposal, decision or omission would result in unlawfulness or maladministration.
- The financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution (4H). The Council has designated the Director of Finance as the Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a three year financial strategy that is updated annually supporting the Council's strategic objectives. The financial strategy ensures the economical, effective and efficient use of resources including a financial management process for reporting the Council's financial standing.
- The Council's financial management arrangements conform to the requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).
- The Council maintains an effective Internal Audit service that has operated in accordance with the standards set out in the Code of Audit Practice for Internal Audit in Local Government ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010). As required by the Accounts and Audit Regulations the Director of Finance and Section 151 Officer has reviewed the effectiveness of the Internal Audit service and reported this to the Audit Advisory Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose. This undertaking is part of the core functions of the Audit Advisory Committee, as set out in CIPFA's *Audit Committees: Practical Guidance for Local Authorities* and applied in the Council.
- Since April 2013 there has been a new set of public sector wide standards for internal audit which have replaced the CIPFA code of practice for Internal Audit. The Council now complies with these standards.

- Croydon Council has adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*.
- The Council has a performance planning process supplemented by detailed business planning to establish, monitor and communicate Croydon Council's objectives. This includes a performance management system that sets key targets and reports performance quarterly to Cabinet. The performance management framework is utilized to measure the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and that they represent the best use of resources and value for money.
- The Council has a robust risk management process to identify, assess and manage the significant business risks to the Council's objectives including those of its key strategic partnerships. The risk management process includes a risk management policy statement, corporate and departmental risk registers, risk management steering group, and appropriate staff training. The Deputy Leader (Statutory) (Capital Budget and Asset Management) and Cabinet Member for Housing champions risk management at the heart of the Council's decision making, with each Cabinet Member having access to the risks relating to their portfolio. In addition, each Council department has a designated risk management champion. Key corporate risks are regularly reviewed by the Corporate Management Team and by the Audit Advisory Committee.
- The Council has adopted codes of conduct for its staff and its Members. These are introduced to all staff as they are inducted into the organisation and they are given their own copies. Members sign an undertaking to abide by their Code of Conduct at the point of their election. These Codes are available for reference at all times and reminders and training are provided as necessary.
- To ensure that concerns or complaints from the public can be raised, the Council has adopted a formal complaints policy which sets out how complaints can be made, what should be expected and how to appeal. In addition, the Council has adopted a fraud hotline.
- A whistle-blowing policy has been adopted to enable staff, partners and contractors to raise concerns of crime or maladministration confidentially. This has been designed to enable referrals to be made without fear of being identified. In addition, the Council has adopted a whistle blowing hotline. These arrangements are part of ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained in the Council.
- The Council's control framework extends to partnerships and other joint working and this is reflected in the Council's overall governance arrangements.
- Many of the Council's services are delivered in partnership with commercial organisations. Where this is the case, the Council ensures that proper governance is maintained by closely following procurement procedures when letting contracts and then robustly monitoring them. Increasingly, Council services are delivered in partnership with other local public sector organisations. The most significant arrangements are grouped under the umbrella of the Local Strategic Partnership (LSP) which is lead by a board made up of relevant Chief Executives. Each of the

themes within the LSP is overseen by its own board. The Council's Risk Management service supports these themed boards via the Partnership Managers to ensure that risks to achieving objectives are identified understood and responsibility for addressing them is allocated.

- The Strategic Partnership seeks to address community engagement by, amongst other methods, involving representatives from themed partnerships, cabinet road shows, business development partnerships and the community voluntary sector alliance. The Local Strategic Partnership hosts a congress for key stakeholders from community, voluntary, business and public sector which contribute to and influence strategy and policy of the local area. The four 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 crime reduction strategy or children's plan. Cabinet road show meetings across the Borough afford the community an opportunity to meet and interrogate decision makers in the Borough on diverse issues including health, crime, transport and environmental issues. In addition, the Council undertakes surveys with a representative sample of its residents who provide the Council with reliable feedback on important issues that help improve services as part of establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Members' induction training is undertaken after each local government election. In addition, an on-going programme of training and awareness is available for Members with formal and informal events each year, including all major changes in legislation and governance issues.
- A corporate induction programme, 'Inspire', is delivered to all new staff joining the Council, supplemented by department specific elements. In addition, further developmental needs are identified through the Council's Performance, Development & Competency Scheme. The Council's Workforce service delivers its own suite of courses covering core personal competencies. Other training solutions are provided as required. The Council has also developed a Management Development Programme to improve leadership and management competencies across the organisation. In addition, a programme titled 'Doing the Right Thing' is run to strengthen the governance processes and procedures of the Council.

Review of effectiveness

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

This review process includes:

- The Monitoring Officer's annual review of the constitution to ensure its aims and principles are given full effect. This includes a review of the financial regulations by the Director of Finance and Section 151 Officer.

- The Scrutiny and Strategic Overview Committee's ability to "call in" the Council's key decisions prior to implementation to consider the appropriateness of the decision.
- The Audit Advisory Committee's responsibility for discharging the functions of an audit committee, including reviewing the risk management process, the performance of Internal Audit and agreeing the external audit plan.
- Internal audit's responsibility for monitoring the quality and effectiveness of internal controls. Using the Council's risk registers and an audit needs assessment, a strategic plan and programme are developed. The outcome of the internal audit risk-based work is reported to all relevant Executive Directors and Directors and regularly to the Audit Advisory Committee. Implementation of recommendations is monitored and progress reported. The work of the Internal Audit function is reviewed regularly by the external auditors who place reliance on the work completed. The Director of Finance and Section 151 Officer has reviewed the effectiveness of the Internal Audit service and reported this to the Audit Advisory Committee which has concluded that the Internal Audit service is satisfactory and fit for purpose.
- The assurance provided by Members and the assurance of senior managers through the Council's Management Team in developing departmental and corporate risk registers and agreeing annual departmental assurance statements.
- The opinion of the external auditors in their reports and annual letter.
- Other review agencies, through their inspection arrangements, such as the Care Quality Commission and Ofsted.

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

Significant governance issues 2012/13

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

Key Risks	Action	Responsible Officer
<p>1. The current economic conditions, changes to housing benefit and welfare reform continue to increase demand for social housing and potential homelessness. These changes include Housing Benefit cap, Under Occupancy rules, Universal Credit and New Homes Bonus. Croydon is one of the 4 London boroughs within the first phase roll out for welfare reform changes which will impact on the demand for social housing.</p>	<p>The current economic conditions combined with changes to housing benefit and welfare reform continue to increase demand for social housing and statutory homelessness services, with the Council continuing to require more high cost emergency and temporary accommodation. Changes include the Housing Benefit cap, Under Occupancy rules, Universal Credit and New Homes Bonus. Croydon is also one of the four London boroughs within the first phase roll out for welfare reform changes.</p> <p>An increase in statutory homelessness has been experienced during 2012/13 and there has been significant pressure on the Council, with breaches of statutory obligations regarding the use of shared emergency accommodation for more than six weeks. These circumstances result in additional cost to the General Fund as spending on emergency and temporary accommodation increases.</p> <p>To respond, a Corporate Homelessness Task group was established, which has developed and is overseeing a revised action plan. Additional governance structures have been established to maintain oversight of this such as a weekly welfare group review, a fortnightly meeting to monitor and action the numbers of households in B&B, a monthly welfare board and a monthly temporary accommodation strategy meeting.</p> <p>For 2012/13 it was agreed that funding shortfalls for emergency and temporary accommodation, would be covered by the new homes bonus and that Housing Revenue Account funds would be effectively deployed to increase supply. The Council has been marketing our offer to Private Sector landlords and has a</p>	<p>Executive Director of Adult Services, Health & Housing</p>

	<p>dedicated supply team working with Landlords to procure properties. The Council has also developed new ways of procuring additional supply for temporary accommodation through the expanding temporary accommodation project, which will continue during 2013/14 with a target of 100 properties by September 2013.</p> <p>The Council is providing landlord and family liaison to help maintain households in their tenancies and to help households to move on from temporary accommodation, as well as implementing service improvements to speed up homelessness decisions. Government guidance on the ability to discharge homelessness duty was released in November 2012 - Homelessness (Suitability of Accommodation) Order – and the Council has developed appropriate protocols and procedures in response. The council is currently seeking legal advice around the impact of the welfare benefit cap on homelessness decisions. During 2012/13 Cabinet has approved a new Allocations policy, tenancy strategy and a policy to procure additional temporary accommodation outside of the Borough.</p> <p>The Council is developing a five year regeneration programme to significantly increase the supply of social housing to deal with the increased demands and needs,</p>	
<p>2. Risk of not providing sufficient school places through a variety of factors including funding streams, suitable sites and construction/project delays to the programme.</p>	<p>The Council has effectively identified the projected demand for schools places over the next three years and are securing funding and sites to meet the needs identified.</p> <p>This risk in relation to supply is being mitigated by management at Children's Families & Learners (CFL) and Planning & Environment (P&E) Department Management Teams and via a programme and project governance structure of Estates Strategy Board, Estates Operational Board and Assets and Places.</p> <p>Decisions regarding funding are made via Cabinet and £63M Department for Education (DfE) funding has been secured – with a further bid having been made to the DfE in April 2013 to meet future needs. The first part of the forward plan for primary schools for 2014 and 2015 was agreed by Cabinet in January 2013 and there will be a further cabinet paper in June 2013 to agree the remaining</p>	<p>Executive Directors of Children, Families and Learners</p>

<p>3. The Council faces significant reductions in its grant funding over the period 2013-17</p>	<p>strategy for 2014 and 2015.</p> <p>The Cabinet approved £37m of savings in December 2012 for the period 2013/15. This has made significant inroads into the budget gaps for 2013/17. A new financial strategy for the period was agreed by Council in March 13, this set out the strategy for addressing the significant reduction in government grant over the period. The approach to transformation and efficiency savings that has been successful for the council over the last financial strategy period will continue over the period ahead. In order to maximise the income that the council receives via the new funding arrangements for local government significant efforts will be focused on growth in business rates and also increasing the housing supply in the borough that will lead to greater income through New Homes Bonus.</p>	<p>Director of Finance and Assets</p>
<p>4. Loss of financial support to local residents from changes in benefit support and Council Tax rebate changes. Impact of the Welfare Reform 2012</p>	<p>The new local council tax support scheme has been designed based on a detailed consultation process with local residents. The scheme is now live and initial indications are that the changes are being managed and residents supported appropriately. Other changes such as benefit cap and under occupancy are also now live and a joined-up approach to supporting residents most affected is now in place with job centre plus and a number of other local 3rd sector agencies.</p> <p>The Council is working closely with central government to ensure it understands the details and timing of the further proposed changes and additional advice and support will be provided as they progress.</p>	<p>Interim Chief Executive</p>
<p>5. Potential decline in retail sector, town centre and regeneration resulting in failure to attract new businesses/investment to the borough and consequent impact on business rate growth.</p>	<p>In 2012/13 a number of steps were taken to reduce the decline including: Through work with developers, 2012-13 has seen a new speculative office development; the first of its kind in years. The announcement of a Westfield / Hammerson joint venture to and the investment of £1bn into the retail core delivering a renewed retail and leisure offer is becoming a catalyst for development sites across the borough. In 2013/14 we are being more proactive, promoting a five-year development pipeline in the town centre and focusing</p>	<p>Executive Director of Planning And Environment</p>

	<p>dedicated lead executives in each of the district centres. Discussing with the owners of major developments are unlocking key sites and new commercial and investment opportunities. New housing schemes are being delivered through Croydon Council Urban Regeneration Vehicle and private investors / developers to support the wider regeneration.</p> <p>New investment is planned in the district centres including New Addington, Coulsdon and Purley. Further work is planned in South Norwood..</p> <p>Work on a new public realm programme across high streets to ensure the physical appearance of the area is upgraded has reached design stage on a number of contract packages. This includes improvements to building facades ranging from small scale interventions such as new signs and repainting, up to new windows and new shop-fronts. The programme to transform the public realm, including, more space for pedestrians, a welcoming and legible arrival place outside West Croydon Station and better connections to the retail core from the retail area of London Road and the restaurant quarter South End.</p>	
<p>6. Risk of service disruption or impact associated with the re-procurement of the Council's ICT contract and the transition to a new service provider.</p>	<p>The Council's current contract with Cap Gemini is due to end on May 2014. A robust procurement process with strong governance has been in place over the last 12 months. The procurement remains on programme and budget with a contract award programmed for July/ August 2013. This allows sufficient time for a managed transition of services to the new supplier in May 2014. The detailed planning for transition has commenced in preparation for the July 2013 contract award.</p>	<p>Interim Chief Executive</p>
<p>7. 52% of schools audited during 2012/13 received limited assurance (13 limited out of 25 schools). The primary cause of significant recommendations was found to be the obtaining of Criminal Records Bureau (now Disclosure and Barring Service)</p>	<p>The audit results in part reflect our recommendation to schools that they check beyond the minimum recommended in statutory guidance. A new corporate policy has been drafted to take account of new legislation in this area. This is to be circulated to schools and the message reinforced that Croydon Council expects all governors to be checked upon appointment in the schools for which it is responsible: this message has already been given to chairs of governors at our termly meeting with chairs.</p>	<p>Executive Director Children, Families and Learners</p>

checks for school governors.		
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We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. 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.

Issues raised in 2011/12 Statement and progress to date

Key Risks	Action	Progress	Responsible Officer
<p>1. The financial shortfall identified in the budget of NHS Croydon and the broader NHS Southwest London could potentially impact future social care provision. This could result in increased demand on council services around adult social care, but also regarding some services for children.</p>	<p>This was a key operational and financial risk in 2011/12. The Council implemented a number of appropriate control measures to minimise the likelihood and impact of the risk occurring, which has resulted in the current risk rating being reviewed and reduced.</p> <p>The Council adopted a supportive approach to the health community through this difficult period. However, the Council ensured that the expectation that outstanding bills would be settled was clearly communicated to and understood by NHS partners. Furthermore, the Council provided clarity about the actions that would be taken in light of any default.</p> <p>The NHS developed an NHS Croydon Recovery Plan as part of the NHS South West London cluster financial plan.</p> <p>In terms of managing service demand and pressures, the Council ensured absolute clarity about organisational accountabilities and responsibilities across the sector. The Council was clear that it could not absorb</p>	<p>This was a key risk relating to the 11/12 budget and has not continued into 12/13.</p> <p>In addition to the actions identified last year a number of 'business as usual' procedures have been implemented. This includes a monthly invoicing and settlement procedure which ensures that there are no unaccounted for financial liabilities in the relationship with the NHS or any legacy issues from the 11/12 financial year.</p>	<p>Executive Director, Adult Services, Health & Housing</p>

	<p>further demand.</p> <p>Close working with health and wellbeing partners is enabling further service redesign on joint pathways, improved pathway management and offers to GP groups around commissioning support to facilitate efficiency in services. Work with NHS partners, including GP consortia, reduced the risk to individuals through effective use of safeguarding processes.</p>		
<p>2. The transition of Public Health Functions to the Council could result in the following potential impacts:</p> <ul style="list-style-type: none"> • Loss of key skills and funding; • Lack of clarity over roles and responsibilities during a transition period; and • Inability to maintain current service levels. 	<p>Planning for the transfer of public health functions is underway, building on the existing close working relationships between health and social care partners. The Health and Wellbeing Board was established in 2011, jointly chaired by the NHS and the Council. There is an executive group comprised of senior officers from both organisations. There has been continued engagement with GPs and future forums are planned to bring key stakeholders together.</p> <p>The Council has ensured that it engages with the national policy on transfer of public health functions through commenting on the financial return to the Department of Health regarding public health designated budgets and reviewing the implications of the partially published national guidance.</p> <p>Local arrangements include a memorandum</p>	<p>The transfer of public health functions from the NHS to the council was a complex project with several interrelated work streams involving the transfer of staff, budgets, assets and liabilities. It therefore had the potential to generate significant risk. The appointment of a permanent Director of Public Health during 2012/13 was a key step in providing assurance.</p> <p>The Council and colleagues from the PCT established a Transition Board which has strategic oversight of the transfer of public health functions to the council. This had seven workstreams, each with a detailed work programme:</p> <ol style="list-style-type: none"> 1: Planning, strategy, delivery and performance 2: Finance and contracts 3: Human resources and workforce 	<p>Executive Director, Adult Services, Health & Housing</p>

of understanding to cover the transition year 2012/13 and the establishment of a transition steering group chaired by the Executive Director of DASHH. A detailed transition plan and Project Initiation Document are in place, with the full transfer to be completed by April 2013.

- 4: Legal and democratic / governance
- 5: Logistics / accommodation
- 6: IT
- 7: Information Governance

To provide further assurance that all key risks had been identified and plans were in place to mitigate these, Zurich Strategic Practice undertook a detailed review on behalf of the council.

A lack of guidance at a national level slowed the transition project; however, greater clarity was achieved on responsibilities and accountabilities in the new public health system. Department of Health guidance on the transfer of functions was published together with a national process and timetable for the handover of staff, assets and liabilities.

Transfer documentation was prepared by Croydon PCT containing details of all key functions to be handed over from the PCT to the council. The council undertook due diligence relating to handover of assets and liabilities.

IT and information governance presented significant challenges to the success of the public health transition project including access to NHS applications through the secure N3 network and via the internet. External consultants were commissioned to provide support with developing options to secure N3

	<p>accreditation and connection.</p> <p>The financial allocation to Croydon Council to deliver public health functions was confirmed by the Department of Health in January 2013 and detailed work to identify spending commitments for 13/14 was reconciled against the funding allocation. Whilst the council is responsible for commissioning across a wide range of areas of public health, including statutory responsibility for provision of some specific services, it has significant freedom in how it prioritises resources.</p> <p>Key elements to enable the transfer of staff from the PCT to the council and other receiver organisations were put in place including job matching process with the majority of staff in the PCT public health department transferring to the council. Work was undertaken to identify the overall and specific needs of staff transferring to the council. This has taken place in the context of planning for Bernard Weatherill House.</p> <p>The transition project has been closed following the Public Health Transition Board meeting of 8 May.</p>	
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<p>3. The current economic conditions and changes to benefit systems may result in increasing demand for social housing, causing additional homeless demand and the need to resort to more expensive temporary accommodation.</p>	<p>A workshop was held to explore the issues and to identify ways of mitigating this pressure. A detailed action plan has been drawn up to put measures in place to reduce the demand, work with vulnerable groups, procure more private sector accommodation and explore new ways of increasing the supply of housing. For 2012/13 it has been agreed that funding shortfalls will be covered by the new homes bonus.</p> <p>There are fortnightly meetings to monitor the numbers in B&B and agree appropriate remedial action where necessary. Temporary accommodation numbers are regularly reviewed (which show a 27% increase over the previous financial year) and weekly figures for people in hotel accommodation are reported to the Director.</p> <p>The Council is developing a Tenancy Strategy and delivering the action plan to mitigate the impact of housing benefit and Local Housing Allowance changes. Ongoing initiatives include supporting landlords to bring empty properties up to standard for leasing, use of the deposit bond scheme for accessing private sector accommodation, exploring ways to work with landlords to guarantee rents and working with landlords to reduce rents for existing tenants.</p>	<p>This risk has continued into 2012/13, with the scope shifting slightly as changes brought about by welfare reform came in to effect. The Council has developed and implemented a detailed action plan to respond to the rising demand for social housing, increasing homelessness and the need to place households in more expensive emergency and temporary accommodation. The actions taken to mitigate against this risk during the past year have been highlighted in this report under item 1 in the section on significant governance issues 2012/13.</p>	<p>Executive Director, Adult Services, Health & Housing</p>
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	<p>The council has also sought to increase supply by procuring private sector properties through a private licensing agreement. As competition for emergency accommodation spaces is likely to drive up prices and the Council has therefore introduced protocols to monitor the use of local provision by other Councils.</p> <p>The Council is currently looking at the feasibility of a local social lettings agency and is exploring shared services procurement of private sector properties with other South West London boroughs.</p>		
<p>4. Loss of key / blue chip businesses and small and medium-sized enterprises (SMEs) from the borough resulting in significant job losses, damage to the local economy, difficulty in attracting new inward investment, and loss of potential income to the Council from business rates</p>	<p>Sadly, during the year, Nestle announced that it is to leave Croydon, despite the Council having made a comprehensive offer to the company in October 2010.</p> <p>In terms of the larger companies, we continue to engage with them directly and through the property agents, in terms of understanding their future requirements. We are also working hard to facilitate the provision of new and refurbished office stock.</p> <p>In 2012/13 we will be enhancing this work by recruiting a dedicated Business Development and Inward Investment</p>	<p>We continue to work with key private and public sector partners to promote Croydon as a destination for investment designed to mitigate the effects of the major closures and withdrawals from the borough such as Alders and Nestle. The Westfield and Hammerson announcement regarding the joint redevelopment of the Whitgift centre has provided a timely boost to this work.</p> <p>We are working with the Develop Croydon Forum to engage major developers. The Develop Croydon 2012 conference attracted over 200 attendees who included potential investors with a broad interest in Croydon's business potential.</p>	<p>Executive Director of Planning & Environment</p>

	<p>Manager, who will also work with the London and Coast to Capital Local Enterprise Partnerships, and the government's UK Trade & Investment body. We will also be using part of the Mayoral regeneration funding allocation to incentivise businesses to occupy properties in New Town</p> <p>In respect of SMEs, we will continue to provide support through loan finance and will again be using part of the Mayoral resources to support incubation and growth.</p>	<p>We have recently introduced the Business Rates Relief scheme which can offer SMEs considering to expand or relocate into the Croydon Metropolitan Town up to 65% relief on their business rates.</p> <p>We continue to work with the Greater London Authority to develop plans for the Innovation Centre. The Centre will aim to accommodate SMEs with high growth and job creation potential.</p>	
<p>5. The Council faces significant financial pressures 2012/15 caused by the level of funding available to the public sector and corresponding reduction in resources. It is likely that there could be further reductions with any subsequent spending reviews. Insufficient resources may lead to inability to meet community needs and aspirations.</p>	<p>This continues to be a significant ongoing risk for the Council given the current economic climate facing the country and the need for central government to implement a deficit recovery strategy.</p> <p>The delivery of the Step Change transformation programme remains a significant component of our strategy to manage the reduction in the Council's resources and the development of department led service transformation will continue to play that role in the future.</p> <p>The robust in year financial management processes that are in place that have supported the Council to deliver within its</p>	<p>The in year position is reported to the Council Management Team on a monthly basis and to Cabinet quarterly. The current forecast is that the budget can be balanced in year with the use of contingency.</p> <p>The Step Change Programme has now concluded. The delivery of these benefits has been key to the 2012/13 budget and the preparation for the 2013/14 budget. As set out in the action the council is now moving to a more service led transformation programme to deliver the savings required to support future budgets.</p> <p>The changes to local government funding have become clearer after the autumn statement</p>	<p>Interim Chief Executive/ Executive Director, Corporate Resources & Customer Services</p>


	<p>overall budget for the past 8 years will continue.</p> <p>The Council has already commenced the budget planning process for the period 2013/17. There has been a slight shift in emphasis away from the corporate Step Change programme to service led transformation with each departmental producing a transformation plan drawing on the corporate enablers that are in place. A revised Financial Strategy for the period 2013/17 will be taken to Cabinet later in the year reflecting the national changes which have impacted the Council since the publication of the previous strategy.</p> <p>The Local Government Resource Review is now underway. This will inform the method of allocation funding to local government from 2013/14 onwards.</p> <p>The Council intends to consult on a Local Policy for Council Tax Benefit in the summer/autumn to help to mitigate the impact of the funding reduced from central government.</p>	<p>and draft local government settlement for 2013/15 and the council have progressed plans for a local council tax support scheme. We are also clear now on the risk and opportunity associated with business rates localization and will be putting in place plans to address this.</p> <p>A new Financial strategy went to Cabinet in February 2013.</p> <p>Work is being done alongside this to understand the medium terms challenges for the council in terms of impact of expenditure from demographic and social change.</p>	
<p>6. The financial impact on the Council resulting from a 10% reduction in council tax benefit funding support from central government.</p>		<p>A full resident consultation was completed and feedback was used to inform a revised scheme agreed by cabinet and full council and implemented in April 2013.</p>	<p>Interim Chief Executive/ Executive Director, Corporate Resources & Customer Services</p>
<p>7. Risk that recommendations from civil enquiries into</p>	<p>The corporate plan includes a response to all the recommendations that fall to the Council. We will monitor to ensure that they</p>	<p>The Independent Review Panel completed its local review of the causes of the riots and published a report with a set of</p>	<p>Interim Chief Executive</p>

<p>disturbances of August 2011 are not fully implemented by the council, with potential impact on the Borough's recovery</p>	<p>are implemented. We will also remain accountable for our recovery actions to the Taskforce that was set up in the wake of the riots.</p>	<p>recommendations based on all the evidence presented. On 19 March, Cabinet agreed the recommendations arising from the report and to work closely with its partners and the wider community to address these.</p> <p>The Council has concluded its expenditure of the High Street Support Scheme monies made available by the Government in the wake of the summer riots.</p> <p>Of the Mayor's £23m Regeneration Fund for Croydon, £18m is allocated to infrastructure and public realm improvements, while £5m has been earmarked to support business. This £5m is known as the Business Support Package.</p> <p>The Croydon Recovery Campaign, part-funded by one-off grants from the government to support Croydon's recovery, has been delivered on the Council's behalf and has included events in the riot affected areas of London Road, South End and Old Town to re-attract people to businesses in these areas.</p>	
<p>8. Issues of non compliance were identified in relation to the appointment and payment of non permanent resource.</p>	<p>Much work has already been undertaken to ensure that the internal audit recommendations are implemented.</p> <p>As the internal audit found, our systems and processes are largely sound, with the main issue one of compliance.</p> <p>We are therefore providing further guidance</p>	<p>Human Resources & Organisational Development (HR & OD) are continuing to provide guidance on appointment and management of agency and interim staff. Non-compliance with corporate procedures is being treated as a performance management issue with potential disciplinary implications.</p>	<p>Interim Chief Executive</p>

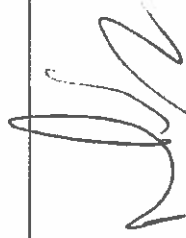
	<p>on how to appoint and manage agency and interim staff. We are also making clear to managers that non-compliance with corporate procedures is unacceptable and will be treated as a performance management issue with potential disciplinary implications.</p>	<p>Advice and guidance is now embedded in the Governance 'Doing the right thing' intranet site for managers and enforced accordingly.</p>	
<p>9. Issues of non-compliance were identified in relation to procurement and payment procedures.</p>	<p>A full review of the issues of non-compliance has been commissioned and the Council will be instigating a programme of training for those officers who have been identified as failing to adhere to the approved procedures.</p>	<p>The Council has reviewed the Governance processes and made changes to streamline processes where applicable and also ensured that this element of the "Doing the Right Thing" Training programme has been strengthened.</p> <p>The Council has also launched its Commissioning Strategy and range of toolkits including contract management that strengthen our governance support to procurement.</p>	<p>Interim Chief Executive/ Executive Director, Corporate Resources & Customer Services</p>
<p>10. Audits conducted in the Children's Families and Learners (CFL) Department highlighted weaknesses in relation to contract monitoring and management in the following teams: Unaccompanied asylum seeking children (UASC) and Access to Resources Team (ART) (children's social care)</p>	<p>In response to the UASC Audit, all recommendations have been addressed as follows:</p> <ul style="list-style-type: none"> • A team leader now has designated responsibility for collating all health data and health assessment requests are completed on day of admission by the duty social worker. • There are now no backlogs of age assessments and all are completed within a departmental timescale of 10 days (UK Borders Agency allows for 21 days). 	<p>Children, Families and Learners continue to monitor this risk as part now of 'business as usual' including the support now provided by the Head of SCPP Division for CFL. The actions outlined have been assessed as having successfully mitigated this risk.</p>	<p>Executive Director, Children, Families and Learners</p>

	<ul style="list-style-type: none"> • Virtual School monitors UASC admissions and all social workers are now trained in completing admissions forms. There is now a dedicated UASC facility at John Ruskin. • A successful fostering recruitment campaign is having results but the majority ethnicity profile of the foster carer population of Croydon (White British / Black Caribbean / Black African) does not match the majority ethnicity profile of UASC (Afghanistan / Iraq) and there will remain a need for Independent Fostering Agency placements for this group. • ART maintain a log of statutory checks of providers and these have been scrutinised during the recent safeguarding and Looked After Children(LAC) Inspection by Ofsted inspectors. <p>In response to the Audit for Access to Resources services (Children's Social Care) all recommendations have been addressed as follows:</p> <ul style="list-style-type: none"> • All foster carer bank details are kept on a protected excel spreadsheet • The ART budget is robustly monitored within LAC budget and CFL spend arrangements 	
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<p>11. Over 40% of the schools audited during 2011/12 were given a limited assurance (15 'limited' out of 35 schools). Significant recommendations raised as a result of these audits related primarily to the obtaining of School Governor CRB checks and compliance with procurement requirements</p>	<p>A single risk log is now maintained and actions to recoup overpayment clearly recorded</p>	<p>Actions have been put in place within each school to address audit findings.</p>	<p>Regular reviews are being undertaken as 'business as usual' by the CFL department with support and guidance provided to schools as appropriate further backed up by the ongoing Audit programme of the council and monitoring by the Audit Advisory Committee.</p>	<p>Executive Director, Children, Families and Learners</p>
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Nathan Elvery
Chief Executive



Mike Fisher
Leader of the Council

25th September 2013

<p>Management has assessed that the risk of material fraud affecting the financial statements is very low. There is a robust system of internal control operating in the Council and no evidence of any material fraud has been identified.</p> <p>The Council's anti fraud and internal audit arrangements are overseen by the Audit Advisory Committee on behalf of those charged with governance. Reports are presented to meetings of the committee which include summary information and more detail of large or novel frauds and investigations and the findings of internal audits along with the outcome of follow-up activity.</p> <p>The Council has a code of conduct for staff, a copy of which is given to all staff at the start of their employment and is available on the intranet. In addition, there is more detailed guidance in relation to the acceptance of gifts and hospitality. A module of the Council's management and development programme includes governance and conduct along with fraud awareness. In addition, there is a code of conduct for Members, on which training is provided on induction. During 2010/11 the Council introduced governance training which has now been rolled out to all managers who have budgetary</p>	<p>How do the Corporate Services Committee / Audit Advisory Committee oversee management processes in relation to:</p> <ul style="list-style-type: none"> • Carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error • Identifying and responding to the risk of breaches of internal control • Identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances or discloser for which a risk of fraud is likely to exist) • Communication to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)? 	<p>1</p>
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<p>responsibilities, this has continued throughout 2012/13. This is part of a strong focus on governance under the banner of 'Doing the Right Thing'</p>	<p>No - other than those brought to our attention by the Internal Audit or Anti-Fraud teams. The Audit Advisory Committee oversees this on behalf of those charged with governance. None of the fraud, or the cumulative total of the frauds identified by IA or AF teams are of a material nature.</p>	<p>The Council's Legal Services Division, lead by the Council Solicitor & Monitoring Officer, has a general advisory role to all Council services, supported by specialist external legal advice as required. Comments of the Solicitor to the Council are required in every report so that appropriate legal comments can be provided. A legal advisor generally attends all formal decision making meetings and a member of the Council's legal team is a member of the Council's Procurement Board reviewing procurement strategies and contract award reports. The Monitoring Officer manages the investigation of any disclosures of malpractice made under the Council's Whistleblowing procedure and monitors implementation of recommendations arising from any investigation. The Division also arranges briefings and training opportunities for Council staff on new legislation and matters of particular significance to the Council's work.</p>	<p>No</p>
	<p>Do you have any knowledge of actual, suspected or alleged frauds? If so, please provide details.</p>	<p>How do Corporate Services Committee / Audit Advisory Committee gain assurance that all relevant laws and regulations have been complied with?</p>	<p>Are you aware of any actual or</p>
	<p>2</p>	<p>3</p>	<p>4</p>

	potential litigation or claims that would affect the financial statements?	5
The financial position of the Council remains strong, having achieved a balanced position for year. In addition, the Council has set a balanced budget for 2013/14. Therefore, the financial statements have been prepared on a Going Concern basis.	How do the Corporate Services Committee / Audit Advisory Committee satisfy themselves that it is appropriate to adopt the going concern basis in preparing the financial statements?	

