CROYDON COUNCIL

ANNUAL GOVERNANCE STATEMENT (AGS) 2025/26

Introduction

1. Croydon Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards of governance, and sound public administration. The Council has a duty to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively in delivering services to residents. The Accounts and Audit Regulations 2015 require the Council to undertake an annual review of the effectiveness of its governance framework and system of internal control and to publish an Annual Governance Statement (AGS) alongside the Statement of Accounts.

2. This statement is an annual self-assessment which considers the effectiveness of our governance arrangements during 2025/26. It identifies our progress in managing significant governance issues and looks ahead to our future governance priorities and improvements for 2026/27. Our assessment was informed by, amongst others -

    - The Secretary of State for Housing & Communities & Local Government (SoS) July 2025 Directions[1];
    - The Council's Report to the Secretary of State of January 2026 on delivery of the Stabilisation Plan and Transformation Programme[2];
    - The Commissioners' First Report and Ministerial Response March 2026[3];
    - The reports on the progress of the 2024/25 AGS Action Plan;
    - The review of the Council's Local Code of Corporate Governance;
    - The Local Government & Social Care Ombudsman Annual Review Letter 2025/26;
    - The draft External Auditors Annual Report for year ending 31st March 2026
    - The draft Annual Report of the Head of Internal Audit 2025/26;
    - Annual Reports from the Scrutiny & Overview, Audit & Governance and Ethics Committee (on Code of Conduct complaints); and
    - The feedback from Corporate Management Team and Corporate Directors and Directors at their management team.

Executive Summary

3. Croydon Council is committed to maintaining high standards of governance and continuously improving the way it conducts business, manages resources and delivers services. Good governance is fundamental to achieving its corporate ambitions. These were principally set out in the Mayor's Business Plan 2022-26, the Transformation Programme and the Stabilisation Plan. Following the local elections in May 2026 new priorities are being adopted[4] and a revised financial strategy has been agreed[5].

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[1] https://www.gov.uk/government/publications/london-borough-of-croydon-directions-made-under-the-local-government-act-1999-17-july-2025

[2] Statutory intervention: London Borough of Croydon Council - first report to ministers - GOV.UK

[3] London Borough of Croydon: Commissioners' first report - GOV.UK London Borough of Croydon: Ministerial response to the Commissioners' first report - GOV.UK

[4] At Cabinet Meeting on 24th June 2026, a new Mayor's Business Plan 2026-2030 that set out the Council's strategic direction and priorities for the next four years was approved and recommend to Full Council (meeting on 21st October 2026) for approval and adoption – CabinetReport20June%202026%20-%20FINAL.pdf and ExecMayorBusinessPlan%202026-2030.pdf

[5] See 29th July 2026 Cabinet Report - Financial Strategy Financial Strategy 2027-30l.pdf

4. The Council's Local Code of Corporate Governance demonstrates how the Council's Constitution, policies, strategies, practices, values and internal controls arrangements align with the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Council's governance framework includes effective decision-making, accountability and assurance arrangements for Members and Officers and is designed to ensure the highest standard of good governance. During 2025/26 these corporate governance arrangements continued to operate effectively and provided an appropriate framework for directing and controlling the Council, managing risk, ensuring accountability and supporting the delivery of services.[6]

5. During 2025/26, the Council remained subject to statutory intervention and Government Directions. Nevertheless, progress has been made in strengthening governance, financial management, and organisational capability. Key progress during the year include:

   a) Financial Management and Savings - The Council continued to strengthen financial management arrangements, including enhanced budget monitoring, improved financial reporting and delivery of the Stabilisation Plan efficiencies of £27.3m. The Commissioners acknowledged improvements in finance systems and processes and confirmed that the Council had changed its approach to addressing its financial challenges and accepted that further action is required to improve financial sustainability. A way forward on these issues has been set out in the Council's new financial strategy, which was adopted in July 2026.

   b) Transformation Programme - The Transformation Programme was a significant element of the Council's recovery strategy during 2025/26. Improvements were made to aspects of the governance around this, such as strengthening transformation business cases and benefits realisation arrangements. However, whilst there were achievements, significant savings based on digital transformation were written out of the budget on the basis of being overly optimistic.

   c) Transformation Delivery - The completion of the Oracle Improvement Programme, strengthening financial, procurement and HR systems. Significant progress with the Adults Living Independently Programme, Payments Transformation, AI-enabled customer services and some Digital productivity initiatives.

   d) Contract Management - Continued improvements to contract management and procurement governance arrangements. The Council has made progress during 2025/26 through implementation of the In-Tend contract management platform, establishment of a central contract repository, enhanced oversight from the Strategic Contracts Board and updated Contract Standing Orders reflecting the Procurement Act 2023. Contract management training programmes have also been developed, and procurement capability has been strengthened through professional development initiatives.

   e) Information Governance - Improvements in information governance, cyber security and records management arrangements. The Council has developed an Information Governance Improvement Plan and has commenced implementation that would strengthen records management, accountability, information ownership and compliance. Whilst the controls have improved, activity will continue throughout 2025/26 to ensure that robust Information Governance practices are embedded across the organisation.

   f) External Audit Recommendations – The Council continued to implement actions arising from the External Auditors Annual Report for 2024/25. The draft External Auditor Annual Report for 2025/26 notes progress made in recommendations relating to Financial

[6] The Draft External Auditors Annual Report 25/26 assessed the Council as having strong governance arrangements and with no significant weaknesses found except for an improvement recommendation to work with external auditors to rebuild assurance (after disclaimers of audit opinions).

Reporting, SEND and Dedicated Schools Grant, Transformation Programme Delivery, and Financial Capacity and Capability. Of the seven improvement recommendations raised in 2024/25, four have been fully implemented and closed. The financial audit for 2024/25 was concluded in 2025/26. Owing to the national sector-wide problems the auditor disclaimed their opinion but noted the very significant progress made in improving statutory financial reporting.

g) Internal Audit Findings – The Head of Internal Audit Annual Report shows continued improvement in the Council's control environment during 2025/26, with progress made in implementing agreed actions and reducing historic audit finding backlogs. The number of outstanding audits requiring follow-up reduced from 28 to 21. Follow-up reviews demonstrated high levels of management action with the percentage of resolved issues exceeding the 80% target in 2025/26 and prior years.

h) Complaints Management - During 2025/26 the Council implemented a complaints improvement programme following an internal review and external audit of complaint handling arrangements. Governance and oversight have been strengthened through monthly Corporate Management Team oversight and improved management information. Whilst the Local Government and Social Care Ombudsman has recognised the Council's positive engagement and commitment to improvement, ongoing challenges remain in relation to complaint timeliness, implementation of remedies and response times to Ombudsman enquiries. Complaints handling therefore remains an important area of governance focus during 2026/27.

The details of the progress made are set out in the Annual Governance Statement 2024/25 Action Plan and Progress Update in Appendix 1 and in the paragraphs below.

6. Although progress has been made, this review has found significant governance weaknesses in the following areas, most of which were identified in 2024/25 Action Plan.

a) Financial Sustainability and Best Value - Whilst the Council successfully delivered the Stabilisation Plan and achieved an underspend against budget in 2025/26, it still faces substantial structural financial pressures arising from historic debt and continues to rely on Exceptional Financial Support. The Council's long-term sustainability remains dependent on the successful delivery of recurrent savings, transformation benefits, income generation opportunities, robust demand management and ongoing engagement with Government regarding longer-term solutions to the Council's historic debt position. Our assessment is that the Council’s financial position remains the most significant governance weakness and the delivery of the outcomes in the Financial Strategy 2027-30 provides the road map to achieving financial sustainability and should be an integral part of the governance improvement plan for 2026/27

b) SEND Financial Governance - The Dedicated Schools Grant (DSG) recorded a £29.4m overspend, taking the cumulative DSG deficit to £57.6m at the end of 2025/26. Our assessment is that the scale and trajectory of this financial pressure present a significant governance weakness and risk to long term financial sustainability. The improvement actions identified in the Chartered Institute of Public Finance and Accountancy (CIPFA) Diagnostic Review recommendations relating to the SEND budget remain a priority during 2026/27, as is the successful delivery of the wider SEND reform plan. The Financial Strategy sets out the issues and scale of the challenge.

c) Reset of Transformation Programme to Continuous Improvement - The Future Croydon Transformation Programme was previously considered central to the Council's recovery strategy and future financial sustainability. Notwithstanding progress made, Commissioners identified significant weaknesses in programme delivery arrangements, and which have

been addressed. The Council initiated a Rapid Review of the Transformation Programme in June 2026 to establish a more detailed view of what is delivering benefits and what is not. The Rapid Review has found the programme to be too wide ranging and not driving the pace of change required. The review recommended a reset of the programme, moving from a broad transformation model to a more focused approach centred on continuous improvement, financial sustainability, customer outcomes and delivery of directorate-led change. The Council has accepted the findings of the review and is implementing the recommendations. Our assessment is that there were weaknesses in governance in parts of the transformation programme. The recent reset to continuous improvement and the delivery of the Rapid Review recommendations requires ongoing review and monitoring and should form part of the governance improvement plan for 2026/27.

d) Organisational Capacity, Workforce Stability and Performance Management - The Council's ability to deliver recovery, transformation and sustainable service improvement depends upon having the leadership capacity, skills, experience and organisational culture necessary to implement change. During 2025/26, Commissioners identified a lack of consistent performance management culture and high numbers of interim managers and agency staff. The Council has responded through targeted recruitment activity, including strengthening finance, transformation and leadership functions, increasing permanent appointments and investing in organisational development. It has also appointed a permanent S151 Officer. Our assessment is that whilst progress has been made in strengthening recruitment and organisational development activity and given the scale of improvement activity across the Council, workforce stability, resilience and performance management arrangements remains a significant governance issue and should be reflected in the Council's governance improvement actions during 2026/27.

e) Information Governance, Data Quality and Cyber Security - Internal Audit identified weaknesses in information governance arrangements and data quality controls during 2025/26. The Information Governance Improvement Plan is still being implemented. Our assessment is that information governance remains a significant governance weakness owing to the volume and sensitivity of information managed by the Council, increasing regulatory expectations, and the importance of high-quality management information. The continuing evolution of the cyber threat landscape is an additional risk factor and continued improvement of the Council's protection through both technical controls and user awareness remains a priority. Delivery of the Information Governance Improvement Plan, completion of statutory information management records, embedding service ownership arrangements and achievement of compliance targets will remain priorities during 2026/27.

f) Complaints Management and Ombudsman Findings and Resident Experience - Effective complaint handling forms an important component of the Council's governance framework, providing assurance regarding service quality, accountability and organisational learning. During 2025/26, the Local Government and Social Care Ombudsman acknowledged the Council's commitment to improvement and positive engagement but identified continuing concerns regarding delays in responding to enquiries and implementing agreed remedies. The Housing Ombudsman also identified cases of severe maladministration. Therefore, our assessment has found that complaints management remains a significant governance weakness that requires a concerted effort across the organisation to bring about the required improvement in complaint response times, reduce overdue cases and strengthen Ombudsman compliance and ensure that resident feedback is consistently used to inform service improvement. This will form part of the governance improvement action plan.

g) External Auditor Report - The Interim Auditor's Annual Report for the year ending 31 March 2026 is being finalised. The initial draft conclude that there remains the risk of significant weakness in financial sustainability and retains the statutory recommendation that the

Council should work with Government and Commissioners to develop a package of measures that reduces operating costs to a sustainable level and addresses the Council's debt burden and supports a return to medium and long-term financial sustainability. The report raises a new key recommendation that the Council must address how the residual SEND Disabled Facilities Grant deficit will be managed after 31 March 2028. The Council must continue to strengthen its brokerage arrangements, reduce reliance on provision outside the mainstream and develop efficient demand management. Our assessment is that these recommendations align with the financial sustainability and SEND governance themes referred to above. There are also improvement recommendations relating to complaints handling arrangements and housing and temporary accommodation services, particularly in areas receiving Limited Assurance internal audit opinions. They will form part of the Council's governance improvement actions for 2026/27.

h) Internal Audit Report - The Head of Internal Audit Annual Report for the year ending 31 March 2026 concludes that the Council's overarching framework for governance, risk management and control accords with proper practice. However, continuing weaknesses are identified in a number of operational areas, particularly housing services, contract and project management, information governance and HMRC self-employed checks in schools. Also, a number of high-priority recommendations remain outstanding in these areas. Therefore, further work is required to embed consistent control and compliance arrangements across these service areas and will form part of the governance improvement plan for 2026/27.

5. Looking ahead to 2026/27, our assessment is that the Council's governance improvement priorities should focus on securing long-term financial sustainability, strengthening SEND financial governance, embedding the shift from large-scale transformation to a culture of continuous improvement, improving workforce stability and organisational performance, enhancing information governance and cyber resilience, strengthening contract management and procurement compliance, improving complaints handling and Ombudsman compliance, and ensuring timely implementation of audit recommendations. These are set out in the 2025/26 Governance Improvement Action Plan in Appendix 2 and in the paragraph below. Collectively, these measures will provide significant assurance that the Council is continuing to strengthen its governance framework, deliver Best Value, and progress towards eventual exit from statutory intervention and achievement of long-term organisational sustainability.

Background (Assessment of Effectiveness)

Governance Framework

6. The Council's Governance Framework document was reviewed in April 2026 and is available here: Governance Framework.docx. The framework is the set of structures, rules, processes, procedures, and values by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads the community of Croydon. It includes the Council's governance structure at Member level i.e. Full Council, Executive Mayor and Cabinet, Scrutiny and Overview, Ethics, Audit and Governance and other Committees, and at Officer level i.e. Chief Executive, Corporate Management Team, Directorate Management Teams, Internal Control Boards, Programme Management Boards, Improvement Boards, Transformation Boards, and the role of Statutory Officers. Also, it incorporates and references relevant governance documents such as the Constitution, HR Handbook, Audit Charter, Risk Management Strategy and Framework, and Project and Programme Management Framework.

The Constitution

7. The Council's arrangements for decision making and conduct of its statutory functions are contained in its Constitution available at here: Constitution. It sets out the various bodies (referred to above and below) that are responsible for certain functions, the rules of procedure under which they operate, and the protocols, codes of conduct and good practice that must be adhered to and to ensure effective governance.

8. Full Council which comprises all 70 Members (Councillors) plus the Executive Mayor, is responsible for making non-executive decisions such as the Budget and Council Tax setting for the Authority or approving the policies, plans and strategies that are specified in the Council's Budget and Policy Framework detailed in article 4 of the Constitution. The Executive Mayor is responsible for making all executive decisions which are generally decisions that are not the responsibility of Full Council.

9. Full Council delegates various non-executive functions to Committees, Sub-Committees and to Officers for the efficient conduct of business. These Delegations are set out in 'Responsibility for Functions' contained in Part 3 of the Constitution. As with the Scrutiny and Overview Committee, seats on the non-executive committees are allocated between the political groups in proportion to their respective numbers of Members.

Overview and Scrutiny

10. The Council has a Scrutiny and Overview Committee whose role is to scrutinise the decisions of the Executive Mayor and to contribute to policy review and development. The Committee is chaired by a Councillor from the Opposition Group. The work of the Committee is supported by the Statutory Scrutiny Officer. The Scrutiny Annual Report, was submitted to the Full Council meeting on 20th July 2026, which shows how the committee has discharged its functions.

Audit and Governance

11. The audit functions of the Council are discharged by the Audit and Governance Committee. The Committee is Chaired by an Independent Member and has another Independent Member to provide further independent oversight and assurance.

12. The Committee provides independent assurance to the Council of the adequacy of the risk management framework and the internal control environment, oversees internal and external audit and help to ensure that efficient and effective assurance arrangements are in place. The Committee also provide 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.

13. The Committee reports annually to Full Council on its performance and effectiveness. The Annual Report for 2025/26 will be presented to the Audit and Governance Committee on 17th September 2026 and Full Council meeting on 21st October 2026.

Codes of Conduct

14. The Council has adopted a Code of Conduct for Members (including Co-opted Members). All Members are required to undertake to observe the Code of Conduct when they accept office as Councillors or are appointed to a committee. The details of Members' interests are published on the Council's website.

15. The Council has determined that its Ethics Committee shall be responsible for receiving and considering reports on matters of probity and ethics and to consider matters relating to the Members' Code of Conduct.

16. The Monitoring Officer reports to the Ethics Committee on a quarterly and yearly basis on complaints received for alleged breach of the Code of Conduct and on any trends and lessons learnt. The annual report for 2025 is available here Ethics Committee 11/03/2026

17. The Council also has a Code of Conduct for Officers: all staff are given their own copy as they are inducted into the organisation.

18. The Codes are supported by Protocols such as the Protocol on Staff / Member Relations and the Planning Code of Good Practice, which are all contained within the Constitution.

Officer-Level

19. The Chief Executive is the most senior officer in the Council. The Chief Executive and the Corporate Directors may exercise any functions of the Council or the Executive which have been delegated to them and they in turn may delegate decisions or functions to one or more officers in any of the Council's directorates, except when prohibited to do so by the Constitution or law.

20. The Council structure provides for a corporate management team, with seven members as its core membership, and six directorates. The law requires the Council to appoint certain statutory chief officers that are responsible for the governance of the Council and have specific statutory powers. Similarly, the Council must name the 'proper officers' to undertake specific statutory functions. Each of the above are described in more detail below:

a) Chief Executive: The most senior officer in the Council is the Chief Executive Officer (and Head of Paid Service). Certain matters not reserved to the Council, the Executive Mayor, are decided by the Chief Executive acting under delegated powers, and the Chief Executive is responsible for deciding how executive decisions are implemented.

b) Corporate Management Team (CMT): This is the Council's senior management team, consisting of the Chief Executive, the Assistant Chief Executive and the five Corporate Directors. Reporting into CMT are the respective Directorate Management Teams, Internal Control Boards and Transformation Boards.

c) Directorate Management Teams (DMTs): These are the management teams within each of the Council's six directorates, each headed up by either a Corporate Director or the Assistant Chief Executive and consisting of Directors and, heads of service where they report directly to the Corporate Director or the Assistant Chief Executive. These directorates are: Adult Social Care and Health; Assistant Chief Executive's; Children, Young People and Education; Housing; Resources and Sustainable Communities, Regeneration & Economic Recovery (now known as Place).

d) Internal Control Boards (ICB) – The ICBs are corporate officer boards which operate alongside the respective directorate structures providing governance over cross directorate matters and include the Capital Board; Health & Safety Board; Information Management Board; and Strategic Contracts Board.

e) Statutory Chief Officers: The statutory chief officers are the Head of Paid Service; Monitoring Officer; Chief Finance Officer; Director of Children's Services; Director of Public Health; and Director of Adult Social Services.

f) Often referred to as the Golden Triangle, the three chief officer roles with leading responsibilities relating to governance are the:

- Chief Finance Officer – who is responsible for finance and expenditure. The Council designated the role of the Corporate Director of Resources as the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972;
- Monitoring Officer – who is responsible for lawful behaviour. The Council designated the role of the Director of Legal Services as the Monitoring Officer in accordance with Section 5 of the Local Government and Housing Act 1989; and
- Head of Paid Service- who is responsible for the overall functioning of the Council and the allocation of resources. The Council designated the role of the Chief Executive as Head of Paid Service – in accordance with Section 4 of the Local Government and Housing Act 1989.

SoS Directions and Commissioners Recovery Board

21. On 17th July 2025 the SoS confirmed that he was satisfied that the Council was failing in its best value duty and issued new Directions to the Council to work with SoS appointed Commissioners to transform the Council. The Direction, amongst other matters, requires the Council to continue to develop and implement the stabilisation and transformation Plans and to address the culture of financial management that "remains poor in key respects".[7]

22. Following appointment, the Commissioners established a Recovery Board to oversee the development and delivery of activities required to respond to the Secretary of State's Directions and support the Council's recovery and improvement programme. Membership of the Board comprises the Government-appointed Commissioners, the Executive Mayor, Deputy Mayor, Cabinet Member for Finance, Leader of the Opposition and the Council's CMT.

23. The Commissioners Recovery Board provided strategic oversight of the Council's recovery and improvement activity during 2025/26[8]. The Board monitored delivery of the Stabilisation Plan and Transformation Programme, reviewed financial recovery measures, tracked progress against savings targets and considered strategic risks to delivery. The Board also provided challenge and assurance regarding programme governance, benefits realisation and organisational performance, supporting the Council's response to the Government intervention and the requirements of the Commissioners. The work of the Board formed a key component of the Council's governance framework for achieving financial sustainability and organisational improvement.

Local Code of Governance

24. The Council's Local Code of Corporate Governance reviewed in April 2026 and available here: L B Croydon - Local Code of Corporate Governance.docx demonstrates how its governance framework that includes its constitution, policies, strategies, practices, values, and internal controls arrangement meets the CIPFA good governance framework for local government. It provides evidence-based assurance that the Council is committed to:

    a) conducting its business in accordance with the law;

    b) behaving with integrity and strong ethical values;

    c) openness and resident engagement;

    d) delivering through the Mayor's Business Plan 2022-26, Future Croydon Transformation Plan 2024-29 and the subset Stabilisation Plan 25/26;

    e) evidencing delivery through key targets in its performance management framework; and

    f) effectively managing risk and performance through robust internal controls.

    These are further evidenced in the paragraphs below. **Our assessment is that during 2025/26, the Council's corporate governance arrangements continued to operate effectively and provided an appropriate framework for directing and controlling the Council, managing risk, ensuring accountability and supporting the delivery of corporate priorities and services.**

[7] The Direction also provided for certain functions of the Council to be exercised by the Commissioners. This includes a) all functions associated with the governance, scrutiny and transparency of strategic decision making and strategic financial decision making; b) the arrangement for the administration of the Council's financial affairs and all functions associated with strategic financial management; c) functions associated with the Council's operating model and redesign of services; d) appointment and dismissal of statutory officers; e) performance management framework for senior officers and f) functions to determine senior officers structure.

[8] Commissioner led recovery board | Croydon Council

Corporate Priorities

Mayor's Business Plan 2022-26

25. In December 2022, Full Council adopted the Mayor's Business Plan 2022-2026 (available here https://www.croydon.gov.uk/mayors-business-plan-2022-2026) which sets out the strategic outcomes and priorities of the Council. The five Outcomes were:

- The Council balances its books, listens to residents and delivers good sustainable services;
- Croydon is a place of opportunity for business, earning and learning;
- Children and young people in Croydon have the chance to thrive, learn and fulfil their potential;
- Croydon is a cleaner, safer and healthier place, a borough we're proud to call home; and
- People can lead healthier and independent lives for longer.

Each outcome is underpinned by a subset of priorities. There is a detailed delivery plan, which has been used to inform the development of service plans across the organisation, and performance indicators have been developed to track delivery against these commitments. The performance reports are reviewed at DMTs and at CMT.[9]

Transformation Plans

26. On 27th March 2024, the Cabinet approved and adopted 'Future Croydon', our Transformation Plan for 2024–2029. It provides a framework for innovation and a redesign of the council, underpinned by data and digital ways of working, and supported by a customer-focussed workforce. Its programmes would transform the organisation, help to deliver the priorities in the Mayor's Business Plan and contribute to the delivery of the longer-term cost savings, efficiencies and a sustainable budget to meet the Council's best value duty. 'Future Croydon' focusses transformation through the lenses of Our Council, Our Residents, and Our Place.

Review and Reprioritisation of the Plans

27. In July 2025, KPMG were appointed as the Transformation Management Office support partner. Business cases for the Target Operating Model initiatives were developed, ensuring alignment with the Mayor's Business Plan (MBP). Following feedback from the Council's Star Chamber (Executive Mayor, Deputy Executive Mayor and Cabinet Member for Finance) and Commissioners to focus on deliverability and benefits maximisation, transformation and delivery plans were reviewed. The refined plan set a clear four-year direction, underpinned by disciplined delivery, streamlined governance, and prioritised investment in projects that deliver the greatest return on investment and resident impact.

28. The transformation portfolio has been reorganised into four main Delivery Groups: a) Customer & Digital; b) Workforce; c) Prevention and d) Finance & Operations. Governance has been streamlined, with stronger sponsorship from Corporate Management Team (CMT) members. Projects were grouped and prioritised to deliver the largest savings and benefits first. Directorates retain responsibility for transforming their own services, while the Transformation Management Office (TMO)[10] provides guidance, standards and reporting support. Directorates developed a delivery plan to satisfy the Mayor and Commissioners that all the 2026-27 transformation savings proposals could be delivered in 2026-27.

[9] At Cabinet Meeting on 24th June 2026, a new Mayor's Business Plan 2026-2030 that set out the Council's strategic direction and priorities for the next four years was approved and recommend to Full Council (meeting on 21st October 2026) for approval and adoption – CabinetReport20June%202026%20-%20FINAL.pdf and ExecMayorBusinessPlan%202026-2030.pdf

[10] As at July 2026, the TMO has transitioned to a Corporate Project Management Office, and their role is to provide a co-ordinated approach to monitoring of the delivery plans

Notable Outcomes

29. The Council's January 2026 report to the Secretary of State acknowledged delays and challenges in some aspects of transformation delivery. However, a number of significant transformation initiatives strengthened governance, service resilience and financial sustainability during 2025/26, including:

- Adults Living Independently programme: This service transformation has helped more residents remain safely in their own homes through smarter commissioning and targeting interventions. This approach has reduced reliance on residential care placements, generating estimated savings of £15m annually by 2028-29, while improving the quality of life for vulnerable adults. The investment cost to deliver this project has been £9.7m.

- Payments Project: This council-wide programme is improving debt recovery & income collection in Revenues and Benefits - driving direct debit take-up in Housing Revenue Account/Adults Social Care. All council debt management teams will be consolidated into a single function facilitated by the use of a digital single view of debt and modern debt recovery solutions alongside an ethical approach to debt collection. This programme aims to achieve savings in the general fund of £2.9m per annum by 2026-27. The investment cost to deliver this project is £3.8m.

- AI Assistant: 'Ask Croydon Council' (our AI assistant) has been live on the council tax and environmental pages since April 2025 and was expanded to cover the entire council website in November 2025; helping the Council channel shift to digital for residents. In addition to delivering immediate responses to resident questions, this work lays the foundations for the Council to move to a unified front door solution which reduces the resident entry points from 2,000 (email/telephone entry points) to a single point of access. Already 35,000 adult social care calls have been transferred centrally realising a significant reduction in posts. The financial benefits of this work will deliver £0.8m per annum in 2026-27 rising to £1.3m per annum by 2027-28. The investment cost to deliver this project is £1.1m.

- Oracle Improvements: The Oracle Improvement Programme completed its work in March 2026 delivering on time and under budget, the latest Oracle enhancements across Finance, HR, and Procurement. The financial benefit of this work is a £0.8m per annum (cumulatively £2.6m) cashable saving. Further efficiencies can be expected as the council takes advantage of the platform to streamline business processes. The investment cost to deliver this solution was £0.4m under the £7.8m budget.

However, significant savings based on digital transformation were written out of the budget for being overly optimistic. The focus of the programme has been shifted to enable more service department led transformation.

Reset to Continuous Improvement

30. In May 2026, there was a Rapid Review of the Council's Transformation Programme that concluded that the programme is too wide ranging and is not driving the pace of change required. The review recommended a reset of the programme, moving from a broad transformation model to a more focused approach centred on continuous improvement, financial sustainability, customer outcomes and delivery of directorate-led change. It proposed strengthening governance arrangements through the establishment of a Corporate Programme Management Office (CPMO) to provide a single point of oversight, assurance and reporting across the Council's change and improvement activity. The Council has accepted the findings of the review and is implementing the recommendations that includes the rationalisation of transformation workstreams, improved governance and assurance arrangements, greater ownership of change programmes within directorates, and a review of digital transformation priorities to ensure resources are focused on initiatives that deliver clear service and financial benefits. This position is acknowledged in the

Council's Financial Strategy[11]. **Our assessment is that there were weaknesses in governance in parts of the transformation programme. The recent reset to continuous improvement and the delivery of the Rapid Review recommendations requires ongoing review and monitoring and should form part of the governance improvement plan for 2026/27.**

Financial Position 2025/26

31. The 2025-26 budget approved by Council in February 2025 set a net revenue budget of £375.8m. This required capitalisation directions from Government of £136m to balance the budget and due to the cost of servicing the disproportionate level of debt and cost pressures that exist nationally, regionally and locally relating to increases in demand as well as market prices. The General Fund revenue budget provisional outturn was an underspend of £27.3m, achieving the target required by the Stabilisation Plan. This reduced the necessary level of capitalisation directions from £136m to £108.7m.

32. The Council delivered its Stabilisation Plan[12] in 2025/26, saving £27.3 million which was part of the Directions and a condition attached to the Exceptional Financial Support (EFS) for 2025/26 approved by the Government. This underspend needs to be understood in context. Whilst obviously better than overspending it reflected elements of significant over-budgeting for some services. The following financial risks remains particularly around SEND pressures, debt costs and temporary accommodation.

a) General Fund debt stood at c£1.5bn at the end of 2025-26 with a debt servicing cost of c£82m in 2025-26. The Financial Strategy forecasts continuing reliance on Exceptional Financial Support through capitalisation directions.

b) Significant Special Educational Needs and Disabilities (SEND) / High Needs pressures. The Dedicated Schools Grant recorded a £29.4m overspend, taking the cumulative DSG deficit to £57.6m at the end of 2025/26[13]. The scale and trajectory of these financial pressures present a significant risk to the Council's long term financial sustainability. The Financial Strategy include measures to manage demand and reduce reliance on high-cost provision.[14] The Chartered Institute of Public Finance and Accountancy (CIPFA) undertook a Diagnostic Review of SEND budget overspend in 2024-25. The Council agreed all 23 CIPFA review recommendations and has produced an action plan to embed improvements. **Our assessment is that the actions to manage the SEND deficit should form part of the governance improvement plan for 2026/27. Also, the measures in the Financial Strategy to manage demand and reduce dependency in high cost out of borough placements.**

c) Temporary Accommodation and Homelessness Costs. Although performance improved, the financial exposure remains significant. The number of households in temporary

[11] See 29th July 2026 Cabinet Report - Financial Strategy Financial Strategy 2027-30l.pdf Paragraph 13 *"13.10 The revised programme will focus on a smaller number of strategic priorities, including: Developing a single view of debt to improve collection performance and resident experience; Delivering a new customer front door and improving customer journeys; Service redesign across Adult Social Care, Health and Children's Services; Delivery of the Housing Improvement Programme; Strengthening contract, commercial, asset and procurement management; Corporate organisational development, workforce capability and leadership development."*

[12] The Stabilisation Plan was a series of actions to further manage demand, reduce costs, increase income, and improve productivity.

[13] Costs are being driven by rising numbers of Education, Health and Care Plans (EHCPs), independent placements, out-of-borough provision and specialist therapies. The statutory override that keeps DSG deficits off councils' balance sheets currently ends in March 2028, creating uncertainty if national reform is delayed. On 9 February 2026, the High Needs Stability Grant was announced alongside the Local Government Finance Settlement. The Council is working with the DfE to produce a Local SEND Reform Plan, with the draft submission sent to the DfE in June 2026. The Safety Valve programme ended on 31/3/26. The High Needs Stability Grant is expected to fund 90% of eligible DSG accumulated deficit as at 31/3/26.

[14] See 29th July 2026 Cabinet Report - Financial Strategy 2027-30l.pdf Section 11.

accommodation fell from 3,665 to 3,294. There remain an estimated £45m annual Housing Benefit subsidy gap associated with temporary accommodation owing to the current Government policy of holding housing rent level subsidies at 90% of the Local Housing Allowance (LHA) rates in 2011.

d) Future Savings Delivery Risk. The 2025-26 position benefitted from underspends and one-off measures. The Financial Strategy identifies £57.8m of further savings that still need to be found by 2029-30. Some transformation savings have already proven difficult to achieve, including elements of the Digital Operating Model.

e) Social Care Demand. Adult and children's social care remain vulnerable to inflation and demand growth. Demographic growth and increasing complexity of need continue to drive spending pressures. The financial strategy identifies Croydon's costs in some service areas as above comparator averages, requiring significant efficiency improvements.

f) Placement market pressures in children's and adult social care.

g) Provision of £3.3m for Low Traffic Neighbourhood refund claims.

h) General Fund balances remained at £27.5m.

i) General Fund earmarked revenue reserves reduced by £7.8m to £139.2m.

j) Housing Revenue Account reserves reduced by £9.3m to £13.1m.

33. During 2025/26 the Council's in-year financial management arrangements improved materially through strengthened budget monitoring, financial reporting, financial challenge and oversight arrangements. Notwithstanding these improvements, the Council continues to face significant structural financial challenges as described above and remains reliant upon Exceptional Financial Support and ongoing financial recovery activity. The Financial Strategy 2027-30 has been developed to identify further efficiencies, strengthen affordability, and achieve long-term financial sustainability.[15] **Our assessment is that the Council's financial position remains the most significant governance weakness and the delivery of the outcomes in the Financial Strategy provides the road map to achieving financial sustainability and should be an integral part of the governance improvement plan for 2026/27.**

Performance Management

34. During 2025/26, the Council maintained a performance management framework to monitor delivery of the Mayor's Business Plan and service performance. Quarterly performance reports were published (available here: Corporate Performance and Finance Reporting | Croydon Council) as well as regular budget monitoring reports and to provide transparency and oversight of corporate priorities. Performance information is routinely reviewed through DMT, CMT and regular engagement with Cabinet Members, enabling challenge, accountability and the identification of emerging risks and underperformance. Performance reporting is supported by exception reporting, management oversight and regular reviews between the Chief Executive and Corporate Directors to drive improvement and ensure effective delivery of Council priorities.[16]

[15] At Cabinet Meeting on 29th July 2026, the Financial Strategy 2027-30l was approved. It sets out a medium-term plan to restore long-term financial sustainability and reduce reliance on Exceptional Financial Support (EFS). The strategy emphasises a shift from traditional transformation and efficiency programmes towards demand management, service redesign and continuous improvement. A key objective is to reduce service costs to levels closer to London averages, particularly in high-cost services, while maintaining statutory responsibilities and improving outcomes for residents.

[16] A new performance framework is being developed to reflect the new Mayor's Business Plan 2026-2030. On 14th October 2026 the Mayor's Delivery Plan is due to be considered and approved at Cabinet. On 21st October, the Mayor's Business Plan 2026-30 is due to be considered at Full Council.

Risk Management

35. The Council's risk management process is designed to identify, assess, and manage significant risks to the Council's objectives including risks associated with delivering the Mayor's Business Plan. The process includes a risk management framework and policy statement, corporate and directorate risk registers, risk champions, and appropriate staff training delivered to risk owners (Directors and above).

36. During the 2025/26 period, the Council has continued to embed an approach to risk management consistent with the 'Three Lines of Defence' model recognised by the Institute of Internal Auditors and HM Treasury 'Orange Book' standards, as good practice. [17]

37. All corporate / strategic risks are formally reviewed and signed off quarterly by the risk owner on the council's corporate risk management system 'JCAD'. In turn, all risks are reviewed quarterly by the Directorate Management Teams and assurance given / obtained by the Corporate Director. CMT and the Audit and Governance Committee then review all corporate / strategic risks. In addition, risk management 'deep dives' on individual risks are undertaken by the Audit and Governance Committee as well as the regular review of all corporate risks by CMT. The risk registers are published for full transparency apart from commercial and any Part B determined risks.[18]

Procurement and Contract Management

38. The Council maintains a procurement pipeline, providing strategic oversight of forthcoming procurement activity, including contract renewals, new procurements, and extensions and variations. However, not all the data in this is accurate or complete. This is now reviewed weekly and updated as required. Governance arrangements have been strengthened through the Executive Mayor's Scheme of Delegation and enhanced Strategic Contracts Board[19] oversight. There is also increased engagement with services to support early identification of procurement requirements, enabling improved commissioning, stronger commercial outcomes, and enhanced compliance.

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[17] The first 'line of defence' is implemented by the risk owners (the Council's directorates, Corporate Directors, Directors and Heads of Service as appropriate) to ensure an effective control environment, implement risk management policies in relation to their roles and responsibilities, and being fully aware of the risk factors to be considered in every decision and action. The second line of defence is the maintenance of a risk management framework and compliance functions, in supporting structured risk management implemented by risk owners. The third line of defence is implemented by both internal and external audit who take an independent view of the application of risk management, reviewing and evaluating the design and implementation of risk management and the effectiveness of the first and second lines of defence. In particular it should be noted that work was carried out by CMT during the year to identify a smaller subset of 'strategic risks' within the list of corporate risks which then received further peer challenge by CMT and consideration of what else could be addressed. The 'strategic risk' flag is dynamic and subject to periodic review by CMT.

[18] On 18 September 2025, 27 November 2025 and 12 March 2026 the corporate risk register and risk deep dive reports (as selected by the committee) were taken to the Audit & Governance Committee for review and assurance. The reports are available here. (Public Pack)Agenda Document for Audit & Governance Committee, 18/09/2025 18:30 (Public Pack)Agenda Document for Audit & Governance Committee, 30/10/2025 18:30 (Public Pack)Agenda Document for Audit & Governance Committee, 12/03/2026 18:30

[19] The Strategic Contracts Board (SCB) continues to operate as a key Internal Control Board, ensuring compliance with the Council's Contract Standing Orders (CSOs) and providing strategic oversight of procurement activity. The SCB monitors procurement performance and compliance, including oversight of waivers, and continues to play a central role in driving procurement improvement and governance across the Council. For individual procurements, the delegated gateway process remains in place. The Chair of SCB reviews and approves procurement reports in respect of Key Decisions prior to onward approval by the authorised decision maker, in accordance with the CSOs and the Executive Mayor's Scheme of Delegation. This ensures appropriate challenge, consistency and robust governance in decision-making.

39. The Contracts Register continues to be maintained and regularly reviewed to support effective contract management and transparency. Regular procurement compliance reporting is now established and reported to Corporate Management Team (CMT), improving organisational oversight, accountability, and the early identification and management of risks and non-compliance.

40. The Internal Audit Annual Report for 2024/25 identified contract letting, contract monitoring and contract management as control areas requiring further improvement. In response, the Council has implemented and progressed a range of actions through the Procurement Improvement Plan and associated governance arrangements. During 2025/26 this has included:

- Introduction of contract management reporting through the InTend system, strengthening oversight of contract performance and compliance;
- Launch of contract management training via Oracle, with further modules in development, including Social Value;
- Eleven procurement staff undertaking CIPS professional qualifications, with all expected to complete during 2026/27, strengthening organisational capability and professionalism;
- Review of procurement processes, with an associated action plan to further streamline and enhance processes while maintaining appropriate commercial rigour; and
- Continued embedding of the Social Value approach, including the launch of the *Match My Project* platform to improve delivery of social value outcomes within the borough.

41. Updated Contract Standing Orders (CSOs) have been implemented to reflect the requirements of the Procurement Act 2023[20], strengthening governance while ensuring a proportionate and flexible framework for procurement activity. Alongside this, the Commercial Excellence programme continues to drive improved outcomes through cost optimisation, enhanced supplier relationships, and a focus on innovation and value. The Council continues to engage in collaborative working through regional and national procurement networks, supporting knowledge sharing, benchmarking and continuous improvement of procurement practices.

Complaints, Fraud and Whistleblowing

Complaints

42. During 2025/26 the Local Government and Social Care Ombudsman issued one Public Report concerning the Council, relating to homelessness services. The Council accepted the findings and implemented the agreed actions, including financial remedy, service improvements and organisational learning measures designed to prevent recurrence. There were also two findings of Severe Maladministration by the Housing Ombudsman during the year. In each case, recommendations and action plans were completed in good time. These cases continue to reinforce the importance of effective complaint handling, accountability and quality assurance arrangements across services.

43. The Council received its Annual Review Letter from the Local Government and Social Care Ombudsman on 8 July 2026. The Ombudsman recognised the Council's positive engagement and acknowledged that a programme of improvement has commenced. However, the Ombudsman also identified continuing concerns regarding delays in responding to investigation enquiries and implementing agreed remedies, noting that these issues have persisted over a number of years.

[20] Approved at Meeting of Full Council in July 2025 Link to report available here https://democracy.croydon.gov.uk/documents/g4267/Public%20reports%20pack%2016th-Jul-2025%2018.30%20Council.pdf?T=10

During 2025/26, the Ombudsman recorded compliance in 35 cases, of which 15 were completed late, and reported that deadlines for Ombudsman enquiries were missed in 65% of cases. These findings demonstrate that further improvement remains necessary.

44. The Council implemented a complaints improvement programme following an internal review and external audit of complaint handling arrangements. The programme addresses governance, accountability, leadership, training, resources, systems, performance reporting and organisational learning. Progress is monitored through a dedicated improvement programme and is reported monthly to Corporate Management Team.

45. Governance arrangements have been strengthened through the introduction of dedicated Ombudsman co-ordination resources, enhanced Power BI reporting dashboards, improved management information, simplified complaint response templates, strengthened staff guidance and training and the transfer of Stage 2 housing repairs and management complaints to Housing Directorate to increase accountability and ownership. The Council has also established arrangements to ensure learning from complaints and Ombudsman decisions is identified, disseminated and monitored across directorates.

46. Whilst these improvements provide a stronger foundation for effective complaint handling, the Council recognises that sustainable improvement will require both process improvements and a wider cultural shift across services. **Therefore, our assessment has found that complaints management remains a significant governance weakness that requires a concerted effort across the organisation to bring about the required improvement in complaint response times, reduce overdue cases and strengthen Ombudsman compliance and ensure that resident feedback is consistently used to inform service improvement. This will form part of the governance improvement action plan.**

Fraud

47. The Audit & Governance Committee continues to oversee the Anti-fraud and Corruption Policy and Strategy and Anti Bribery and Anti Money Laundering policies. In addition, the committee receives regular reports in relation to the activities of the shared Croydon/Lambeth anti-fraud service, which was established in January 2023. The aim of the shared service has been to target pro-active anti-fraud initiatives in addition to reactive investigations. The activities of the service for 2025/26 were reported to the Committee on 25th June 2026 available at https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=479&MId=4580.

Whistleblowing

48. The Audit & Governance Committee also oversees the Council's Whistleblowing Policy and Procedure which enables staff, partners, and contractors to raise concerns in the public interest about suspected serious wrongdoing and without fear of being identified. The disclosures for 2025 were reported to the Committee on 27th November 2025 available at https://democracy.croydon.gov.uk/ieListDocuments.aspx?CId=479&MId=4223&Ver=4 and further updates are due to be reported to the Committee on 17th September 2026 that acknowledges some delays in whistleblowing investigation, the reasons for this and engagement of Shared Fraud Service to support investigations.

Working in Partnership

49. A number of the Council's services are delivered in partnership with commercial organisations and, increasingly, with other local public sector organisations, and the voluntary, community and faith sector. In order that the Council can maintain effective partnerships with a number of these

organisations, representatives of the Council, usually elected councillors, sit on the various committees and forums that are responsible for these.

50. The borough has themed partnerships (including the statutory Health and Wellbeing Board, Safer Croydon Partnership, Croydon Safeguarding Children Partnership and Croydon Safeguarding Adults Board) that bring together the Council and representatives of the emergency services, health, education, business, faith, voluntary and community sectors involved in decision making that affects the wellbeing of those who live, work, are schooled in and visit Croydon. The partnerships ensure a focus on local priorities.

51. These partnerships undertake a range of partnership activities and consultation exercises to enable all residents and customers to contribute to and shape the strategic themed plans such as the Joint Local Health and Wellbeing Strategy and the Safer Croydon Partnership Community Safety Strategy. In addition, the Council undertakes surveys with 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.

Croydon Arm's Length Companies

52. During 2025/26 the Council progressed towards liquidating its development company Brick by Brick Croydon Ltd. The company was placed into liquidation on 2nd April 2026. The Council made a loan write-off of £64m compared to £100m that was projected c3 years ago and £70m that was projected back in February 2024.

53. The Council has an 'arm's length' interest in several organisations[21]: The Croydon Companies' Supervision and Monitoring Panel, chaired by the Chief Finance Officer, ensure good governance of the Council's external entities. The Panel reports annually to the Executive Mayor and Cabinet, making recommendations as appropriate.

[21] a) LBC Holdings Limited Liability Partnership (LLP). The Council has a 99% membership of LBC Holdings Limited Liability Partnership (LLP).

b) LBC Holding LLP holds 10% of the membership of Croydon Affordable Homes LLPs.

c) Under Croydon Affordable Homes LLPs is the Croydon Affordable Homes LLP ('CAH') and Croydon Affordable Tenures LLP ('CAT').

d) The Council holds 100% stake in three companies related to the Taberner House (TH) development and these include Croydon Central Management Company, Croydon TH Ltd and Croydon TH Commercial Ltd. The Council is still in the process of transferring its equity interest to the Block Owners of Croydon Central Management Company Ltd (CCMC) and the Council continues to provide Estate Management Services to CCMC. CCMC have begun the procurement exercise to identify a private estate manager and relieve the Council from providing these services.

e) The Council holds a 100% stake in several Charitable organisations, each of which have been established over some time. A list of these Charitable organisations is provided below:

- The Wettern Tree Garden Trust
- Queenhill Road Playground
- Rotary Field, Purley
- Woodcote Village Green
- Willian Webb, Land forming part of the Promenade de Verdun
- Garwood's Gift in connection with Lloyd Park
- Charity of James Spurrier Wright
- The Betts Mead Recreation Ground

Information Management

54. This is the framework of policies, processes, controls and responsibilities that ensures information is managed lawfully, securely, accurately and effectively throughout its lifecycle. It covers how an organisation collects, stores, shares, protects, retains and disposes of information. It includes delivery of the functions in relation to Data Protection, Freedom of Information, Information Security, Records Management and Data Quality.

55. During 2025/26 the Council continued to strengthen its Information Governance (IG) arrangements in response to internal audit findings, regulatory expectations and risks identified within the Annual Governance Statement. A review identified significant weaknesses, including an outdated Information Asset Register, incomplete Records of Processing Activities, weaknesses in records management, low mandatory training compliance and capacity pressures within the central Information Governance function. To address these issues, the Council approved and commenced delivery of a two-year Information Governance Improvement Plan (2025-2027). This includes restructuring the IG function, establishing a dedicated Data Protection Officer capability, updating policies and procedures, improving performance monitoring and reporting, introducing enhanced governance arrangements, procuring specialist information management tools, strengthening records management capacity and embedding mandatory GDPR training across the organisation.[22]

56. A key element of the improvement programme is the transition to a service-led model, under which directorates assume greater ownership and accountability for their information assets and compliance obligations, supported by a central centre of excellence. This is intended to improve accountability, reduce compliance risks, embed privacy by design and strengthen information management practices across the Council.

57. Progress during the year included reductions in Freedom of Information and Subject Access Request backlogs, introduction of regular compliance reporting and escalation arrangements, establishment of monthly governance boards under SIRO and Caldicott Guardian oversight, procurement of a system to support Records of Processing Activities and Information Asset Registers, and implementation of an action plan to improve training, data protection compliance and records management. **Our assessment is that whilst progress has been made, information governance remains a significant governance weakness owing to the volume and sensitivity of information managed by the Council, increasing regulatory expectations, and the importance of high-quality management information. The continuing evolution of the cyber threat landscape is an additional risk factor and continued improvement of the Council's protection through both technical controls and user awareness remains a priority. Delivery of the Information Governance Improvement Plan, completion of statutory information management records, embedding service ownership arrangements and achievement of compliance targets will remain priorities during 2026/27.**

Commissioners' Progress Report

58. Throughout 2025/26 Commissioners provided challenge, support and independent assurance regarding financial recovery, transformation delivery, organisational capacity and governance arrangements.

59. In their first progress report (February 2026) to the SoS, Commissioners acknowledged that the Council had engaged positively with the intervention process and had taken a number of significant steps to strengthen leadership and governance arrangements, including the appointment of a new

[22] See Information Management Strategy Report for Audit and Governance Committee meeting 25th October 2025 available here Public%20reports%20pack%2030102025%201830%20Audit%20Governance%20Committee.pdf

Interim Chief Executive, Section 151 Officer and Assistant Chief Executive. The Commissioners recognised improvements in key services, including good performance ratings for both Adult Social Care and Children's Services, and lifting of the Voluntary Undertaking by Social Housing Regulator and acknowledged a stronger organisational commitment to addressing the Council's financial challenges.

60. The report concluded that while Croydon has made progress in delivering substantial savings and capital receipts since 2021, it continues to face significant financial pressures, including a high level of debt and reliance on Exceptional Financial Support. Commissioners welcomed the Council's acceptance that further action is required to improve its financial sustainability and supported plans to reduce operating cost, identify additional efficiencies savings, review borrowing cost and capital programme. Commissioners identified the Transformation Programme as critical to the Council's recovery but noted concerns that it lacked sufficient focus, prioritisation, robust delivery planning and performance management arrangements. They highlighted the need for stronger programme governance, clearer accountability, improved use of performance data and benefits realisation, and more effective workforce planning to reduce reliance on interim staff. The Commissioners' feedback has shaped both the Council's Financial Strategy and transformation plan as explained in the paragraphs above.

61. The Commissioners' report also identified risks arising from organisational capacity, including reliance on interim management arrangements, workforce instability and the need to embed a stronger performance culture. Commissioners concluded that, whilst encouraging progress had been made, further work is required to secure long-term financial sustainability, strengthen governance arrangements, deliver transformation outcomes and support the development of a high-performing organisation. Commissioners are committed to continuing to support and challenge the Council as it progresses its improvement journey.

Organisational Capacity, Workforce Stability and Performance Management

62. The Council has continued to strengthen its senior leadership capacity through the permanent appointment to the Corporate Director of Resources, appointment of a new interim Assistant Chief Executive and commencement of recruitment for a permanent Chief Executive.

63. During 2025/26, there has been a pivot to greater Corporate Director ownership and accountability in budget management, savings delivery, service performance and improvement activity. Directorate delivery plans have been reviewed and strengthened to ensure all major savings, transformation and improvement activity is supported by clearly defined milestones, financial and non-financial benefits, risks, dependencies and reporting arrangements. These plans now form the basis of performance monitoring, escalation and accountability discussions throughout the organisation. This reflects a wider organisational shift from centrally led transformation activity to directorate-led continuous improvement, with delivery accountability resting explicitly with Corporate Directors and their management teams.

64. To support organisational culture change, the Council has implemented a refreshed performance management and appraisal process through Oracle. The Oracle system also enables the Council to have a comprehensive suite of management information on workforce that is in its early days but is critical in management of resource. There is an improved "golden thread" linking corporate priorities, service plans and individual objectives. There is monthly reporting to Corporate Management Team and Directorate Management Teams on workforce indicators such as sickness absences, appraisals, mandatory training, and recruitment times to improve performance and strengthen individual accountability. Recent data shows very low completion rates for performance appraisal and this requires improvement. A new organisational development programme is also being rolled out to support leadership capability and change readiness.

65. There has been a concerted effort to reduce reliance on agency staff and to focus on workforce stability and capacity. In 2025/26, there was a reduction in agency headcount from 750 to 456 staff and a reduction in spending from £56m to £44m. Workforce planning and recruitment activity has been strengthened to increase permanent capacity in key services through directorate workforce plans.

66. **Our assessment is that whilst progress has been made in strengthening recruitment and organisational development activity, workforce stability, resilience and performance management arrangements remains a significant governance issue and should be reflected in the Council's governance improvement actions during 2026/27.**

Internal Audit

67. The Head of Internal Audit Annual Report for 2025/26 concludes that the Council's overall governance, risk management and internal control framework is broadly sound and aligned with recognised good practice. Governance arrangements continue to strengthen, supported by ongoing improvement activity, enhanced oversight mechanisms and an effective corporate risk management framework.

68. However, the report identified that control arrangements are not applied consistently across all service areas, resulting in a relatively high proportion of Limited Assurance opinions and a number of significant control weaknesses. The most significant recurring themes arising from internal audit work during 2025/26 were:

- Weaknesses in contract letting, monitoring and management across the organisation;
- Ongoing weaknesses in information governance and data quality;
- Control deficiencies within housing services, particularly relating to temporary accommodation, repairs and maintenance; and
- Weaknesses in HMRC compliance in engagement and payments of individuals across a significant number of schools audited.

69. Notwithstanding these findings, Internal Audit also reported that overall implementation rates for audit findings remain strong with the percentage of resolved issues exceeding the 80% target in 2025/26 and prior years.

70. Internal Audit also noted a reduction in the overall number and age of prior year audits being followed up compared to the previous year. This reduced from 28 to 21 and demonstrates some improvement of implementation of agreed audit actions. However, 26 Priority 1 findings from prior years audits remain outstanding. Given the significance of these issues, management will need to prioritise their resolution and ensure that implementation progress is closely monitored until all actions have been completed.

71. During 2025/26, the Council Corporate Management Team regularly reviewed the management actions arising from internal audits, helping ensure that historic and current actions were being implemented and improvements to systems and controls were made as appropriate.

72. **Overall, our assessment is that the Internal Audit assurance work undertaken during 2025/26 indicates that whilst governance and risk management arrangements continue to improve, significant control weaknesses remain in housing services, contract and project management, information governance and HMRC self-employed checks in schools. Also, the implementation of prior years' audit actions. Further work is required to embed consistent control and compliance arrangements across these service areas and will form part of the governance improvement plan for 2026/27.**

External Audit

73. The Interim Auditor's Annual Report for the year ending 31 March 2026 is being finalised. The draft provides an assessment of the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.

74. The external auditor concluded that there remains the risk of significant weakness in financial sustainability arrangements and retained the statutory recommendation issued in 24/25 that *"The Council should seek to work with Government (through its newly appointed Commissioners) to develop an appropriate package of measures, which enable the Council's operating costs to be reduced, affordable and sustainable. ……...An effective solution to deal with the cost of the debt would facilitate a return to financial stability at the same time as the Council is held to account for delivering further savings and efficiencies, delivering the transformation programme, and maintaining appropriate quality standards within services to meet its statutory duties*". The report raises a new key recommendation that "*The Authority's medium-term financial planning must address how the residual DSG deficit will be managed after 31 March 2028. In the meantime, the Authority must continue to strengthen its brokerage arrangements; reduce reliance on provision outside the mainstream; and develop efficient demand management*".

75. The auditor found no significant weaknesses in governance arrangements and recognised continued improvement in financial governance and oversight. Commissioners appointed by Government in July 2025 have provided additional challenge and support through the Recovery Board. Strong governance arrangements for decision-making, scrutiny and risk management were observed, supported by an independent Audit and Governance Committee and effective scrutiny arrangements. The auditor also noted the Council strengthened capacity within the finance function through recruitment of additional qualified staff and the appointment of a permanent Section 151 Officer. However, given the continued disclaimer of audit opinions on the Council's accounts, the auditor raised a new improvement recommendation requiring the Council to continue working with external auditors to rebuild assurance over its financial statements.

76. As to economy, efficiency and effectiveness, the auditor recognised positive service performance improvements during 2025/26. The Council received a "Good" rating from the Care Quality Commission for Adult Social Care and favourable findings from Ofsted regarding children's front-door services. The Regulator of Social Housing confirmed that concerns previously raised regarding housing compliance had been resolved. The auditor also noted a reduction in the number of underperforming corporate performance indicators. Despite this progress, concerns remain regarding complaints handling and aspects of housing service performance. Internal Audit reviews identified weaknesses in complaints management, housing compliance and temporary accommodation arrangements, resulting in the retention of previous improvement recommendations to; improve complaints handling arrangements and reducing delays in complaint resolution; and continue improvements within housing and temporary accommodation services, particularly in areas receiving Limited Assurance internal audit opinions.

77. The auditor reported positive progress in implementing recommendations from the 2024/25 Auditor's Annual Report. Four recommendations were fully implemented and closed, including those relating to reserve reporting, progress with aspects of the transformation programme, finance team capacity and capability, and housing improvement arrangements. The recommendation relating to SEND data quality and DSG management was closed and replaced by the new Key Recommendation due to the increased financial risk arising from the growing DSG deficit.

78. The Council will accept the external auditors report and recommendations once finalised. **Our assessment from the External Auditors report is that there are governance weaknesses in financial sustainability, SEND DSG deficit, complaints handling and housing and temporary accommodation services in areas receiving Limited Assurance internal audit opinions. They will form part of the Council's governance improvement actions for 2026/27.**

Conclusion

79. The Council has undertaken a comprehensive review of the effectiveness of its governance arrangements for 2025/26, informed by assurances and reports provided by Statutory Officers, Corporate Directors, Internal Audit, External Audit, Commissioners, Audit and Governance Committee, Scrutiny and Overview Committee and other sources of assurance. The review concludes that the Council's corporate governance framework remains substantially compliant with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and is operating effectively in providing direction, oversight, accountability and stewardship of public resources. During the year, the Council has made progress in strengthening financial management, governance oversight, procurement and contract management, transformation governance, organisational leadership, information governance, complaints management and performance reporting. These improvements demonstrate a growing organisational focus on accountability, transparency, evidence-based decision making and delivery.

80. Nevertheless, the Council remains subject to statutory intervention and continues to face significant governance challenges and weaknesses arising from its long-term financial position, SEND financial pressures, workforce resilience, information governance and cyber security risks, contract management and the need to maintain momentum in service improvement. The Council recognises that sustainable improvement will require more than the delivery of discrete projects and programmes. Accordingly, during 2026/27 the Council will continue its transition from a programme-led transformation approach towards an embedded culture of continuous improvement, where accountability for performance, financial sustainability, risk management and service outcomes is owned and driven throughout the organisation.

81. This will be supported through strengthened corporate and directorate accountability arrangements, clearer ownership of delivery plans and savings targets, improved integration of performance, finance, risk and assurance reporting, enhanced scrutiny and challenge, and greater use of data and evidence to inform decision making and service redesign. Success will be demonstrated through achievement of sustainable financial improvements, implementation of audit recommendations, strengthened organisational performance, improved outcomes for residents and continued progress against the requirements of the Secretary of State's Directions. These are all contained in the Governance Improvement Action Plan for 2026/27. Progress against the Action Plan will be monitored through the Corporate Management Team and Audit and Governance Committee throughout the year. The Council therefore remains committed to further strengthening its governance arrangements, securing Best Value, building organisational resilience and maintaining the pace of improvement necessary to support eventual exit from statutory intervention and the achievement of long-term financial and organisational sustainability.

Signed by

Executive Mayor

Date

Signed by

Chief Executive and Head of Paid Service

Date

Appendix 1 Annual Governance Statement 2024/25 Action Plan and Progress Update

Annual Governance Statement 24-25 Action Plan Progress Update.docx

Appendix 2 Annual Governance Statement 2025/26 Governance Improvement Action Plan

The review of governance arrangements for 2025/26 found that while progress has been made in relation to financial recovery, transformation, organisational capability, procurement, information governance and complaints management, significant challenges remain. The following Governance Improvement Action Plan sets out the key actions that the Council will undertake during 2026/27 to address the significant governance weaknesses identified within this Annual Governance Statement and to strengthen governance arrangements. Progress against the Plan will be monitored quarterly by the Corporate Management Team and Audit and Governance Committee. Each action will be assessed using Red, Amber and Green (RAG) status reporting and supported by the success measures set out below.

Ref	Governance Issue	Improvement Action	Accountable Officer	Target Date	Success Measures
1	**Financial Sustainability and Best Value**	**Implement Financial Strategy 2027-2030 and strengthen financial governance arrangements.**	**Chief Executive / Corporate Director Resources (S151)**	**March 2027**	**• Delivery of approved savings targets. • Improved forecast accuracy and reduced budget variances. • Quarterly financial sustainability reporting to CMT, Recovery Board and Audit & Governance Committee. • Balanced budget position maintained and adequate reserves preserved.**
2	**SEND Financial Governance**	**Implement the CIPFA SEND Review recommendations and strengthen SEND forecasting, budget monitoring, governance reporting and financial accountability arrangements.**	**Corporate Director Children, Young People & Education**	**March 2027**	**• All CIPFA recommendations implemented. • Monthly SEND financial monitoring and forecasting reports. • Improved forecast accuracy and early identification of financial pressures. • Regular reporting and challenge through established governance boards.**
3	**Reset from Transformation to Continuous Improvement**	**Implement Rapid Review recommendations and embed CPMO arrangements.**	**Assistant Chief Executive**	**March 2027**	**• CPMO operational • Directorate delivery plans in place and monitored • Benefits realisation framework operational • Agreed savings and outcomes delivered**
4	**Workforce Capacity, Stability and Performance Culture**	**Reduce reliance on interim and agency staff, strengthen workforce planning and succession management, embed and improve performance management arrangements (including in appraisals) and deliver organisational development initiatives.**	**Assistant Chief Executive / Chief People Officer**	**March 2027**	**• Reduction in agency expenditure and headcount. • Increase in permanent appointments in key roles. • Improvement in appraisal completion rates. • Workforce indicators demonstrate improved performance and stability.**
5	**Information Governance and Data Quality**	**Deliver the Information Governance Improvement Plan, strengthen records management, improve data ownership arrangements and complete statutory information governance records.**	**Assistant Chief Executive / SIRO**	**March 2027**	**• Information Asset Register completed and maintained. • Records of Processing Activities completed. • Improved FOI and SAR performance. • Increased compliance with mandatory information governance training.**

Ref	Governance Issue	Improvement Action	Accountable Officer	Target Date	Success Measures
6	Cyber Security	Continue delivery of the Council's Cyber Security Improvement Programme to strengthen cyber resilience, reduce vulnerabilities and protect Council information assets.	Chief Digital Officer	March 2027	• Delivery of programme milestones within agreed timescales. • Reduction in overall corporate cyber risk rating. • Quarterly reporting to Audit & Governance Committee.
7	Contract Management and Commercial Governance	Fully embed InTend contract management arrangements, improve contract monitoring and assurance, strengthen commercial competencies and ensure procurement compliance.	Corporate Director Resources	March 2027	• All strategic contracts recorded and monitored through InTend. • Quarterly compliance reporting established. • Increased completion of contract management training. • Improved compliance with Contract Standing Orders and Procurement Act requirements.
8	Internal Audit Recommendations and Internal Control	Ensure timely implementation of agreed Internal Audit recommendations and strengthen management accountability for overdue actions.	All Corporate Directors	Quarterly Monitoring	• No overdue high-priority audit recommendations. • At least 90% implementation of recommendations within agreed timescales. • Quarterly progress reports reviewed by Audit & Governance Committee. • Evidence of strengthened control environments in previously weak areas. Reduction in Limited Assurance audits • Closure of historic high-risk actions
9	Complaints and Ombudsman Compliance	Deliver the Complaints Improvement Programme, improve complaint handling performance, strengthen Ombudsman compliance and embed organisational learning from complaints and redress cases.	Assistant Chief Executive	March 2027	• Reduction in overdue complaints and Ombudsman enquiries. • Improved compliance with Complaint Handling Codes. • Timely implementation of Ombudsman remedies. • Evidence of service improvements resulting from complaint learning.
10	External Audit Recommendations and Financial Reporting Assurance	Implement External Audit recommendations and improve financial reporting assurance.	Corporate Director Resources (S151)	March 2027	• Delivery of all audit recommendations • Improvement in financial statement assurance • Progress against DSG recommendations • Regular progress reporting
11	Housing Governance and Regulatory Compliance	Deliver Housing Improvement Programme and strengthen compliance assurance.	Corporate Director Housing	Mar 2027	• Regulatory compliance maintained • Reduction in overdue compliance actions • Reduced Housing Ombudsman findings • Improved repairs and TA performance

End