

## **ANNUAL GOVERNANCE STATEMENT 2010/11**

### **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 adopted strategies, policies and practices that are consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. This statement explains how Croydon Council meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

### **The purpose of the governance framework**

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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 Croydon Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be 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 2011 and up to the date of approval of the annual report and statement of accounts.

### **The governance framework**

- The "Croydon's Community Strategy" outlines the Council's purpose vision and aims. This is supported by the Corporate plan and service plans for each Department, Division and Team. These are reviewed and updated annually. In addition, the Council launched its Vision and Values statement during 2007/08 after extensive consultation amongst the staff.
- The constitutional framework 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. These meetings are open to the public, except where personal or confidential matters are being discussed. In addition, senior officers make decisions under delegated authority. The Council publishes a forward plan that details the key decisions to be made by the Council, Committees and Chief Officers under their delegated powers.

- 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 and the Financial Code of Practice set out in the Constitution (4H). The Council has designated the Executive Director of Resources & Customer Services 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 operates in accordance with the standards set out in the Code of Audit Practice for Internal Audit in Local Government. As required by the Accounts and Audit Regulations the Executive Director of Resources & Customer Services 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.
- 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 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 Cabinet Member for Housing, Finance and Asset Management 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 risk management process was awarded satisfactory assurance by Internal Audit in 2010/11.

- The Council has adopted codes of conduct for its staff and its Members. These are introduced to all staff and Members as they are inducted into the organisation and they are given their own copies. They 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. The application of the policy is overseen by the Council's Standards Committee. In addition, the Council has adopted a fraud hotline.
- A whistleblowing 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.
- 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 carried out extensive work with these boards to ensure that common objectives were agreed by the participants and that the risk to achieving those objectives were identified, understood and responsibility for addressing them was allocated.
- The Strategic Partnership seeks to address community engagement by, amongst other methods, seeking involvement with neighborhood partnerships, business development partnerships and the community network. Neighbourhood Partnership meetings across the Borough affords 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 operates a citizen's panel of 1,500 representative residents who provide the Council with reliable feedback on important Croydon issues. This information feeds back into service and policy development. The LSP also carries out consultation exercises to enable all residents and customers to contribute and shape the vision for Croydon over the coming years. This has contributed to a vision statement for the borough entitled "We are Croydon – this is our vision".
- Members' induction training is undertaken after each 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 HR&OD 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.

## **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 Executive Director of Resources & Customer Services.
- The Scrutiny and 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 three-year strategic plan and annual 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 Executive Director of Resources & Customer Services 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 such as the Care Quality Commission and Ofsted.

We 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

### Significant governance issues 2010/11

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

Key Risks	Action	Responsible Officer
<p>1. The Council faces significant financial pressures from the impact of reductions central government grant funding and the impact this will have on the delivery of services.</p>	<p>A robust budget for 2011/12 has been set which includes £40m of budget reductions. The proactive nature and strategic planning for the Step Change programme has enabled the Council to balance it's budget through significant levels of efficiencies. The already robust financial management process has been developed further to include a series of budget readiness reports to assess our readiness to deliver the 11/12 budget. The Council has also put in a place a series of quarterly scrutiny meetings where any overspending services receive detailed examination and support to help identify solutions to enable a balanced budget to be achieved.</p> <p>The Council has already commenced the budget planning process for the period 2012/15 within the overall Financial Strategy and financial planning model which has served the Council well in the past. The delivery of further efficiencies from the Step Change programme will be a key part of the delivery of the budget for those years and a future programme of options has been identified. Our financial planning assumptions fully reflect the planned reductions in funding set out in the CSR and therefore are contained within the Council's</p>	<p>Executive Director of Resources &amp; Customer Services</p>

	<p>Financial 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. The Council is fully co-ordinated at political and officer level to ensure a Fair Deal for Croydon and has met with the Minister to put a financial case forward the borough.</p>	
<p>2. The Council is carrying out a significant restructure of tier 1-3 management and also significant organisational change from the step change programme. This will result in service changes and a number of experienced staff exiting the organisation over the coming year.</p>	<p>A thorough consultation process is in place to ensure that the future structure is fit for purpose.</p> <p>Rapid implementation of the reorganisation to: lessen disruption to service delivery and reduce uncertainty amongst staff and leakage of talent through officers leaving.</p> <p>Ensuring that posts are recruited to internally where employees have the requisite skill and competence to undertake the roles.</p> <p>Soundness of process and procedure to ensure fairness in staff being selected for redundancy, including mitigating redundancies through redeployment.</p>	<p>Chief Executive</p>
<p>3. The Health and Social Care Bill is expected to result in some public health functions and funding transferring from the NHS to the Council. Future funding is currently uncertain and there is a risk that the currently strong local public health function becomes fragmented and weakened.</p>	<p>a project has been established to manage the transition from current public health arrangements to a sustainable future configuration.</p>	<p>Executive Director of Adult Services &amp; Housing</p>
<p>4. PCTs, who have traditionally been the Council's partners in</p>	<p>a shadow health and well being board has been established to</p>	<p>Executive Director of</p>

<p>health delivery, are likely to be abolished and new commissioning arrangements are being established. There is a risk that joint decision making and partnership breaks down.</p>	<p>ensure that joint priorities are agreed and commissioning plans are in place to deliver those priorities.</p>	<p>Adult Services &amp; Housing</p>
<p>5. The Council's relationship with the voluntary sector is changing as a result of the Government's Big Society agenda. The move to more commissioning of services from the voluntary sector could impact on the reputation of the Council and the services for which it is responsible.</p>	<p>The council has undertaken a series of consultation exercises including online survey, resident panel survey, received written submissions as well as meetings involving different communities; LSP congress meeting and at Croydon Voluntary Action.</p> <p>A strategy and action plan will be published in the 2011/12 containing a number of key initiatives such as community civic awards and community online toolkit. Key priorities will focus on volunteering, commissioning and social action.</p> <p>The council has already launched the first phase of its small grants fund.</p>	<p>Chief Executive</p>
<p>6. The ending of the Government's Building Schools for the Future programme has resulted in a significant reduction in capital funding for maintaining the educational estate. This may ultimately have an impact on the number of school places available.</p>	<p>An education estates strategy is to be taken to the July 2011 cabinet to ensure appropriate planning is in place to secure sufficient primary and secondary school places and to provide more local special education places in order to reduce heavy reliance on expensive out-borough SEN educational placements.</p>	<p>Executive Director of Children, Young People &amp; Learners</p>

<p>7. The current economic conditions and changes to housing benefit 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.</p>	<p>Executive Director of Adult Services &amp; Housing</p>
<p>8. Audits conducted during the year identified a number of instances of non compliance with the Councils' Tenders and Contract Regulations, particularly relating to the letting of contracts.</p>	<p>A programme of 'Doing the Right Thing' was launched during the year to strengthen the governance processes and procedures of the Council, this will be supported during the year by a routine focus from the Council's Internal Audit Service on these areas of the Councils operations to ensure adherence to the Council's procedures.</p>	<p>Executive Director of Resources &amp; Customer Services</p>
<p>9. Significant overspends were identified in CYPYL resulting from a failure in budget management.</p>	<p>Budget management processes for the department have been significantly tightened up, for example through budget coding and monthly meetings with managers with budget responsibility. Oversight of these arrangements is taking place through the 'Getting it Right for CYPL' group which includes the Deputy Chief Executive and the Executive Director of CYPL.</p> <p>Additional finance staff including a new Head of Finance has been put in to support the department to ensure the necessary improvements are made.</p>	<p>Executive Director of Children, Young People &amp; Learners</p>

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 2009/10 Statement and progress to date

### KEY RISKS ACTION RESPONSIBLE

Key Risks	Action Agreed	Outcome	Responsible Officer
1. The standard of financial management and internal control within schools has deteriorated particularly in relation to governance, staff appointment checks and financial controls.	Plans are in place to address this including training of governors and heads, pre meetings with schools before any audit checks and closer monitoring of schools with limited assurance.	An action plan has been implemented and this includes training of over 110 people (heads, governors and finance officers), preparation work in individual schools at individual staff level and governing body levels and generally raising the importance of the audit process through meetings with head teachers, governors and finance officers.	Executive Director of CYPL
2. Control weaknesses were identified with the appointment and payment of some categories of staff and control over the staffing establishment.	The Council has launched an audit assessment framework to provide regular assessment on the robustness of our operational controls. In support of this programme of work the Council has issued formal change control notices to our contractors to enforce compliance.	The agreed actions are now in place.  These actions also include sample transaction checks to ensure consistent application of the operational changes detailed in the change control notice.	Chief Executive
3. The Council faces significant financial pressures in-year from the impact of central government reducing existing government grants across a range of services.	In light of the economic environment predicted for the public sector this year and over the next few years, the Council is preparing a new approach to co-ordinate the efficiency programme across the Council - the Step Change Croydon Programme.	The Step Change Programme has continued to progress well and is expected to contribute nearly £10m towards achieving a balanced budget for 2011/12. Our financial modelling has been updated post CSR and local government settlement. The front loading of the cuts, with 20% in the first 2 years has made the challenge	Executive Director of RCS

	<p>The financial strategy and budget setting model have been refreshed and reshaped to ensure the recession impacts are appropriately planned for and managed. This is built into the 2010/12 budget setting process.</p>	<p>significant.</p> <p>The government has announced a full review of local government funding in 2011 which will inform the 2013/14 and beyond settlement. Croydon will be making sure we input as much as possible to influence the outcome of that review</p>	
<p>4. Unable to secure full recompense for the services provided to asylum seekers within the borough.</p>	<p>In negotiations with the UKBA over funding for this area, to provide Croydon with a more secure and robust method of funding asylum seekers.</p>	<p>Croydon has reached agreement with the UKBA in respect of funding for 09/10 and 10/11. This resulted in a settlement of approx £2m greater than previously offered. Agreement has also been reached on rates going forward and although these are challenging we accept them, and the 2011/12 budget reflects this.</p>	<p>Executive Director of CYPL</p>
<p>5. Uncertainty around the future financial stability of the economic development company and it's ability to deliver the targets in the Economic Development Strategy</p>	<p>The Council continues to work closely with CEDC to monitor its financial situation, so that any necessary corrective action can be taken to ensure that programmes are affordable.</p> <p>The local economic assessment (October 2010) will propose revised economic targets, reflecting the current economic conditions</p>	<p>Following significant in-year reductions to the ABG, the Council determined that it was no longer able to provide the necessary funding to enable CEDC to operate as a stand alone entity. As a result, the Council worked closely with CEDC to ensure an effective closedown and smooth transition to new arrangements. The CEDC closed in September 2010, formally entering voluntary liquidation in December 2010. Given its growth and regeneration</p>	<p>Executive Director of PRC</p>

		<p>aspirations, the Council has established a reduced economic development team to manage ongoing services targeted at the areas where the Council can make most difference to economic recovery and growth. Funding of this service beyond March 2011 has been allocated via the Council's 2011-12 budget setting process. . New indicators and targets are being established in line with the refreshed economic strategy, and a six-monthly economic bulletin has been established to provide stakeholders and partners with key economic data, strategic initiatives and policy developments.</p>	
<p>6. Unable to deliver a clear sound strategic planning framework which hampers the pace of regeneration in Croydon metropolitan centre.</p>	<p>The LDF core strategy is on target for submission early in 2011, with an examination in public likely to take place later that year. A robust evidence base, prepared to support the document through tests of soundness, is almost complete. Negotiations are continuing with LDA and GLA for funding to prepare an OAPF, which is a subsidiary document to the London Plan, which would provide further planning certainty for CMC.</p>	<p>The final version (regulation 28) of the Core Strategy is being drafted following the completion of the early consultation phases. It will be published in June/July and the representations made will be considered over the Summer for reporting to Council in the Autumn. The preparation of the final document has been delayed to allow time to take on board the significant changes to the planning system being introduced by the Localism Bill. The Core Strategy is now scheduled to be submitted to the</p>	<p>Executive Director of PRC</p>

		Secretary of State towards the end of 2011. Funding for the OAPF has been secured and work on its preparation is underway. The target is to report the final version to the Mayor for adoption towards the end of 2011.	
7. Inability to meet the putting people first agenda social reform milestones adequately	Progress towards transforming social care is measured against indicators in the National Indicator Set and by the Care Quality Commission (CQC) in its assessment of local authorities' performance in delivering adult social care services. The putting people first milestones are a self improvement tool designed to stimulate discussion, planning, information sharing and accessing support in order to make the most effective progress towards implementing the putting people first programme. Programme management with monthly reporting to DASH Adult Social Care Transformation Board, quarterly self assessment of progress to the DH and benchmarking/sharing best practice, collaborative work across London and through national	<p>Following a review of progress during the summer of last year an analysis was taken to the Transformation Board in early September. This led to an agreement to trial a revised Resource Allocation System, a single Price Point and Supported Self Assessment Questionnaire.</p> <p>There is now a strong focus, including dedicated management resources, on ensuring the work of Putting People First is mainstreamed across the department and that the target of 30% of people in receipt of ongoing community support has a Personal Budget by April 2011. The Resource Allocation System is currently being reviewed in preparation for final sign off by the Transformation Board in March 2011. All new customers are now offered a Personal Budget as the "default" option and plans are in preparation to ensure</p>	Executive of DASH

	networks supports progress and enable risks to be raised at the earliest stage and remedial action to be considered and acted upon.	that beyond April all existing customers are transferred onto the same personalised arrangements as soon as practicable	
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**Jon Rouse**  
Chief Executive



**Mike Fisher**  
Leader of the Council