

Auditor's Annual Report on Royal Borough of Greenwich

2021/22

March 2023

Contents

Section	Page
Executive summary	03
Opinion on the financial statements and use of auditor's powers	04
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	05
Financial sustainability	06
Improvement recommendations	08
Governance	11
Improvement recommendations	13
Improving economy, efficiency and effectiveness	15
Improvement recommendations	17
Follow-up of previous recommendations	22
Opinion on the financial statements	24
Appendices	
Appendix A – Responsibilities of the Council	26
Appendix B – An explanatory note on recommendations	27
Appendix C – Sources of evidence	28



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below:

Criteria	2020/21 Auditor Judgment	2021/22 Auditor Judgment
Financial sustainability	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified or improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made



Financial sustainability

The Council registered a small overspend of £0.3m for the financial year of 2021/22. This reported overspend has been funded through the use of its General Reserve, which has moved the balance on the General Reserve from (£19.7m) to (£19.4m). This position includes underlying base budget pressures and was achieved through significant use of temporary (one off) underspends and funding, such as £9.1m treasury management underspend. In the medium/long term, the Council must now turn its attention to creating sustainable and actionable cost saving and transformation plans to close the proposed budget gap by 2026/27.

The Council must ensure it has robust processes for developing and monitoring savings delivery to meet the gap and ensure a balanced budget can be set.



Governance

The Director of Finance is responsible for ensuring that the risk management arrangements are adequate and effective within the Council. From our review of internal documents and interviews with key stakeholders, it is clear improvements are needed within the Council regarding its governance arrangements. Most notably was the lack of an updated strategic risk register within the financial year 2021/22 and the absence of ownership and responsibility regarding risk issues at the operational level. Going forward, the Council must ensure risk management is a priority.



Improving economy, efficiency and effectiveness

From our review of the activities within the Council, we have provided relevant and reasonable improvement recommendations to aid securing economy, efficiency and effectiveness. It has been noted that the Council is going through a stage of redevelopment, and it should focus on improving outdated policies and procedures to enhance the standard of general practice. We have therefore provided improvement recommendations targeted at restructuring the procurement and contract strategy and redefining how the Council reports its performance and financial indicators to aid better decision making.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We gave an unqualified opinion on the Council's financial statements on 7 September 2023. Our Audit Findings Report was presented to the Audit and Risk Management Panel on 16 March 2023. The delay of signing was due to a national pension issue that was caused by additional information becoming available from the pension fund 2022 triennial valuation. This required Council's to obtain revised IAS19 pensions liability reports from actuaries and to update their financial statements from the revised reports.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

No such issues identified

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

No such issues identified

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

No such issues identified

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

No such issues identified

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

No such issues identified

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

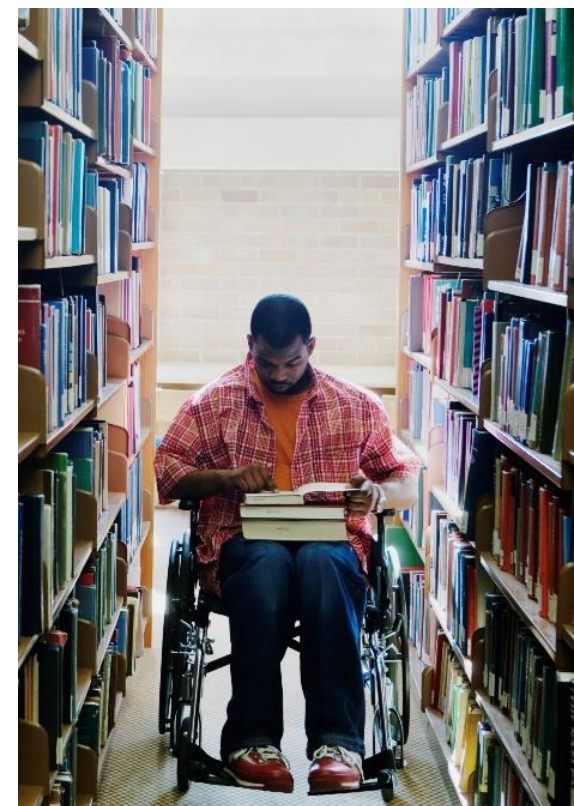


Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 15. Further detail on how we approached our work is included in Appendix B.



Financial Sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial performance 2021/22 and 2022/23

The overall position for the Council for the financial year 2021/22 was a net overspend of £0.3m. This position masks underlying base budget pressures and was achieved through significant use of one-off underspends and funding, such as £9.1m treasury management underspend.

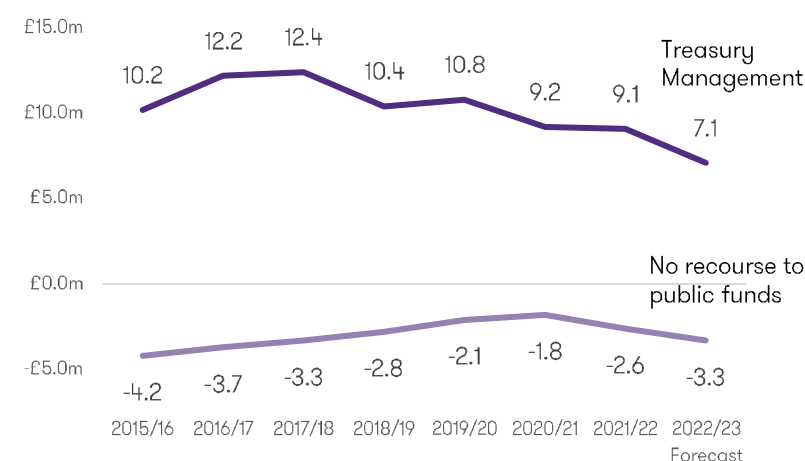
In setting the 2022/23 budget there is detail and recognition of the prior year's forecast however it is not clear how this is addressed in setting the budget and how any on-going deficits or surpluses will be managed.

For example in 2021/22 there was a treasury management underspend of £9.1m which is described as temporary (one-off) and won't be sustained at that level. This budget has consistently delivered underspends and forecasting another £7.1m underspend in 2022/23, and whilst the level of underspend has reduced over recent years, the current budget level appears overly prudent in the short term and any short-term forecast underspends should be made clear when setting the budget.

Similarly, no specific budget provision has been made for "No recourse to public funds". Whilst it is noted the Council wants to draw attention to the lack of specific funding provided for these burdens, it also has an obligation to set a balanced budget and be transparent when it sets the budget how these costs will be funded.

In line with the Council's constitution, the Full Council are responsible for approving the annual budget which should accurately reflect an estimate of costs and income for the financial year. Historic variances to budget imply that budgets aren't set in line with realistic expectation. Furthermore, any changes to budgets over £0.5m are delegated to the Council Leader and should be transparently reported in line with decision making processes.

Historic variances to budget



We note in the update to the MTFs in September 2022, a £7.4m provision has been made to recognise structural deficits carried forward from previous years, to be funded by service grants.

The outturn report for 2022/23 indicated a substantial £25.1m budget overspend on services (including non-recourse to public funds pressures and reduced car parking income). This was mitigated by the use of temporary (one-off) measures including £10.1m of Treasury Management underspends, 9.6m of COVID reserve, £0.5m of General Reserve and £4.9m of other corporate resources and contingencies.

It is important that the Council addresses the structural deficits identified and manages in year pressures on a sustainable basis to prevent reserves from being depleted in future years.

Financial Sustainability (Cont'd)

Financial Planning

The Council regularly update their medium-term forecast, which is used to inform decision making to ensure a financially sustainable position and a balanced budget is set in the coming financial year. In November, the Council updated its medium-term position and showed that by 2026/27, the Council would be facing a budget gap of c£50.4m. The base net budget gap for 2023/24 had increased from £8.1m to £26.5m driven up by the increase in inflation and demand.

Addressing current budget deficits and potential mitigations the report identified £14.3m as a minimum budget gap that needed addressing. Whilst the medium-term financial outlook currently has projected deficits the Council has processes in place to ensure an annual balanced budget is set, with an agreed savings programme of £8.8m and digital improvement plan savings of £17.3m. The Council should look where possible to established a balanced position across the medium term by identifying additional savings.

The Council clearly identifies in its medium-term plan which funding sources are one-off and which are on-going allowing, one-off funding to be directed to non-recurrent expenditure or investments. This approach supports financial sustainability by ensuring on-going service delivery isn't impacted by loss of one-off funding.

Savings Delivery

A key assumption in balancing the medium-term forecast is delivering £8.8m of agreed savings within £17.3m of savings related to the Rethinking Services in the Digital Age initiative. Due to the scale and importance of these to support a balanced budget it is essential the Council regularly monitor and track delivery of these savings as noted in prior year's recommendation.

There is some evidence of the tracking of savings delivery through variance analysis undertaken as part of budget monitoring process, however due to the impact of this on delivering a balanced budget, reporting of progress against planned savings should be included explicitly as part of budget monitoring reports and it is essential this is put in place as soon as possible so timely action can be taken as necessary. The prior year's improvement recommendation has been re-raised as it has not been fully implemented.

Capital Investment

The Capital strategy covers key areas required by the prudential code, there are sections that cover the importance on skills and resources needed to deliver its targets and goals. It notes the importance of retaining a significant in-house delivery team, providing a core group committed to delivering objectives.

The Capital Strategy approved in February 2021 set out an investment budget of £277m for delivery during 2021/22. During the year this was significantly re-profiled, with a resulting outturn of £138.6m, just 50% of the original budget. Some of this was due to impact of Covid during the year and changing assumptions around planned delivery.

Similarly for the financial year 2022/23, we note that the Capital budget was again reprofiled during the year from a planned programme of £263m to £177m.

While we recognise the challenges of delivering a capital programme under volatile economic conditions, given the impact on revenue budgets and delivery of corporate objectives such as housing delivery, it is important to set a realistic annual capital budget. Inability to do so undermines the Council's ability to effectively manage its capital budget and deliver its investment plans.

The ten-year Capital Programme to 2031/32 is value at £1,207m but underfunded by £74m. Within the programme there is an increase in the underlying borrowing need and capital financing requirements. The Council can manage the revenue implications arising from short or long-term borrowing on existing and emerging schemes through its current capital financing budget and the gap will be funded through the forthcoming Strategic Asset Review.

Workforce Planning

As noted in prior years audit, financial planning should be aligned to other strategic documents including a workforce plan. At time of writing this is still outstanding but remains an important issue as the transformation of services takes place, and processes and workforce requirements change, under the Rethinking Services in the Digital Age initiative.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council must ensure the annual revenue and capital budget reflects a realistic estimate of expected costs and income at service level incorporating any underlying or one-off deficits and/or surpluses.

Why/impact

Although the Council has been able to balance its budget at the bottom line, there are service areas with year or year underspends or overspends. Not aligning budgets can hide potential on-going issues and lacks transparency when Full Council approve budgets.

Auditor judgement

There is evidence in the budget setting and outturn reports that some budgets are clearly misaligned or set an unrealistic levels for the financial year to which they relate. This impacts the transparency and undermines the setting of a balanced budget and alignment of the budget to other strategic objectives.

Summary findings

For the financial year of 2022/23, the Council have been able to set a balanced budget, however by the first quarter monitoring there are material underspends and overspends against the budget. The Council should be clear on elements of these which are known at the time of setting the budget and also the medium term implications of these underspends and overspends.

Further details of findings can be found on page 6

Management Comments

The Council adopts a prudent approach to setting the budgets and retains some corporate capacity to allow for inflationary and demand pressures as well as unforeseen events. The impact of the invasion of Ukraine could not have been predicted at the time of setting the budget. The Council undertakes a rigorous exercise with services to forecast demand and inflation requirements over the medium-term financial plan.



The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Financial sustainability

Recommendation 2

In preparing future budget and council tax proposals and future Medium Term Financial Strategy documents, the Council should update, review and consider detailed modelling for Digital and Continuous Improvement Plans, and Structural Cost Reductions including explicit monitoring and reporting of delivery against plan.

Why/impact

Budget and Council Tax proposals for 2022-23 and the updated Medium Term Financial Strategy includes significant savings and cost reductions from Digital Improvement and savings plans to help deliver a sustainable financial position. High value areas covered by these proposals are not supported by clear modelling, assumptions and monitoring to ensure delivery.

Auditor judgement

The widening of the Council's financial gap during 2022-23 reinforces the importance of delivering existing savings plans alongside development of new plans. Without robust modelling and monitoring, savings and cost reduction proposals for later periods become more challenging to deliver.

Summary findings

Detailed modelling and monitoring for all savings delivery should be prepared, monitored and considered as part of financial plan for future years. This should also include monitoring the actual impact on service delivery and objectives to ensure value for money continues to be achieved.

Further details of findings can be found on page 7

Management Comments

The Council is undertaking a Rethinking Services approach to the delivery of all services going forward. This will be fully reported through the Council's governance arrangements.



The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Financial sustainability

Recommendation 3

The Council must ensure that a centralised, focused and strategic workforce plan is implemented.

Why/impact

Workforce plans are essential tools that Council's can use to assist planning, budgeting and allocating. It will allow for the Council a greater level of oversight of its workforce, and mitigate future allocation or staffing issues, before they occur,

Auditor judgement

From our review of the Council's centralised documents, a workforce plan is not implemented or used within the Council.

Summary findings

The Council lacks a clear and concise workforce plan, hindering planning, budgeting and allocating. The Council should take actionable steps to rectify this.

Further details of findings can be found on page 7

Management Comments

The Council has been working on the preparation of an updated Workforce Strategy since Autumn 2022.

The Workforce Strategy will set out how the Council will equip and develop its workforce to support the delivery of the corporate plan 'Our Greenwich' and the Medium-Term Financial Strategy. Collectively, these documents will describe the ambition and outcomes the Council will deliver for the Borough, the financial resources available and the people needed to successfully deliver the plans.

The key themes underpinning the Workforce Strategy (see below) reflect the linked people strategies which are fundamental to the successful delivery of the workforce plan.

- Workforce Development
- Recruitment & Retention
- Pay & Reward
- Equality, Diversity & Inclusion
- People Management
- Wellbeing & Engagement

Engagement took place with senior managers on the key themes at the end of 2022 and a draft Strategy has now been prepared. This will be consulted upon with Members and Officers as appropriate before it is formally approved.



The range of recommendations that external auditors can make is explained in Appendix B

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Monitoring and Assessing risk

During the prior year value for money audit, published in February 2022, an improvement recommendation was raised to update and review the Council's strategic risk register, as this had not been updated since the pandemic.

It has been noted from our interviews with key client stakeholders that last year's recommendations are still being actioned, and a redefined Strategic risk register is still in development. At the time of writing, the Strategic Risk Register was approved by the Cabinet on the 16 November 2022, who commented that the new model was an improvement on previous iterations, however, there is still room for improvement.

The draft Strategic Risk Register records the; risk owner, cause and effect, internal controls, RAG rated current risk score (impact and likelihood), additional mitigating actions with due dates, and a target risk score (impact and likelihood).

Whilst a new strategy, process, and risk register is in place the Council will need to continue focus in this area to ensure risk management is fully embedded across the organisation to make sure risk management is fully aligned to the Council's strategy, business planning, decision making and annual budget setting processes.

It has also been noted that the Council lacks a 'risk management culture' and risk ownership at the directorate level is still inadequate. Our interviews with stakeholders and documentation review has outlined the need for a more defined set of policies, defining the roles and responsibilities associated with risk management, at every level of the organisation.

It is clear from our findings that the Council has the ability and resourcing to report on its strategic risks when called upon. It was noted that for projects such as the Woolwich Regeneration Scheme, key risks are reported to members. This approach should be replicated on a timely, accurate and comprehensive manner for all corporate risk associated to the Council.

We therefore believe our review of the Council's risk management policies and procedures has highlighted structural weakness within its governance structures.

Budget Setting Process

Our review of the budget setting processes that supported the 2021-22 budget and council tax setting policies found no evidence of a short-term approach to holistic planning. The members and directorates engage in workshops to generate the plan for the financial year. The budget is built by using business cases and impact assessments, which then goes through various scrutiny committees, consultations and approval structures.

There is clear awareness of external impacts that could affect the Council in the Medium-Term Financial Strategy 2021-22 to 2024-25, which highlights the following key risks; the National economic position, Fair Funding review and Business Rates reform and New Homes Bonus Scheme.

Governance (Cont'd)

Budget Setting Process (Cont'd)

From our assessment, there are adequate policies and procedures in place for the implementation and review of budget. There is evidence of ownership and involvement from senior officers and Cabinet members in the development of the body's financial plans. Budget monitoring reports are produced monthly for directorates. The Greenwich Management Team, which consists of the CEO, Director of Finance, Lead Member for Finance and Directors of Service review reports on a quarterly basis.

Furthermore, the Council runs a 'Star Chamber' which oversees performance against saving plans. The Star Chamber consists of the Leader, the CEO and members of Cabinet. This process shows the rich source of both control and scrutiny over financial plans that is inherent in the governance system of the Council.

Decision making and oversight

Arrangements are in place within the Council to ensure that all relevant information is provided to decision makers before major decisions are made. Detailed board papers are provided to Cabinet to support decision making, which will include information such as, decision required, links to high level objectives, options analysis, consultation results, communication and implementation of the decision. This ensure that cabinet have relevant, consistent and appropriate information when making Council decisions. No weakness have been found in regard to decision making and oversight.

Monitoring appropriate standards

The Council's constitution outlines how the Council operates, how decisions are made and how its procedures ensure decisions are efficient, transparent and accountable to the local people. It sets out the Codes and Protocols which are to be adhered to by its members and employees. It also sets out the procedures, outlines governance arrangements for access to information, budget and policy framework and financial regulations.

From our assessment, there is no evidence of significant non-compliance with the body's constitution. Throughout the year, there have not been any breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body. The Council has arrangements in place to monitor compliance with legislation and communicates to its staff what behaviours are expected of them. Source of assurance are published alongside the Annual Governance Statement, showing how the Council has complied in line with the CIFPA/SOLACE seven overarching core principles of good governance.

The Council constitution outlines the policies for gifts and hospitality and declarations of interest. On review, this is not readily available on the Councils website. The Council should focus on updating a centralised version of the register for gifts and hospitality and declaration of interests in a timely manner. This will aid transparency within the Council and improve ability for public inspection and accountability.

The aim of the Gifts and Hospitality policy is to guard against the risk of allegations of impropriety undertaken by the Council. Under the Bribery Act 2010, it is a criminal offence for employees in an official capacity to accept any gift or consideration as an inducement or reward for doing or not doing anything or showing favour or disfavour to any person. By adopting a process of publishing the register in a timely manner, transparency and integrity are built into the reporting process.



Improvement recommendations



Governance

Recommendation 4

The Council should prioritise developing a more robust risk management culture by centralising practices and enhancing responsibility to risk. From our findings, the Council understands risk, with the ability to report on risk where necessary. This is not however transferred into the day-to-day operations of the Council, and should be critical mission, from executive to operational levels.

Why/impact

Since our last Value for Money assessment, the Council has been operating without a strategic risk register for a prolonged period. The Council still lack ownership of its corporate risks.

Auditor judgement

This improvement recommendation has been carried forward from last year's Value for Money assessment. The Council have not enacted upon this recommendation and should aim to develop this within the next financial year.

Summary findings

Assessment of the Council's resources and key stakeholder interviews has highlighted the lack of Corporate risk register. Although there is a 'draft' version of the document in development, the Council must focus on preparing a refined and finalised version, which should be updated in a detailed, timely and effective manner.

Further details of findings can be found on page 11

Management Comments

A revised and updated Strategic Risk Register, which details the key risks that threaten the Council's plans and applicable mitigating actions, was presented to Audit & Risk Management Panel in October 2022 and agreed by Cabinet November 2022. The Strategic Risk Register is subject to regular reviews by the Greenwich Management Team.

As part of the corporate decision making process, the standard reporting template used for all decisions made across the Council includes sections to capture applicable key risks. This ensures risks are considered both by report authors and decision makers.



Improvement recommendations



Governance

Recommendation 5

The Council should focus on updating a centralised version of the register for gifts, hospitality and declaration of interests in a timely manner. This will aid transparency within the Council and improve ability for public inspection and accountability.

Why/impact

The aim of the Gifts and Hospitality policy is to guard against the risk of allegations of impropriety undertaken by the Council. Under the Bribery Act 2010, it is a criminal offence for employees in an official capacity to accept any gift or consideration as an inducement or reward for doing or not doing anything or showing favour or disfavour to any person. By adopting a process of publishing the register in a timely manner, transparency and integrity are built into the reporting process, allowing public inspection to occur and increasing public accountability.

Auditor judgement

Without easily accessible information regarding gifts, hospitality and declaration of interest it is difficult to ensure conflicts of interests are managed within decision making processes.

Summary findings

The Council's gifts and hospitality register and declaration of interests for its members are not centrally held for public inspection. Although information can be obtained through searching each member, this should report should be streamlined to ease the ability for public inspection and managing any conflicts of interest.

Further details of findings can be found on page 12

Management Comments

The Council is in the process of updating the website and all information contained. As noted in the finding the information is available and accessible.



The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance reporting

From our assessment of both the Council's documents and key stakeholder interviews, the Council's performance reporting is managed and owned at the directorate service level, which is then reported to the executive to aid understanding and decision making. Performance management arrangements are supported by the Council's performance analysis service, which is overseen by six scrutiny panels. Under the Council's Constitution the Overview and Scrutiny Committee is responsible for co-ordinating and overseeing the work of these scrutiny panels.

From our review, directorates are not reporting on a timely basis, allowing for the appropriate level of scrutiny and challenge. The only performance reports visible within the years agendas have been from the directorate of Children and Young People, Community Safety & Environment and Regeneration Directorate. This may jeopardise the quality of decisions made from Cabinet, Committees and Council officers in relation to the data provided. It is therefore a recommendation that all directorates performance reports should be reported through scrutiny panels, allowing for an appropriate level of challenge, allowing for accountability and transparency throughout the performance reporting process.

Furthermore, we recommend that the format of the performance reports should be consistent, clear and cogent for each directorate, and presented on at least a quarterly basis. The performance reports should be improved and refreshed. These should include key performance indicator reporting and should link into the newly drafted risk register with RAG rating, direction of travel, link to corporate objectives, owner and comment on the progress (where possible).

With greater knowledge of its 'as is' performance, the Council will be able to identify areas of improvement across the board. This will enable the Council to have stronger justification and direction when creating strategy for improving areas of service

Assessing performance and identifying areas of improvement

The Council has various measures in place to identify service improvement opportunities. The Council has a 'Corporate Improvement Programme' allowing for the partnering of improvement plans alongside the Council strategic and financial agendas. This body has been set up to engineer change, modernisation, savings and efficiencies within the Council, outlining areas of improvement, and assessing how the Council can remain resilient and financially sustainable in the constant wave of unpredictable change. By improving the quality of data outputs, the Corporate Improvement Programme will have a clearer outlook on the Council as a whole, providing them with more detailed and targeted lines of enquiry when looking for opportunities.

Improving economy, efficiency and effectiveness

Procurement

The Council has a procurement strategy, which was reported and approved by Cabinet in October 2019. From our review, we are satisfied that the Council operates a fair procurement exercise and appropriate public sector guidelines are followed. From our documentation review and interviews with key stakeholders, it has been noted there are improvements that could be made to the procurement process, to aid efficiency and reliability. This includes a development of pretender gateway to enhance the approval process and building a system which highlights the degree of proportionality of risk or value around business decisions. The team has recently appointed a new head of service, who is keen to improve the strategy and processes that are followed by the team.

One improvement recommendation is therefore to refresh the procurement strategy used at the Council to incorporate the issues raised above, alongside the Social Value Policy, ensuring this aligns with the wider Corporate Plan and strategic objectives.

Contract Management

The Council is part of the London Tenders Procurement Portal, which communicates opportunities that benefit the local economy. The portal holds a contract register that can be accessed publicly. Contract management is detailed within the procurement strategy; however, we understand that this is an area the Council are looking to improve. It is recommended that the Council reviews its contract management processes to ensure contracts between £25K to £85K are recorded within the London Tenders Portal. The aim of this initiative will be to ensure roles and responsibilities are clear with the team, and that all contracts above the appropriate threshold are recorded appropriately. This should be clearly set out in the procurement strategy and embedded into practice by the procurement function.

The procurement progress report presented in January 2022 for the period June 2021 to November 2022 details that the Strategic Procurement Services delivered various training including sessions on Contract Standing Order, Social Value and Contract Management. The Council should continue to deliver training on key areas, ensuring understanding and quality within the procurement practice.

Partnership working

The Council's Corporate Plan that covers 2018-2022 details how the organisation wants to work with partners, under its strategic objectives. For example, the Council is part of the Southeast London Integrated Care Board. The Healthier Greenwich Partnership feeds into this and formally reports to the Health & Wellbeing Board. The Council have a Health & Wellbeing strategy in place which identifies the ambition for the Borough and partnership working, which runs from 2019-2023. In discussion with the Head of Adult Social Care, the Council will need to refresh this strategy due to changes in the external environment, such as the pandemic, and financial reform due to changes in the latest Autumn statement. The last iteration of this proposed refresh was taken to the Health & Wellbeing committee on the 7 July 2022. Moving forward, the role of this board will become increasingly significantly important.

The performance and progress of the partnership within the Integrated Care Board is fed back to the Health and Wellbeing Board. Some meetings throughout the year have been cancelled, with these only occurring on a quarterly basis. With this lack of frequency of meetings, we therefore suggest the Council should take a more active role in ensuring updates and progress is reported in a timely and consistent form.

From our review, when the body is involved, in, or about to enter complex or unusual activities, it obtains appropriate expert advice and knowledge from relevant partners. For example, for the Woolwich Leisure Centre, the body has obtained specialist advice regarding legal, development and property project areas to improve and seek expert advice regarding project management. The Council utilises its partnership relationships to obtain knowledge on projects outside of its daily activities to create positive outcomes for its members.

Our assessment has also shown that when the Council is facilitating a major programme and project, the body engages and consults with key stakeholders, to determine local priorities or opportunities for savings. Capital programme plans, such as the Woolwich Leisure Centre have included local consultations, ensuring communication is transparent, and the Council is capturing and delivering in line with local needs, essential when obtaining Value for Money.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The Council should focus on creating a revised policy regarding its performance reporting, ensuring reports are submitted to relevant scrutiny panels, in a timely, consistent and transparent manner.

Why/impact

It has been noted from our assessment that currently, the policy and level of performance reporting is directorate dependent within the Council. From our review, only some directorates have their performance reports assessed through the relevant scrutiny panel. This means that the level of challenge and scrutiny at the Council is not consistent, and therefore improvement opportunities may be missed.

Auditor judgement

The Council's current policy and procedure for performance reporting is not consistent, and directorates will go through different levels of scrutiny and challenge.

Summary findings

Our findings have shown there is inconsistency with as to who is reporting performance to the relevant committees. The Council should focus on creating a centralised policy for directorates to report its performance indicators.
Further details of findings can be found on page 15

Management Comments

The Council is in the process of reviewing its Service Planning approach and templates to ensure there is more consistent information shared by Services across the Council. In addition the Council is also updating its corporate performance reporting to provide more accessible and up to date performance information across all of our corporate priorities.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

The Council should redesign the way in which it reports its performance indicators

Why/impact

Currently, there is little coordination between the performance reports and the Council's strategic, financial, and risk agendas. These elements will be essential when assessing if Value for Money has been obtained through the Council's services.

Auditor judgement

Performance reports should be improved and refreshed to include KPI reporting and should link to the newly drafted risk register with RAG rating, direction of travel, link to corporate objectives, and ownership.

Summary findings

Current arrangements for performance reporting at the Council lacks consistency. A more centralised and redesigned way of reporting will allow for greater assessment of current services provision, and where improvements could be made.

Further details of findings can be found on page 15

Management Comments

The Council is reviewing all performance indicators and the reporting regime following the launch of the Our Greenwich Plan and the delivery of the associated Council Missions. Service Plans are being produced for all Council run services which will include relevant performance indicators.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 8

The Council should focus on refreshing its procurement and social value policy to align with corporate and strategic objectives going forward.

Why/impact

A significant proportion of Council expenditure is with third party organisations and therefore haven't an up to date and relevant procurement and social value policy is very important to delivering value for money. Since the Council last updated their Procurement Strategy and Social Value Policy in 2019 there have been changes in public procurement regulations which should be incorporated.

Auditor judgement

From our assessment of the Councils Procurement strategy and interviews with key stakeholders, it has been noted that these processes and policies are outdated, and in need of a refresh and it is recommended that the new head of Procurement should lead a re-design of the Councils current policies and procedures, incorporating the body's social value agenda and realign this to fit with the wider corporate and strategic objectives.

Summary findings

The current procurement strategy and social value policy should be updated regularly to ensure they reflect changes in procurement practices and regulations.

Further details of findings can be found on page 16

Management Comments

There is a plan to review Procurement and Contract Management during 2023/4 which will incorporate agreement of new objectives which will drive a review the procurement strategy and set out where Social Value and the wider corporate missions can be achieved through its delivery.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 9

The Council should engage in a detailed review of its contracts between £25K to £85K threshold to ensure they are recorded on the London Tenders Portal. The Council should then implement a contract management toolkit and provide appropriate training to aid the future management of said contracts.

Why/impact

Procurement and contract records are an important because they serve as an appropriate audit trail. They evidence the actions taken to award contracts, and of the result of the monitoring and oversight of contract implementation. Keeping these up to date will aid transparency and accountability within the Councils report processes.

Auditor judgement

It has been noted from our assessment that the current system is outdated, and in need of a refresh. The Council should ensure that roles and responsibilities are clear, staff understand the processes to follow, and a review of the contract register should be undertaken including all contracts above the appropriate threshold.

Summary findings

Findings and discussion with key members of the Procurement team has shown that there are opportunities to improve relevant processes, in line with public sector best practice.

Further details of findings can be found on page 15

Management Comments

Considerable updates to the contracts register are underway to ensure that there is as much captured as possible. This will require co-operation from departments where this information has not previously been shared. Moving forwards, all contracts procured through the Council's eTendering system, regardless of cost will be included on the contract register although this is not currently a requirement of Contracts Standing Orders. There is a plan to review Procurement and Contract Management during 2023/4 which will incorporate agreement of updated processes on contract management. Please note that the threshold for contracts to be included on the contracts register is £100K (not £85K).



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 10

The Council should take a proactive approach within its partnering relationships.

Why/impact

From our review, meetings throughout the year have been cancelled within the integrated care system (ICS), with these only occurring on a quarterly basis. With this lack of frequency of meetings, we therefore suggest the Council should take a more active role in ensuring updates and progress is reported in a timely and consistent form.

Auditor judgement

As the relationship is still in its early progression, the Council should ensure that transparency and accountability is built into the system in partnership with the ICS.

Summary findings

From our review, it has been noted that the frequency of meetings with the ICS is inadequate, and to aid the structure and understanding of this relationship, the Council should take a proactive approach in meeting with its partners.

Further details of findings can be found on page 16

Management Comments

The Council has monthly joint commissioning board meetings with partners from Health and now had joint Commissioning Directors in place for Children's, Adults and Health.



The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	In preparing future budget and council tax proposals and future Medium Term Financial Strategy documents, the Council should update, review and consider detailed modelling for Digital and Continuous Improvement Plans and Structural Cost Reductions	Improvement	February 2022	From our consultations with key client contacts, it has been noted that this will form part of the newly revised corporate plan. At the time of writing, this had not been released.	No	Yes – See page 9
2	The Workforce Strategy should be updated alongside the Corporate Plan. The strategy should reflect current and expected labour needs, demands and pressures	Improvement	February 2022	This is yet to be actioned. On our review of the Council's relevant documentation, they have been unable to provide a relevant workforce plan. The Council should ensure to produce a workforce plan in the near future, to aid financial and resource planning. This improvement recommendation has therefore been carried forward.	No	Yes – See page 10
3	Processes for updating and reviewing the Strategic Risk Register should be reviewed and where necessary revised. The Council should consider whether fixed dates for review and update of the register should be set, whether the Brexit Risk Register is still required and whether there are freestanding areas other than Brexit that would benefit from a separate register. Due dates for actions should also be reviewed, with new dates set for overdue actions and with actions that are now complete being shown as closed.	Improvement	February 2022	Through our consultation interviews and review of Councils documentation, it has been noted that the refresh of Strategic risk register is still in development. The Council should focus on refining this risk register in order to capture relevant risks, ensuring that the Council can navigate in the turbulent environment.	In part	Yes – See page 13

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	Given the cross-cutting, centrally managed, and high-profile nature of some of the Tier 2 and Tier 3 savings and efficiency programmes being developed by the Continuous Improvement Team, separate processes for financial reporting on savings achieved against target are beneficial and should continue to be developed.	Improvement	February 2022	It has been noted that the Council are moving on from a Tier 2 and Tier 3 saving efficient programme and have been looking at new regimes for opportunity identification. A long list of unit costs analysis is produced, which is then benchmarked against other Boroughs. The Council are undertaking a process to rethink how they deliver these schemes.	Yes	No
5	As the Council moves into recovery from the Covid-19 pandemic, committee meetings and programmes of work should be reviewed and, where necessary, reinstated or widened.	Improvement	February 2022	Yes, from our consultation interviews it has been noted that all committees have resumed and operating as business as usual.	Yes	No
6	Reasons for delay in management implementing Internal Audit recommendations need to be explained and investigated. Where necessary, processes for responding to Internal Audit recommendations should be revised.	Improvement	February 2022	It has been noted that recommendation tracking is complete, however ownership of internal audit recommendations is still inadequate at the directorate level. The Council should focus on instilling a more robust risk management culture – see recommendations raised in the Governance section of the report.	Yes	Yes
7	Consideration should be given to the comprehensiveness, uniformity, timing, metrics-base, and audit of performance reporting and corporate KPI data currently reported to the scrutiny panels and the Overview and Scrutiny Committee.	Improvement	February 2022	From interviews, it was noted that progress on the performance reporting will be carried out through the financial years 22/23. Recommendations have been raised around this subject. See the 3Es section of the report for reference.	Yes	Yes – see page 17

Opinion on the financial statements



Audit opinion on the financial statements

We are still undertaking our audit of your financial statements. At this stage we expect to issue an unqualified audit opinion. Our Audit Findings Report will be presented to the Audit and Risk Management Panel on 16 March 2023.

The Department for Levelling Up, Housing and Communities issued an update to the Local Authority Capital Finance and Accounting Regulations to remove the requirement to consider component derecognition for infrastructure assets i.e. the statutory override. This will then allow us to complete our work in this area. This became law on 25 December 2022. We therefore expect to issue our audit opinion early in 2023.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which is reported alongside this report at the Council's Audit and Risk Management Panel on 16 March 2022

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. This work will be completed following the audit of the financial statements. The Council's expenditure and assets are below the £2bn threshold for a detailed audit of the return.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	See Financial Sustainability, Governance and 'Economy, Efficiency and Effectiveness' sections.

Appendix C – Sources of evidence



Staff involved

- Debbie Warren – Chief Executive
- Damon Cook (S151)
- Michael Bate (Deputy DOF)
- Brendan Costello (Assistant Director of Finance and Risk Lead)
- Jess Fhyr (Head of Internal Audit)
- Stefanie Seff (Head of Procurement)
- Nick Davies (Head of Adult Social Care)



Documents Reviewed

- Medium Term Financial Strategy 2022/23+
- Medium Term Financial Strategy Update Sept 2022
- Budget and Council Tax Setting 2022-23
- Agenda Document Pack – Cabinet 17.02.2022
- Report – Revenue Outturn
- Treasury Management and Capital Strategy 2022/23
- Treasury Management and Capital Outturn 2021/22
- Corporate Capital Strategy 2022-23
- Prudential Indicators report
- Statement of Accounts 2021/22
- Royal Borough of Greenwich Constitution
- Agenda Document Pack – Audit and Risk Management Panel 23/02/22
- ARM Panel October 2022 – Strategic Risk Register
- Agenda Document Pack – Overview and Scrutiny Committee 16.02
- Annual Governance Statement
- Corporate Management Structure
- Proposed changes to constitution report
- HAS Forward Thinking Story Report
- ASC-FR 21/22 Benchmarking
- HAS weekly performance
- Corporate Improvements Programme
- Integrated Care Development System report
- Agenda item – Procurement Strategy 08
- Employer risk register
- PIB report
- WLC scheme – RBG Organisational Structure
- Woolwich Leisure Centre – Business plan and Community Consultation.



Meetings Observed

- Audit and Risk Management Panel – 14 Dec 2021, 23 Feb 2022, 15 March 2022

