Grant Thornton

Auditor's Annual Report on Royal Borough of Greenwich

Year ended 31 March 2021

Royal Borough of Greenwich
February 2022

Contents

We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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) in 2020 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Executive summary

Value for money arrangements and key recommendations

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. We considered:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendation made.

Financial sustainability

Royal Borough of Greenwich reported a positive final outturn for 2020-21, showing a £4m underspend against the General Fund budget and a £2.9m underspend against the Housing Revenue Account budget. The Council has nevertheless signposted resource gaps over the medium-term period and recommended savings plans and cost reduction efficiencies rather than over reliance on one-off draw-downs from reserves. Modelling for some sections of medium-term efficiency programmes has not yet been undertaken and is therefore uncertain. Whilst financial resilience was managed effectively during 2020-21, the Council will need to be mindful of this going forward. Although no significant weaknesses were identified from our work for 2020-21, we raised two recommendations for improvement in planning for future years (Recommendations 1 and 2).

Further details can be seen on pages 7-14 of this report.

Governance

Overall, we found that good governance processes are in place, but we note that there was some streamlining of those processes over the year as a result of the Covid-19 pandemic. We note that the Strategic Risk Register was not updated and that some Committee and Member Group meetings and programmes of work were reduced or suspended. As the Council recovers from the pandemic and turns more to business as usual, it will be important to reinstate full oversight processes and, where necessary, refresh and revise them. We have noted four Improvement Recommendations to this effect (Recommendations 3, 4, 5 and 6).

Further details can be seen on pages 15-21 of this report.

Improving economy, efficiency and effectiveness

Processes are in place for ensuring economy, efficiency and effectiveness in Royal Borough of Greenwich's use of resources. We note that these are often led at directorate and contract level and that oversight is managed primarily by six separate Scrutiny Panels rather than through one joined-up reporting and monitoring vehicle. From review of specific examples of working with partners, we note some areas in which engagement with Internal Audit may strengthen processes going forward. One Improvement Recommendation has been made (Recommendation 7). In addition, the multi-partner Woolwich Leisure Centre project has been noted as an area we will revisit in 2021-22.

Further details can be seen on pages 22-29 of this report.

Opinion on the financial statements

We have completed our audit of the Council's financial statements. We issued an unqualified audit opinion on 30th September 2021, following the Audit and Risk Management Panel meeting on 29th September 2021 and Full Council meeting on 30 September 2021.

Our findings are set out in further detail on page 32.

Key recommendations

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 Authority. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

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

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities 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 authorities 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) 3, requires us to assess arrangements under three areas:

Financial Sustainability

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

Improving economy, efficiency and effectiveness

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

Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 7 to 31.

Financial sustainability

We considered how the Council:

- Identifies all the significant financial pressures it is facing and builds these 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.
- Identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Building Financial Pressures into Plans

In 2020-21, the Covid-19 pandemic created a rapidly changing environment for the Royal Borough of Greenwich. New responsibilities and costs fell upon the Council, commercial income streams contracted, and government one-off funding packages were announced. By the end of the year, the Council reported a £4m underspend on the General Fund, after allowing for £43.8m Covid-19 related costs off-set by financial support The year end position on the Housing Revenue Account was a £2.9m underspend. The Council's General Fund Reserves stood at £226.4m at 31 March 2021, having increased from £162.88m at 31 March 2020.

Notwithstanding this overall positive final outturn for 2020-21, the future outlook is challenging, and significant financial pressures are built into the Council's plans for 2021-22 and beyond. The Council's Medium Term Financial Strategy (MTFS) for 2021-22 to 2024-25 identified an in-year savings requirement of £10.734m for 2021-22, to be followed by £53m of total required savings over the three years 2022-23 to 2024-25. Coming after ten years of austerity, a series of short-term settlements from central government and the Covid-19 pandemic, the MTFS describes financial pressure as *"relentless, year on year"*. The £10.734m savings requirement for 2021-22 was arrived at after allowing for £3m of planned structural overspend and assuming £1m of growth in income from property.

The Council has had to prepare financial plans during a period of significant uncertainty. The lack of a longer-term settlement and the impact of the Covid-19 pandemic have meant that planning beyond a 12-month horizon has been exceptionally difficult. The MTFS for 2021-22 to 2024-25 acknowledges this uncertainty and includes the potential impact on the Council's finances of changes in settlement and failure to progress the Council's plans for Digital and Continuous Improvement. In a worst-case scenario this could have increased the overall resource gap up to £28m in 2021-22, growing to an in-year resource gap of £65m by 2024-25. The MTFS for 2021-22 to 2024-25 was published with an Appendix which showed £83.69m of structural cost reductions proposed for 2021-22 to 2024-25. The proposals were analysed by directorate, service area and financial year, giving the reader a good insight into Council intentions. We note that the Council is in the process of developing detailed plans for Digital and Continuous Improvement and there is only limited modelling currently available to support the Council's plans in this area. This makes it harder to gauge the overall resource gap.

Identifying Achievable Savings Plans

The Council's 2021-22 Period 6 Budget Monitoring Report indicates that the planned savings for 2021-22 will be difficult to achieve in full. In-year savings of £10.734m were planned for 2021-22. By Period 6 of 2021-22, £19.9m of service pressure overspends were being forecast. These overspends are forecast to be offset in part by an anticipated Treasury Premium of £8.8m as a result of the Council using internal borrowings from reserves instead of external borrowing to fund capital projects. Whilst this highlights effective treasury management, we note that the expanding size of the Capital Programme and the expected future increases in interest rates means this policy may be difficult to continue. The Treasury Management Strategy for 2021-22 disclosed that the Council will shortly be embarking on a course of new external borrowings, with first draw downs likely during 2021-22. As the Council's budget monitoring reports consistently acknowledge, the Treasury Premium which is being used in part to bridge savings gaps in 2021-22 may not be sustainable. The achievability of other savings plans will therefore be more critical going forward.

Financial sustainability

As noted previously, the MTFS for 2021-22 to 2024-25 highlights that Digital and Continuous Improvement savings will be key to managing resource gaps and also that a structural cost reduction programme is planned worth £83.69m over the four-year period. From discussion with officers, we note that at the time of writing this report, only a small amount of modelling had been completed around possible savings from Digital Improvement and the Continuous Improvement Programme. We also noted that a three-year Strategic Asset Review (to optimise portfolio, potentially reduce revenue spend, potentially increase rental income, and understand where service delivery is needed) will be key to the Continuous Improvement Programme. The Strategic Asset Review started in 2021-22. Narrative text in the Appendix to the MTFS showed that many of the £83.69m cost reduction programmes were at early stages when the MTFS was written and that consultation, legal checks, statutory process, and staff engagement were still required in many areas. The achievability of Council plans was therefore difficult to evidence when the MTFS for 2021-22 was written. We are aware that these areas have continued to develop and current progress is reflected in the latest iteration of the MTFS.

To assess the achievability of the Council's £83.69m cost reduction plans, we reviewed the key areas of the proposed cost reductions. We found that 96% of the cost reduction proposals related to just three key directorates:

- Regeneration, Enterprise and Skills (£54.58m);
- Health and Adult Services (£8.394m); and
- Children's Services (£17.785m).

We compared Period 6 2021-22 forecast year end outturn against budget to gauge likely progress with one year savings plans and to provide some indication of how well longer-term proposals may be expected to perform. We found that in all three areas, 2021-22 budgets were not forecast to perform in the way expected casting some doubt over the achievability of the longer-term savings plans and those cost reductions which are not yet agreed or modelled.

For Health and Adult Services (HAS), Period 6 data forecast an overspend of £4.6m as a result of pressures in Adult's Social Care. Savings of £0.53m in Public Health had been planned for the directorate. An external consultancy company working on demand reduction and structural reorganisation for a sample of workstreams. For Children's Services, where the same external consultancy company has been engaged, Period 6 data forecasts an overspend of £1.2m, driven by pressures in Children's Transport which have been offset by planned savings of £0.82m. External consulting on HAS and Children's' Services is considered in more details later in this report. For the purposes of assessing achievability of savings and structural cost reduction plans, we note that overspends even in areas where services are being fundamentally redesigned serve to highlight the challenge of delivering the required savings.

Period 6 data forecast The Regeneration, Enterprise and Skills Directorate, was forecasting a year end overspend of £5.9m. The Council planned that 81% (£8.65m) of the total £10.734m planned savings for 2021-22 and 65% (£54.58m) of the £83.69m four-year cost reduction programme would come from changes in that directorate. The change programmes for Regeneration, Enterprise and Skills largely surround revenue generation from controlled parking, parking permits, pay and display enforcement, and moving traffic contravention enforcement. However, the Appendix to the MTFS shows these changes require statutory consultation and legal and physical checks, the outcomes of which were not known at the time the MTFS was produced.

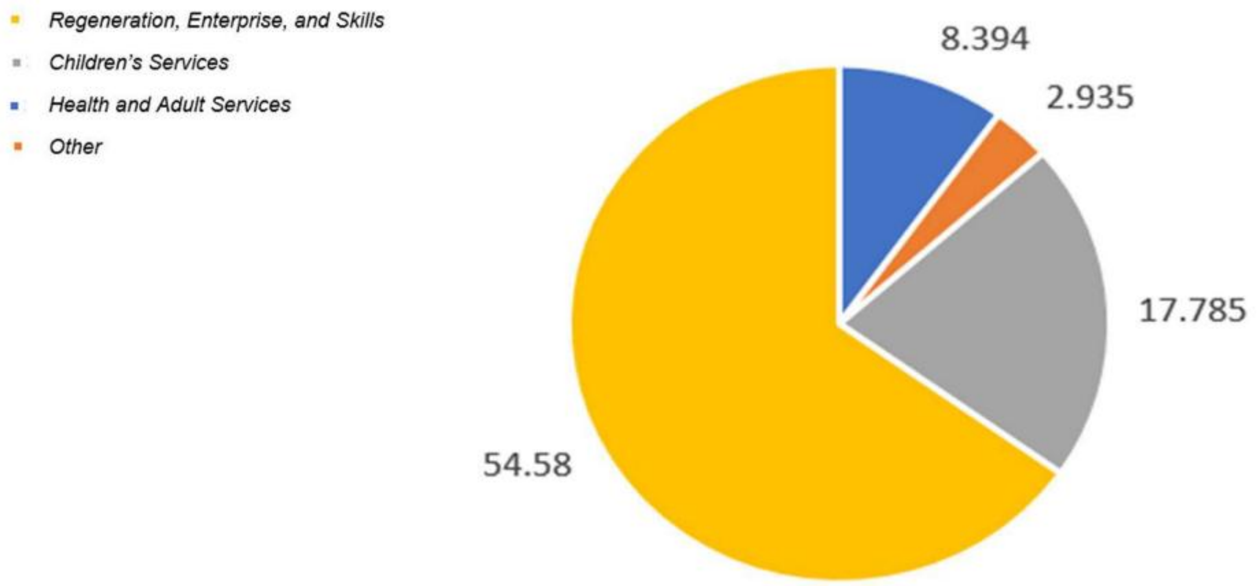
Revenue generation from parking and traffic enforcement initiatives will require sustained high levels of road usage to generate the level of incremental income currently anticipated in the Appendix to the MTFS. Council officers inform us that evidence to date indicates road usage has not fully recovered from the pandemic. Stricter fines and enforcement may result in an immediate increase to income in this area but over time these measures should have the effect of changing the behaviour of motorists with the result that planned incremental income could be at risk of variation.

We also note, as acknowledged in the MTFS, that income generated from parking and traffic enforcement will need to be ringfenced for highways and traffic activities only, rather than available more widely to support future balanced budgets across the Council.

In preparing Budget and Council Tax Proposals for future years, it will be essential to prepare, update, review and consider detailed modelling for Digital and Continuous Improvement Plans and Structural Cost Reductions. An improvement Recommendation has been noted covering this point (Recommendation 1).

Financial sustainability

Figure 1: Make-Up of £83.69M Structural Cost Reductions (Source: Royal Borough of Greenwich Medium-Term Financial Strategy 2021-22+, published January 2021)



Financial sustainability

Financial Planning to Support Sustainable Delivery of Corporate Priorities

Planning for Service Pressure

The MTFS for 2021-22 included a £15m "corporate budget realignment" allowance. This allows service directorate budgets to make cases for drawing on in the event of additional service pressure and for the reasons behind the pressure to be understood at a corporate level. In 2021-22 this comprised of a £10m allowance for 2021-22 demand, cost and pay pressure and £5m allowed for any 2021-22 structural cost overruns. We note that in Period 6 of 2021-22, £8.3m of this was used to help bridge emerging service directorate budget gaps and £2.7m was earmarked for expected pay inflation, with £4m already having been passported to Adult Social Care and the Housing Revenue Account.

Treasury and Capital Planning

In January 2021, the Treasury Management Strategy, Capital Strategy, Investment and Borrowing Strategies for 2021-22 were presented to Cabinet. From our review of the documentation, we found that the revenue impacts of capital and treasury decisions were well understood.

Annex 3 to the Capital Strategy showed that the ten-year Capital Programme to 2028-29 was valued at £1,568m. After applying capital receipts and other funding, the programme was underfunded by £55.72m. Annex 3 indicated that £20m of the funding gap would occur in 2021-22, taking the General Fund and Housing Revenue Account Capital Programmes together. The ten year capital programme included £100m of transformation (structural efficiency projects) and £900m on housing related works and therefore plays an integral part in achieving the Council's objectives. The intention is that the Strategic Asset Review will provide the principal means of closing the funding gap. This review is currently in its early stages and therefore the quantum and timing of any associated capital receipts remain an unknown.

A 2021-22 Mid-Year Update on the Capital Programme was reported to Cabinet in December 2021. It showed that £57.5m slippage in delivery of the 2021-22 programme (mainly as projects were reprofiled to later years in the ten year Programme) had provided some short term cash flow relief. However, it also showed that much of the slippage surrounded ring-fenced grant-funded works and that the Programme as a whole for 2020-21 and beyond was still underfunded, still dependent on capital receipts from the Strategic Asset Review, and still required external borrowing. We have already noted that increases in interest rates and a move to external borrowing may erode the Treasury Premium currently bridging savings shortfalls. Assumptions about borrowing costs will need to be kept under close review as the Strategic Asset Review is implemented and during planning for future financial years.

Workforce Planning

The Workforce Strategy currently in place was written in 2016. A new strategy was due for agreement in February 2020 but has been delayed due to the pandemic. The new strategy will need to take account of changing priorities after the pandemic. At the time of writing this report, HR reporting lines had recently been reorganised within the Council and supply of labour in the wider labour market is coming under pressure. The Corporate Plan for 2018-22 was also shortly due to be updated. The Workforce Strategy should be updated alongside the Corporate Plan for 2018-22, taking into account current and future expected labour needs, demands and pressures. We have noted an Improvement Recommendation that covers these points **(Recommendation 2).**

Financial sustainability

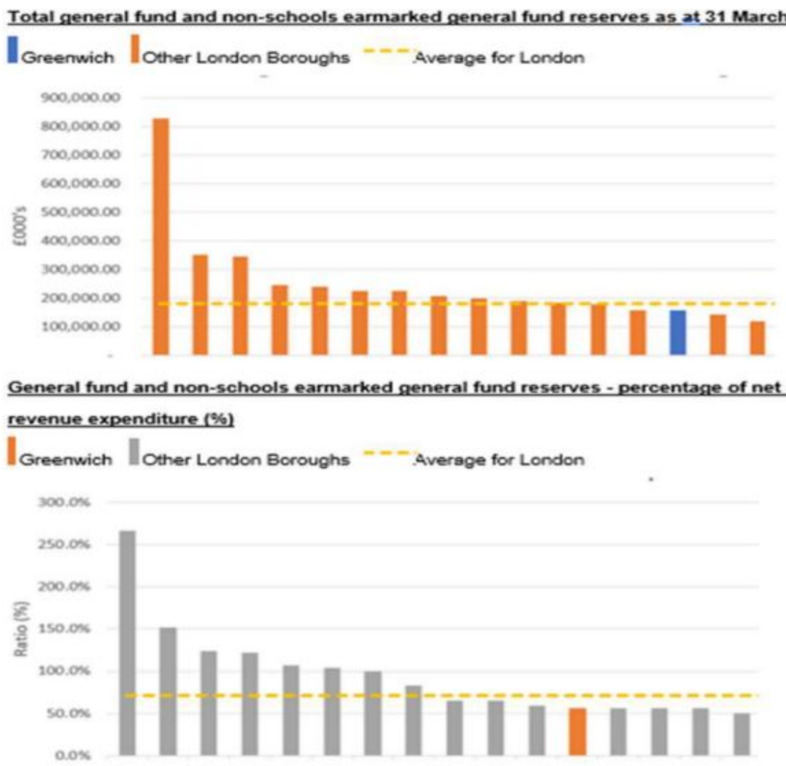
Managing Risks to Financial Resilience

As previously stated, Royal Borough of Greenwich's General Fund Reserves stood at £226.4m at 31 March 2021, having increased from £162.88m at 31 March 2020. We note that the General Fund Reserves at 31 March 2021 included both an earmarked "risk" reserve of £22.528m and a general balance of £19.654m. Together these balances were nearly double the MTFS's upper value for the 2021-22 in-year savings requirement of £2m and nearly four times the MTFS's actual stated 2021-22 in-year savings requirement of £10.734m. This means that in extremis, the Council has adequate reserves to deal with any short term demands or pressures by using its reserves.

A prudent approach towards the reserves was favoured by the Council in 2021-22 financial planning. The Budget and Council Tax Setting report to Cabinet in February 2021 noted that "*reserves are a finite resource*" and included risks around using them in an Appendix. The MTFS specifically stated that using one-offs and reserves to fund budget gaps was "*not a path that is recommended – one offs are exactly that and reserves should be used for the purpose that they have been earmarked*". This approach is sensible. We note, for example, that the earmarked reserves included Schools balances of £23.861M and that with these stripped out, Royal Borough of Greenwich is only just at an average level for London Boroughs (see Figure 2 and Figure 3).

Maintaining liquidity is an important part of managing financial resilience and is another area where, in 2020-21, the Council performed well. Net current assets at 31 March 2021 were valued in the year end Statement of Accounts at £75m, with £52m of that amount being held in Cash and Cash Equivalents. We note that capital commitments were stated in the year end accounts as £80.03m and that Meridian Home Start Ltd had been given the option to draw down up to £35.8m of loan finance from the Council. Nevertheless, a prudent under borrowing position had been maintained in 2020-21. Whilst the Capital Financing Requirement stood at £783.6m, total external borrowings were valued at £472.8m and the Minimum Revenue Provision was set at £7.4m.

Figure 2 and Figure 3: London Borough Non-Schools Reserves at 31 March 2021 (Source Royal Borough of Greenwich audited statements of account).



Financial sustainability

Medium Term Financial Strategy

At the time of writing our report, the Council had been preparing the Medium-Term Financial Strategy for 2022-23 to 2025-26. The Spending Review announced on 27 October 2021 indicated that Local Government may be about to receive a 3% increase in core funding and potentially a move back to multi-year settlements. Regional shares of any overall increase in funding were not yet clear. Expected inflationary pressures for 2022-23 may mean that the increased funding remains neutral or a reduction in real terms. Changes in business rates to protect businesses from the impacts of Covid-19 are likely to mean reduced income for councils and the extent to which this will be funded by central government is not yet clear.

We noted that the Medium-Term Financial Strategy for 2021-22 to 2024-25 included more than one set of resource gap data and was supported by an Appendix of planned Structural Cost Reductions for the three-year period. We note that no distinction was drawn in the Budget documents and MTFS between statutory and discretionary spend. Providing this information may give enhanced context for readers.

Pension Fund Observations

The Royal Borough of Greenwich is the administering authority for the Royal Borough of Greenwich Pension Fund. The Pension Fund is currently in deficit. Net Assets of the Scheme available to fund Benefits at the Period End were valued at £1,533,439m and the Total Present Value of Funded Obligations on that date was £2,540,921m. This position is in common with most other local authorities.

Actuaries are engaged to value the pension liability tri-ennially, with the last valuation having been in 2019-20. Management of the Fund is delegated to the Pension Investment and Administration Panel. The Panel has four members, each with voting rights, and is responsible for the investment strategy, review and scrutiny of investment manager performance, and quarterly accounts review. The Panel is supported by the Royal Greenwich Pension Board, which has two member representatives and two employer representatives acting in an overview and scrutiny role.

The Pension Fund is governed and administered in accordance with the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations. Internal Audit includes the Pension Fund within it's' cycle of work on an annual basis. For 2020-21, five key Pension Fund systems were examined by Internal Audit. A "High" assurance rating was provided for all five systems reviewed.

Conclusion

Royal Borough of Greenwich reported a positive final outturn for 2020-21 and have taken clear, prudent steps to address financial pressures into planning for 2021-22 and beyond. The Council has signposted resource gaps over the medium-term period and recommended savings plans and cost reduction efficiencies rather than over reliance on one-off draw-downs from reserves. This notwithstanding, we note that modelling for sections of medium-term efficiency programmes has not yet been undertaken and is therefore uncertain. Whilst financial resilience was managed effectively during 2020-21, the Council will need to be mindful of this going forward. Although no significant weaknesses were identified from our work for 2020-21, we raised three recommendations for improvement in planning for 2022-23.

Improvement recommendation

Financial Sustainability

Recommendation 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.
Why/impact	Budget and council tax proposals for 2021-22 and the Medium Term Financial Strategy for 2021-22 onwards indicated that Digital and Corporate savings and change initiatives would enhance the Council's ability to manage resource gaps over a four year period. High value areas covered by these proposals had not yet been supported by detailed modelling.
Auditor judgement	Service pressure building up within the first six months of 2021-22 indicates that detailed savings plans for year 1 of the Medium Term Financial Strategy will come under pressure. Without detailed modelling and completion of due processes, savings and cost reduction proposals for later periods become more challenging to predict.
Summary findings	Detailed modelling for Digital and Continuous Improvement Plans and Structural Cost Reductions should be prepared, updated, reviewed and considered as part of financial planning for future years.
Management comment	Whilst the recommendation was received by the Council after the publication of its 2022/23+ budget / MTFS, the Council is developing plans for the improvement of resident services, through the Continuous Improvement programme, which will deliver ongoing savings, the profile of which will be integrated within the MTFS.

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

Improvement recommendation

Financial Sustainability

Recommendation 2	The Workforce Strategy should be updated alongside the Corporate Plan. The strategy should reflect current and expected labour needs, demands and pressures.
Why/impact	The Workforce Strategy currently in place was written in 2016. A new Strategy was due for agreement in February 2020 but has been delayed due to the Covid-19 pandemic. The new Strategy will need to take account of changing priorities after the pandemic. At the time of writing this report, HR reporting lines had recently been reorganised within the Council and supply of labour in the wider labour market is coming under pressure. The Corporate Plan for 2018-22 was also shortly due to be updated.
Auditor judgement	The working environment and labour market has changed significantly since 2016, as have the Council's plans. The Workforce Strategy may no longer fit the needs of the organisation. The Corporate Plan is also due to be reviewed, approved and published.
Summary findings	The Workforce Strategy and Corporate Plan should be updated during 2022.
Management comment	Updating the Workforce Strategy is a high priority for Human Resources (in consultation with the rest of the Council) during 2022/23 and will be developed alongside the principles of our Future of Work programme and the Council's corporate priorities.

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
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards

Monitoring and assessing risk

The Council's Constitution shows that the Director of Finance is responsible for ensuring that adequate risk management arrangements exist within the Council. The arrangements in place involve risks being identified and managed at directorate level and reported upwards to the Greenwich Management Team (Chief Executive Officer and all Directors) to feed into the Strategic Risk Register. The Strategic Risk Register in turn is reported periodically to the Audit and Risk Management Panel and Cabinet. Our review of the latest version of the Strategic Risk Register indicates that it has the potential to be a strong reporting tool for the Panel and for senior leaders within the Council. It includes risks around the Medium-Term Financial Strategy, capacity, demographics, government legislation, partnerships and supply, data security, business continuity, and climate change. For every risk, the register shows: 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). We note that the Strategic Risk Register is also supported by a freestanding Brexit Risk Register which similarly lists individual specific risks and outlines owner, cause and effect, controls, RAG rating, mitigation and targets.

Although the Strategic Risk Register is well presented and managed in a format likely to aid focused discussion, we note that processes for update and review of the register do not include fixed annual milestones. The main Strategic Risk Register was last updated in March 2020 and the Brexit Risk Register was last updated in October 2019. Within the main Strategic Risk Register, we note that the March 2020 version included some mitigations with no specified due date and some with actions due in 2018. As discussed later in this report, the Council streamlined committee work during the Covid-19 pandemic and this to some extent explains the length of time since the risk registers were last updated and reviewed. Risk profiles may have changed significantly since the start of the pandemic though and it will be important to revisit the risks, controls, mitigations and targets as part of recovery. We have made an Improvement Recommendation around this point **(Recommendation 3)**.

As normal committee programmes of work resume, the Council should consider whether whether fixed dates for review and update of the register should be set going forward, 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 actions overdue and with actions that are now complete being shown as closed.

Governance

Budgetary Setting Process

Our review of processes supporting 2021-22 budget and council tax setting found that the Council's financial standing, risk, investment and borrowing plans and treasury and capital strategies had all been considered in drawing up the budget for 2021-22 and the Medium-Term Financial Strategy for 2021-22 to 2024-25. Around 120 different scenarios and sensitivities had been considered by the Finance team and the budget and council tax proposals had been considered both by the Overview and Scrutiny Committee and the Cabinet in January 2021 before being finalised in February 2021.

For managing the Medium-Term Financial Strategy, the Council to some extent took a top-down approach to drawing-up savings plans and budgets. A Continuous Improvement Team (CIT) was set up in January 2020. The CIT identified and is co-ordinating three types of savings and efficiency schemes:

- Tier 1 – Directorates;
- Tier 2 – Cross cutting; and
- Tier 3 – Strategic.

The Council's main medium-term focus is on the Tier 3 strategic savings through initiatives surrounding Residents Services, Integrated Commissioning, Strategic Asset Review and Corporate Reform, including Digital Improvement. As previously noted, detailed modelling is not yet complete for Tier 3 Strategic Savings and, at the time of writing this report, the Strategic Asset Review intended to generate capital receipts which will fund changes was at its very early stages.

Budgetary control

At a directorate level budget monitoring reports are produced, and outturn is reviewed on a monthly basis. The Greenwich Management Team (GMT) reviews outturn reports on a quarterly basis. GMT consists of the Chief Executive Officer and directors. The monthly budget monitoring reports analyse variances on a line-by-line basis, distinguishing between business as usual and the impacts of Covid-19, and stating mitigations planned by directorates.

Savings monitoring is currently integral to routine budget monitoring. Cabinet receives budget monitoring and budget outturn reports four times a year. Questioning/ deep dives of budget to outturn on a line by line is used to scrutinise savings performance. GMT receives quarterly updates on the Continuous Improvement Programme, which include data on Savings. Given the cross-cutting, centrally managed, and high-profile nature of some of the Tier 2 and 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. We have noted an Improvement Recommendation around this point **(Recommendation 4)**.

Leadership and committee effectiveness/decision making

The Council's Constitution shows that the Leader of the Council is appointed by Full Council and in turn that the Leader appoints the Cabinet to manage Executive functions and determines a scheme of delegations to other Member Committees, Sub-Committees, Panels and Boards.

From discussion with officers, we understand that committee workloads were kept as streamlined as possible during the Covid-19 pandemic. This is consistent with our findings. The overall number of meetings that occurred for three key Member Groups (Cabinet, Audit and Scrutiny) was lower in 2020-21 than in 2019-20, although meetings did continue and are still occurring. By comparison, the Standards Committee has not met since June 2020. Later in this report we note that there was no consolidated report to any Committee on Corporate KPIs, although individual Committees had received reports on performance for their areas.

Figure 4: Key Member Group Meetings – Frequency of Occurrence (Source: Royal Borough of Greenwich Website)

2019-20 Number of Meetings Occurred	2020-21 Number of Meetings Occurred
Cabinet - 11	Cabinet - 8
Audit and Risk Management Panel - 4	Audit and Risk Management Panel - 3
Overview and Scrutiny Committee - 8	Overview and Scrutiny Committee - 5

The impact of the Covid-19 pandemic on the Council's business was profound and far reaching and the short term streamlining of Committee programmes reflects this. As the Council moves into recovery from the pandemic, it will be important to revisit and where necessary strengthen oversight roles. An Improvement Recommendation has been made around this point **(Recommendation 5)**.

Governance

Monitoring and ensuring appropriate standards

The Council's Constitution includes a Member's Code of Conduct and a Member's Allowances Scheme as well as policies around Gifts and Hospitality and Declarations of Interest. Complaints procedures are set out for the public on the Council's website and for employees, whistleblowing procedures are set out in "Whistle Blowing Procedures" published by HR Professional Services. At the time of our review, no formal Officer's Code of Conduct was shown within the Constitution although we note that one has been drafted and was subsequently published in January 2022.

Overall responsibility for standards sits with The Standards Committee, which consists of three councillors (from all political parties represented on the Council) and three independent members, and is Chaired by an independent member. We have already noted that the Standards Committee has not met since June 2020 and recommended that meetings are reinstated as the Council recovers from the Covid-19 pandemic.

The Council has an effective Internal Audit function in place. For functional management purposes the Head of Internal Audit (HIA) reports to the Director of Finance but the HIA also has direct access to the Audit and Risk Management Panel, the Chair of that Panel, and the Chief Executive Officer. In addition to the main programme of assurance audits, the Council's Internal Audit function also provides an anti-fraud service, covering Housing Benefits, corporate fraud, business rates and investigations. The Internal Audit function also provides a bespoke anti-fraud service to the London Borough of Bromley.

The main Internal Audit programme of assurance (non-fraud) work ordinarily covers around 1,100 days across all service areas and schools. For 2020-21 we note that 390 days of work were redeployed to help with Covid-19 responses and significant elements of the main programme of work, most notably Children and Schools, were deferred until 2021-22. The HIA Annual Report for 2020-21 shows that all key financial systems were still covered by an Internal Audit during the year, with Moderate to High Assurance rankings given for all.

The main HIA programme of assurance work includes follow-up on implementation of previous recommendations. Figure 5 shows that for 2020-21, the rate of management implementing High Priority Actions to time was roughly 50%. As the Council recovers from the Covid-19 pandemic and the normal HIA programme of work is resumed, consideration should be given to reasons for delay and, where necessary, processes for responding to Internal Audit recommendations should be revised. We have noted an Improvement Recommendation around this point (**Recommendation 6**).

Figure 5: Management Action Against Internal Audit Recommendations 2020-21 (Source: Royal Borough of Greenwich Internal Audit and Anti-Fraud Performance Report 2020-21, dated 29th June 2021).

Recommendation Description	April 2020–March 2021
Number of **High** priority IA recommendations where positive management action is proposed	77
Number of **Medium** priority IA recommendations where positive management action is proposed	122
Number of **High** priority IA recommendations where management action has been taken within the agreed timescales	73 of 144
Number of **Medium** priority IA recommendations where management action has been taken within the agreed timescales	82 of 128

Conclusion

Overall, we found that good governance processes are in place, but we note that there was some streamlining of those processes over the year of the Covid-19 pandemic. We note that the Strategic Risk Register was not updated and that some committee and member group meetings and programmes of work were reduced or suspended. As the Council recovers from the pandemic and turns more to business as usual, it will be important to reinstate full oversight processes and, where necessary, refresh and revise them. We have noted four Improvement Recommendations to this effect.

Improvement recommendation

Governance

Recommendation 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.
Why/impact	The Strategic Risk Register was last updated in March 2020 and the Brexit Risk Register was last updated in October 2019. Within the main Strategic Risk Register, we note that the March 2020 version included some mitigations with no specified due date and some with actions due in 2018.
Auditor judgement	Risk profiles may have changed significantly since the start of the pandemic and it will be important to revisit the risks, controls, mitigations and targets as part of recovery. The register is potentially more useful if updated and reviewed at regular, fixed intervals.
Summary findings	As normal committee programmes of work resume, arrangements around the Strategic Risk Register should be reviewed and where necessary revised.
Management comment	At the time of writing, the Strategic Risk Register is being updated and will be brought forward for consideration by ARM and Cabinet in the coming months.

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

Improvement recommendation

Governance

Recommendation 4	Given the cross-cutting, centrally managed, and high-profile nature of some of the Tier 2 and 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.
Why/impact	Savings monitoring is currently integral to routine budget monitoring. Cabinet receives budget monitoring and budget outturn reports four times a year. Questioning/ deep dives of budget to outturn on a line by line is used to scrutinise savings performance. GMT receives quarterly updates on the Continuous Improvement Programme, which include data on Savings.
Auditor judgement	Given the cross-cutting, centrally managed, and high profile nature of some of the tier 2 and 3 savings programmes being developed by the Continuous Improvement Team, separate processes for financial reporting to Cabinet as well as GMT on savings achieved against target would be beneficial.
Summary findings	Arrangements for monitoring achievement of savings and efficiency plans should continue to be developed.
Management comment	The Council is continuing to develop reporting around these important areas.

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

Improvement recommendation

Governance

Recommendation 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.
Why/impact	Committee workloads were kept as streamlined as possible during the Covid-19 pandemic. The overall number of key member group meetings to occur was lower in 2020-21 than in 2019-20. The Standards Committee has not met since June 2020. There was no consolidated report on Corporate KPIs to a Committee during the year.
Auditor judgement	Streamlining committee work and focusing on Covid-19 helped the Council to co-ordinate and manage an effective response to the pandemic. As risks of the pandemic subside or move into business as usual, it will be important to maintain strong oversight for other ongoing business activities.
Summary findings	Committee meetings and programmes of work should be reviewed and, where necessary, reinstated or widened.
Management comment	A full programme has been reinstated from January 2022, albeit mindful of relevant public health advice in relation to the meeting setting and length.

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

Improvement recommendation

Governance

Recommendation 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.
Why/impact	For 2020-21, only 73 out of 144 High Priority Internal Audit recommendations saw management take action within agreed timescales. We note also that for medium priority recommendations, 82 out of 128 cases saw management take action within agreed timescales.
Auditor judgement	Benefits of Internal Audit insight and assurance may not be maximised where there are delays in implementing recommendations.
Summary findings	Agreed timescales for management implementing Internal Audit recommendations were not fully met in 2020-21.
Management comment	The council response to the pandemic has seen staff within the audit team and wider across the council redeployed in order to support services to residents. The Audit and Risk Management Panel will keep this area under review as part of the Internal Audit work programme.

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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

Performance Review, Monitoring and Assessment

The Council's performance is managed primarily at service directorate level, often using targets embedded within contracts with partners. Performance management arrangements are supported by the Council's Performance Analysis Service and overseen by six separate scrutiny panels. Under the Council's Constitution the Overview and Scrutiny Committee is responsible for co-ordinating and overseeing the work of the six scrutiny panels, leading on scrutiny of over-arching issues affecting more than one service directorate and reviewing performance (and other) findings of the scrutiny panels for potential referral to the Chief Executive Officer.

During our audit we reviewed reports to the Overview and Scrutiny Committee (OSC) and the six scrutiny panels between April 2020 and December 2021 to assess the effectiveness of their performance oversight roles. At individual service level, we noted some strong examples of detailed performance indicator reporting supported by detailed metrics. For example, the Community, Safety and Environment Scrutiny Panel received one of the Parks, Estates and Open Spaces monthly Performance Monitor reports in November 2021. Measurable targets were shown against twelve priorities and for each target, the report showed the owner, objective, target date, target outcome, direction of travel and a RAG rating. Some of the targets were benchmarked to other Local Authorities (extract shown in Figure 6). In a similar example, the Children and Young People's Scrutiny Panel performance report for Quarter 4 of 2020-21 included an opening narrative summary and then, for a series of Key Performance Indicator (KPI) measures, showed: Lead team that owned the measure, definition, 3 years of prior year data, average London and England council benchmarking, performance for all four quarters of 2020-21, RAG rating and direction of travel (extract shown in Figure 7).

Reports to other scrutiny panels throughout the period followed different formats and neither the panels nor the OSC itself received one overarching metrics-based performance report against Corporate KPIs consolidated for the Council as a whole. For the OSC, KPI reporting did not appear on the agenda for any of the meetings held in 2020-21. We have already noted that committee work had deliberately been rationalised across the Council during the Covid-19 pandemic. The OSC's programme of work for 2021-22 has planned-in three reports on performance against Cabinet's key policy objectives in 2021-22, although we note that at the time of writing this report, no metrics-based report had yet been included within the papers for any meeting. Whilst it is clear that scrutiny and oversight were ongoing throughout the pandemic, reporting formats were not uniform, not structured around pre-agreed metrics, and (with the exception of the Children and Young People's Scrutiny Panel) not clearly signposted as performance reviews on the agenda front sheet.

It is clear that performance review and monitoring is happening within the service directorates and overseen by scrutiny functions. The absence of a single reporting tool for the organisation's corporate KPIs and the different approaches taken to reporting by different directorates and panels, mean that the effectiveness of performance assessment processes may not be fully optimised. Internal Audit also currently have no role in reviewing and testing KPI data. As the Council recovers from the Covid-19 pandemic and resumes fuller programmes of committee work, 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 OSC. An Improvement Recommendation has been raised around this point **(Recommendation 7).**

Improving economy, efficiency and effectiveness

Figure 6 – Strong Practice Example (Source: Royal Borough of Greenwich)

PARKS, ESTATES & OPEN SPACES - Our Priorities

Priority	We Will Achieve This By	Progress	Officer	When	Status
To work to deliver greater value for money where possible	• Benchmark good practice with Parks for London and other LA	⇒ Benchmarking undertaken on-going basis.	DS/RG	On-going	
	• Monthly budget monitoring review, identify budget pressures to minimise budget variances	⇒ Monitoring on-going.	EH	Monthly	
	• Reduce PEOS running costs to contribute to MTFS, implement savings	⇒ MTFS savings implemented with exceptions of dog bin removal and allotment self-management.	DS	On-going	
	• Percentage success of funding and S106 applications to progress development projects	⇒ S106 used for Villas Rd and Garland Rd playground refurbishment. S106 secured for Coldharbour playground refurbishment and to support Eaglesfield Playground refurbishment. Plus £233k secured for Charlton Park Changing rooms refurbishment.	RG	On-going	
	• Achieve upper 2 quartile ratings in benchmarking and performance management exercises	⇒ APSE and parks for London Submissions completed and submitted - awaiting results.	DS/RG	Expected Oct/Nov 21	

Improving economy, efficiency and effectiveness

Figure 7 – Strong Practice Example (Source: Royal Borough of Greenwich)

Lead	Definition	2018/19	2019-20 Performance Q1	2019-20 Performance Q2	2019-20 Performance Q3	2019-20 Performance Q4	London	England	2020-21 Performance Q1	2020-21 Performance Q2	2020-21 Performance Q3	2020-21 Performance Q4	DoT
	Rate of referrals per 10,000 CYP and number (cumulative)	485.1 (3343)	124.0 (858)	245.0 (1717)	368.5 (2587)	481.6 (3381)	547.5 (18/19)	544.5 (18/19)	62.3 (437)	172.2 (1189)	300.8 (2077)	418.1 (2887)	-
	Percentage of re-referrals in the last year (cumulative)	15.6% (522/ 3343)	13.9% (119/858)	12.9% (222/1717)	14.9% (385/2587)	15.3% (529/3451)	18.5% (18/19)	22.6% (18/19)	18.5% (81/437)	15.7% (187/1189)	14.7% (305/2077)	14.2% (412/2887)	↑
	Number of children who were subject of a CPP as at the end of the period.	225	244	236	242	262	n/a	n/a	245	238	242	209	↑

Evaluating Services to Identify Areas for Improvement

External benchmarking data is used by the Council to support service performance evaluation and to identify areas for improvement. Council officers informed us that it was benchmarking against the CIPFA Financial Resilience Index that identified 76% of Council net expenditure on adult and children's social care as being close to a London high of 88%. The Council has recently been through a service redesign programme in both areas with a view to saving costs whilst still enhancing user outcomes.

Readily available data indicates that service user outcomes were not at risk. OFSTED ranked the Council's Children's' Services as "GOOD" in January 2020 and again in August 2021. As Figure 8 shows, NHS Digital Data ranked Adult Service user satisfaction for 2019-20 within a medium range of performance. Nevertheless, given the ever-growing demand for Adult and Children's Social Care and the existing high-cost base, the decision to re-engineer services seems reasonable. Terms of engagement with the appointed Professional Consulting Firm are considered in more detail on later in this report.

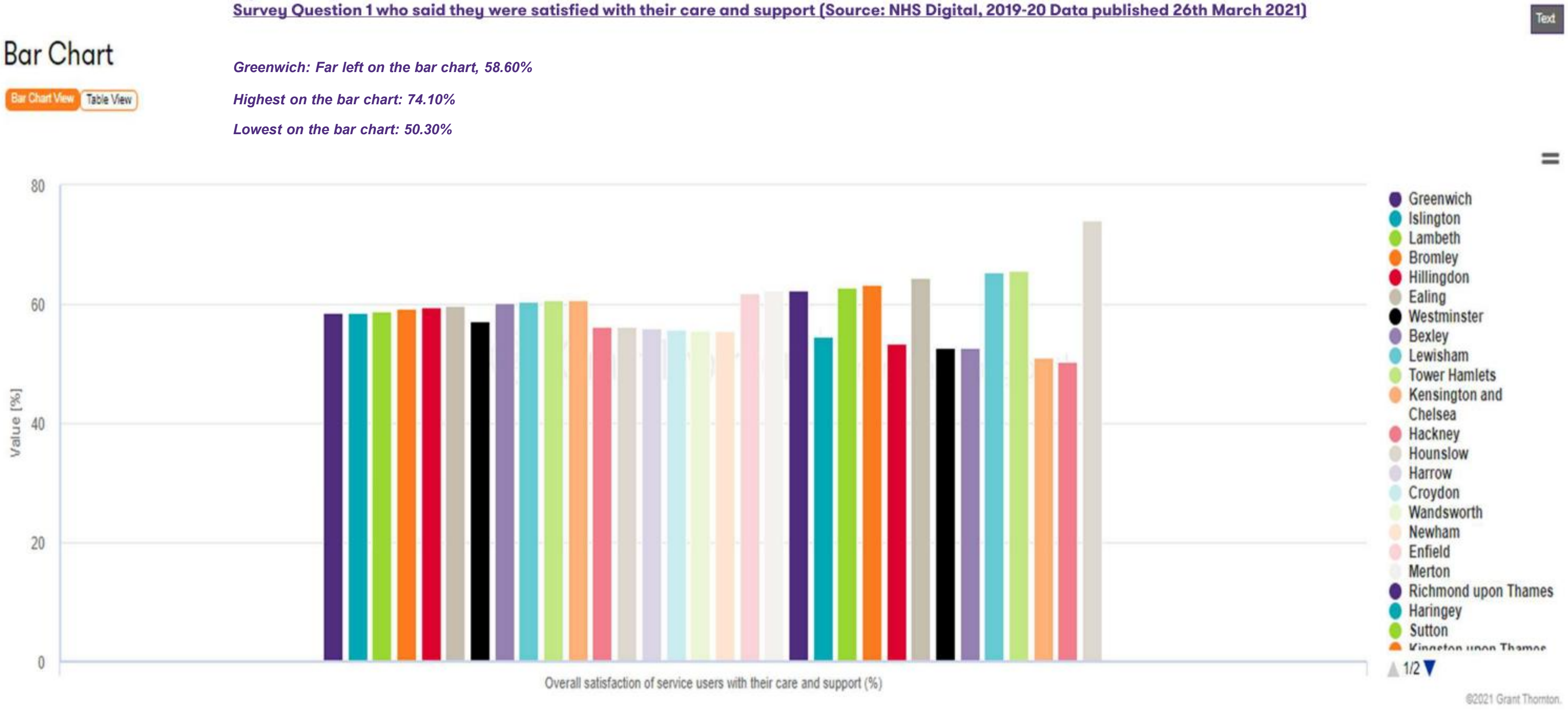
Improving economy, efficiency and effectiveness

Figure 8: Proportion of service users overall satisfied with their care and support. Proportion of respondents to Personal Social Services Adult Social Care Survey Question 1 who said they were satisfied with their care and support (Source: NHS Digital, 2019-20 Data published 26th March 2021)

Greenwich: Far left on the bar chart, 58.60%

Highest on the bar chart: 74.10%

Lowest on the bar chart: 50.30%



Improving economy, efficiency and effectiveness

Partnerships, Stakeholders and Performance Against Expectations

One of the Council's most important partnerships is with the Healthier Greenwich Alliance, which brings together the Council and the key partners NHS South East London CCG, Oxleas NHS Foundation Trust, the Greenwich Health GP Federation, Primary Care Network Clinical Directors, Healthwatch Greenwich, Lewisham and Greenwich NHS Trust, and representatives from the voluntary sector. The work of the Alliance is overseen by the Council's Health and Wellbeing Board (HWB). Covid-19 responses dominated health and social care work in 2020-21 and this is reflected in the HWB papers for that year. All five meetings of the Board focused on Covid-19.

Our audit for 2020-21 reviewed two other areas of contracting with partners in detail: improvement Programmes in Health and Adult and Children's Services with a single appointed professional consultancy company, and the demolish and build Woolwich Leisure Centre project, currently with five different contractual partners involved.

Health and Adult Services and Children's Services

As noted previously, it was the Council's own external benchmarking exercises that identified spend on adult and children's social care as being close to "London Highs". The Council is running change programmes in both areas. The Health and Adult Services (HAS) change programme is known as "Forward Thinking" (or "Thinking Differently") and the Children's Change Programme is known as "Building Brilliant Outcomes Together" (BBOT). As already noted, a professional external consultancy company was engaged to provide just over £4m of consulting services on a contingent fee basis for each programme, covering diagnostics as well as design and delivery of changes. The aim was to change workforce culture and practice, improve outcomes for service users, achieve financial benefits which could be mapped to the ledger and build future capability for wider organisational change across other areas of the Council's business.

Detailed work on "Forward Thinking" commenced in April 2020, with a target of achieving Health and Adult Service redesign and an "£8.6m recurring annual saving" over a non-specified length of time. It should be noted that Covid had a significant impact on the design process. Design changes were focused on processes around delivering reablement, adult independence and learning disability services. Key performance indicators were set for each workstream and a model for joining up financial and performance data was created to measure financial and operational impacts.

Governance over the "Forward Thinking" programme was driven by workstream performance review groups feeding into the Forward Thinking Change Board on a monthly basis and from there into the Greenwich Management Team. Operational performance indicators for the programme were signed off as complete in December 2020 and January 2021 and a whole programme review by the Council, drawing on financial bridging data created with the consultancy, was concluded in April 2021. The £4.2m of consulting fees had been paid in full by September 2021.

The financial data presented to the Council when Forward Thinking was signed off as complete in April 2021 recognised that it would take until at least 2022-23 to achieve the full run of savings from the design changes made. In an environment where demand for Health and Adult Services rises year on year, it is very difficult to isolate and prove a recurring savings impact over time from any one set of design changes. From the four-year Structural Cost Reduction supporting the Medium-Term Financial Strategy for 2021-22 to 2024-25, we note that Forward Thinking was listed at HAS04 as delivering additional benefit over and above the initial target in the contract of £8.6m annual recurring savings. This is projecting additional savings of £1.553m by 2024/25.

Diagnostics on the BBOT Programme commenced in 2020 and detailed design and implementation work commenced in 2021 and is ongoing. Design changes and consulting work are still ongoing and are focused on improving processes for fostering, safeguarding and adult transition. Governance is again centred on regular workstream performance reviews. These feed into Directorate Management Team, Portfolio Board and Greenwich Management Team reviews. Consulting fee stage payments of some £3.9m against an expected total of £4.3m have been made.

The contractual arrangements for BBOT are more mature than they had been for "Forward Thinking", in the sense that timelines for financial outcomes are more clearly defined. Instead of the open-ended target of "annual recurring savings", a benefits profile with target financial impacts analysed over four years 2021-22 to 2024-15 is specified and it is broadly consistent with structural cost reduction plans listed in the MTFS. There is a requirement that the contractual KPIs are showing that annual savings will be delivered over a number of years that meet the contractual guarantee of £4.4m per annum. The final annual saving is yet to be finalised but is expected to be in excess of the £4.4m guarantee.

Improving economy, efficiency and effectiveness

There is an inherent difficulty in proving savings from any one change in an environment where overall demand for a service (and other economic variables) fluctuates. For Period 6 of 2021-22 we note that the Council's monthly budget monitoring report still forecast an overspend of £1.2m for Children's Service as a whole. We understand that management is currently engaging with internal audit before contract completion is signed off.

We understand that the BBOT contract for professional consulting includes support with diagnostics in a third service area (not yet formally identified) and that the Council plans to develop an in-house change team to then oversee service redesign after the diagnostics for that third area. For service redesigns in both Adult and Children areas, we have noted above that measuring financial savings is difficult over time when demand and wider economic variables are changing. As noted on page 27, bridging data was used very effectively for Forward Thinking. Consideration could be given to building in external benchmarking (trends in costs and performance data relative to other Councils over time) for enhanced measurement of achievement going forward. Engagement with Internal Audit would again be beneficial.

The Woolwich Leisure Centre (WLC)

We reviewed arrangements for working with partners on the WLC project in detail as part of our work. The project's approved funding envelope will include:

- Acquiring sites from third parties;
- Building a new town centre leisure centre and changing energy and highways infrastructure to support this;
- Allowing 500 homes of residential housebuilding; and
- Refurbishing the Tramshed theatre.

Consultation on the WLC project proposals was initiated in 2019. Costs incurred so far are valued at £9m and largely relate to early feasibility work, legal and professional fees and site acquisition. Planning applications are expected to be submitted in February 2022 and the first section of work is not expected to complete until the first quarter of 2025. Nevertheless, five different contractors have been appointed so far – two in connection with the leisure centre building, one in connection with the residential housing, one in connection with the Tramshed theatre and one to manage the whole project. Risk management processes (with a series of risk registers and sub-risk registers) are in place and the Council has a monthly Project Board meeting, chaired by the Deputy Director (Regeneration & Property) with representatives from heads of all relevant Council services along with the Assistant Director of Capital Projects & Property Maintenance. The Project Board sits within an overarching governance structure for Capital Projects, reporting into the Priority Investment Board chaired by the Director of Regeneration Enterprise and Skills. Risks around materials and labour supply and pricing over the life of the project are being managed. Cost estimates include contingency, and the Project Board has convened a "Taskforce" ,chaired by the Assistant Director Capital Projects & Property Maintenance, that meet fortnightly with two of the key contract partners to manage price inflation risks.

Cash flow timing risks are also being managed. Some £53m of the project's financing will rely on capital receipts from sale of assets (enabled by the Strategic Asset Review) or other methods of financing to be identified.. The timing of receipts and long-term borrowing may not correlate with the timing of demolition and building costs incurred. A detailed paper was presented to Cabinet in January 2020 outlining the nature of the cash flow risk and approval to build additional financing costs (overdraft) into the estimates as mitigation. The Capital Strategy Board, chaired by the Director of Finance has oversight of the disposals programme, enabling valuation updates and disposals progress to inform scheme financing proposals and revise revenue implications. The WLC project is at an early stage in its' life-cycle and we found no evidence of project and risk management processes being ineffective for this project stage. However, given the complexity of the different number of contract partners involved and the expectation that they will in turn enter sub-contractual relationships as building work gets underway, we note that arrangements may need to be enhanced.

The Council's risk management and legal protection will need to be carefully considered as the supply chain becomes more complicated and the Council will also need to update risk registers as new risks emerge. An example of a new risk that could emerge in 2022-23 surrounds financing. Financing depends on asset sales not yet made. Valuation assumptions made in 2019 will need to be reviewed/scrutinized as asset sales are realized over the coming years.

Improving economy, efficiency and effectiveness

Procurement

The Council has clear processes for procurement. Most procurements are managed internally through a small in-house central team, although the Council joined NEPO (North East Procurement Organisation) to procure the specialised consulting services used for the redesign of Health and Adult and Children's Services described earlier in this report.

A Procurement Strategy and Social Value Policy and Social Value Framework were presented to Cabinet for approval in October 2019. The Procurement Strategy included sections on Value for Money, supporting the Local Economy and the Council's corporate objectives, "Innovation and the Future", risk management, contract management, performance monitoring, and payment by results. The Social Value Policy and Framework showed links between the Council's corporate objectives and social value outcomes that potential suppliers could seek to offer.

The Council published the Social Value Policy and Social Value Framework on its' website (under "How to do business with the Council") and also shows Contract Standing Orders processes for procurement on the website (within Part Four of The Constitution). A series of training and workshop sessions were delivered between September and November 2021 by senior Finance staff for staff and local firms to raise awareness of the Council's procurement, contracting and social value processes. These sessions had been delayed during the Covid-19 pandemic, having originally been planned for 2020.

We have not identified ineffective procurement arrangements between October 2019 and September 2021 when the delayed training was rolled out.

Conclusion

Processes are in place for ensuring economy, efficiency and effectiveness in the Council's use of resources. We note that these are often led at directorate and contract level and that oversight is managed primarily by six separate Scrutiny Panels rather than through one joined-up reporting and monitoring vehicle. From review of specific examples of working with partners, we note some areas in which engagement with Internal Audit may strengthen processes going forward. Three Improvement Recommendations have been made. In addition, the multi-partner Woolwich Leisure Centre project has been noted as an area we will revisit in future years.

Improvement recommendation

Improving economy, efficiency and effectiveness

Recommendation 7	As the Council recovers from the Covid-19 pandemic and resumes fuller programmes of committee work, 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. Consideration should also be given to Internal Audit of performance data.
Why/impact	Performance reports to Scrutiny Panels follow different formats and neither the Panels nor the OSC itself received one overarching, metrics based report for performance against corporate KPIs for the Council as a whole in 2020-21. For the OSC, KPI reporting did not appear on the agenda for any of the meetings held in 2020-21.
Auditor judgement	Arrangements for monitoring performance against corporate KPIs are not being optimised.
Summary findings	Arrangements should be reviewed and, where necessary, revised.
Management comment	The Council are carrying out a review and looking to implement a new system of corporate performance reporting following the agreement of our new corporate plan in early summer 22. COVID meant that resources needed to be redeployed and it was agreed to pause the collated corporate performance reports during this time. This work will restart in early summer when we have a new set of organisational objectives that we can report progress against.

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

COVID-19 arrangements

Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of Covid-19 cut across multiple areas of Council business. For example, collection rates in areas such as housing rents, Council Tax and Business Rates were affected. Some £43.8m of General Fund additional pressures in 2020-21 had to be off-set by central government funding received. New business support grants and other grants needed to be administered. Repairs and maintenance works were delayed in the Housing Revenue Account.

General Fund Revenue Budget additional pressures were most notable around the additional costs of the Health and Adult Services £19.6m, Communities and Environment £7.3m, and Regeneration, Enterprise and Skills £7.2m. For Health and Adults, the pressures surrounded such things as provider services work capacity, outbreak management, infection control, rapid testing, vaccine hesitancy, supporting those shielding and additional client care. For Communities and Environment, the increased cost pressures included the costs of additional mortuary and crematorium services and the digital costs of moving staff to remote working and services online. For Regeneration, Enterprise and Skills, a fall in parking revenues and the costs of reconfiguring public spaces to enable social distancing increased the net cost of services.

The additional pressures in 2020-21 were offset by government grants and funding, that resulted in no net impact on the revenue budget by year end. Separate cost centres were created and Covid related variances on the General Fund were highlighted in monthly budget monitoring reports throughout 2020-21 and are continuing to be tracked in the monthly reports for 2021-22. The month 6 report for 2021-22 forecast General Fund Covid related overspends of £16m for the year, which the Authority anticipates being covered in full by Government Grant Allocations, and a Covid related overspend on the Housing Revenue Account of just £0.013m. Throughout the period, MHCLG was provided with monthly updates on the Council's financial position.

Business-as-usual financial management continued to be effective throughout the pandemic despite the very pressurised conditions. As noted earlier in this report, the Council ended 2020-21 by reporting an underspend of £4m on the General Fund Revenue Budget and a £2.9m underspend on the Housing Revenue Account – demonstrating effective financial management for mainstream business activities throughout the period.

Financial planning for 2021-22 and the medium-term period 2021-22 to 2024-25 was completed within the same timescales as other years (January/ February 2021), although we note some slippage in other aspects of financial planning. The Corporate Plan for 2018-22 has not yet been updated. As noted earlier in this report, updates to the Council's Workforce Strategy were delayed.

Governance

The Health and Wellbeing Board led on oversight of the Council's Covid-19 responses, with all five meetings which occurred during the year being focused on the pandemic. We note that the Cabinet and Overview Scrutiny Committee also periodically received Covid-19 updates through 2020-21.

As noted throughout this report, business as usual aspects of Governance were streamlined during the pandemic. The overall number of key Committee meetings was reduced, the Standards Committee did not meet at all after June 2020, the Strategic Risk Register has not been updated since March 2020, and a Brexit Risk Register has been left without update or closure since October 2019. We note also that 390 days of Internal Audit activity were redeployed to help manage Covid-19 responses. The main impact has been reduced Internal Audit in the Children and Schools area (nil Schools audits carried out in 2020-21).

Business support grants were managed by two distinct teams. The mandatory grants were managed by officers within the revenues service and the discretionary grants were managed by officers in the Business Support team. Comprehensive systems for pre and post payments checks for both were introduced. Internal Audit anti-fraud work for 2020-21 also included investigations into 29 allegations of fraud on Covid-19 Business Grants. A Post Payment Assurance Review by Internal Audit over discretionary grants gave a HIGH Assurance rating to the systems introduced.

COVID-19 arrangements

Improving economy, efficiency and effectiveness

The Council's Gold Committee co-ordinated all emergency responses. Office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working continued throughout the pandemic with continuity of service maintained. Steps were taken to identify key workers, assess staff and protect them, identify gaps due to shielding and self-isolating and redeploy staff, set out working in offices and staffing arrangements, and enable the Council to continue to operate with staff working from home.

With the exception of one emergency centre in Woolwich, customer service centres were shut. All financial transactions were processed securely online (via the web). Cash handling operations were substantially shut down and Treasury management and transactions were moved online, operating successfully remotely with no changes in the segregation of duties although processes changed in terms of using electronic signatures/email confirmations for approving non-treasury payments.

Whilst our work did not note any direct impacts of the pandemic on processes for improving economy, efficiency and effectiveness, we have noted that the Overview and Scrutiny Committee did not receive any corporate KPI data in 2020-21 (all detailed performance reporting was at Scrutiny Panel level). Also, we are aware that progress with savings and cost reduction initiatives was slower than planned. For example, the Continuous Improvement Team was formed in January 2020, but it is only now (January 2022) that it is starting to consider an area where, if diagnostics are provided by a professional consultancy company), it could manage the design and delivery of service changes without external consulting support. Plans for Procurement and Social Value training were delayed as a result of the pandemic, although that training has since been completed.

We note that some of the key structural cost reduction plans for the Regeneration, Enterprise and Skills Directorate for the period 2021-22 to 2024-25 will rely on recovered levels of road usage after the pandemic. As we note earlier in this report, post-pandemic road usage recovery in the Borough has been slower than expected. Overspends are forecast for the Regeneration, Enterprise and Skills Directorate in 2021-22, leaving some of the longer cost reduction and income generation plans open to challenge while the Council waits for pre-pandemic road use patterns to be re-established.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic. We note nevertheless the widespread impact that the pandemic had on normal operating activities, governance processes, and risk management. Looking to 2022-23, we make several Improvement Recommendations around returning to business as usual in these areas and revisiting/ revising procedures as the Council recovers from the pandemic.

Opinion on the financial statements

Audit opinion on the financial statements

We have completed our audit of the Council's financial statements. We issued an unqualified audit opinion on 30th September 2021, following the Audit and Risk Management Panel meeting on 29 September 2021.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit & Risk Management Panel on 29 September 2021 and to Full Council on 30 September.

Issues arising from the accounts

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 20/21 Audit Findings Report, Appendix B. None of these were material.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and on the whole the supporting working papers continue to be of a good standard.

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.

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

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

Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	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 are not a result of identifying significant weaknesses in the Council's arrangements.** These are recommendations which, if implemented, may enhance or improve the arrangements already in place at the Council.	Yes	FS p. 13-14 Governance p. 18-21 3Es p. 29

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