

# Auditor's Annual Report on Royal Borough of Greenwich

2022/23

July 2024



# Contents



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.



Section	Page
Executive summary	3
Use of auditor's powers	6
Key recommendations	7
Securing economy, efficiency and effectiveness in its use of resources	10
The current LG landscape	11
Financial sustainability	13
Improvement recommendations	19
Governance	21
Improvement recommendations	26
Improving economy, efficiency and effectiveness	35
Improvement recommendations	39
Follow-up of previous recommendations	41
Opinion on the financial statements	46
Other reporting requirements	47
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	49
Appendix B – An explanatory note on recommendations	50

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 Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No significant weakness were identified at the risk assessment stage.	R Significant weakness in arrangements for financial sustainability identified.	A No significant weaknesses in arrangements identified, but improvement recommendation made.	↓
Governance	No significant weakness were identified at the risk assessment stage.	A Our work did not identify any areas of significant weakness, but improvement recommendations raised.	A No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No significant weakness were identified at the risk assessment stage.	R Significant weakness in arrangements for Housing identified due to failure to meet minimum service standards.	A No significant weaknesses in arrangements identified, but improvement recommendation made.	↓

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary (continued)

## Financial sustainability

The Council faces a significant financial challenge in the medium term. In our 2021/22 VfM work we found that although it had delivered a breakeven position in 2021/22 this had only been managed through significant use of one-off underspends and funding, such as treasury management surpluses. 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 residual COVID reserve, £0.5m of General Reserve and £4.9m of other corporate resources and contingencies. The Council's medium-term position demonstrated 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. We made a number of improvement recommendations stressing the need to address structural deficits and develop an effective savings plan.

Our 2022/23 VfM work has indicated that the financial position has significantly worsened during 2023/24 and while the Council has made some important progress in the latter part of 2023/24 significant further work will be required to restore financial sustainability in the medium term.

In July 2023 the Medium-Term Financial Plan (MTFP) was updated. This sets out a residual funding gap of £11.3m in 2024/25 increasing to £32.5m by 2026/27. We note that this included the assumption that £15m of planned savings would be delivered during 2023/24. Discussion with the Director of Finance indicates that £8.8m of the £15m of savings target due to be delivered in 2023/24 has not been realised and will now be covered by the use of one-off collection fund surpluses as agreed by full Council as part of the budget setting process. The £8.8m undelivered savings have been added to the gap in 2024/25. For illustration, the total £33.7m savings requirement for 2024/25 is approximately 10% of core spending power – a significant and challenging reduction in budget. The current funding gap that needed to be closed in the 2024/25 budget is forecast to be £35m. The revised MTFP position as at March 2024 indicates a further funding gap of £54.2m emerging by 2027/28 which represents a significant challenge.

The Quarter 2 Budget Monitoring Report presented to Cabinet in December 2023 forecasted a £24.7m overspend on the 2023/24 budget. We note that Q3 shows an improved position with spending controls contributing to a reduced but still significant forecast overspend of £13.1m for 2023/24. While some of the overspend may be brought back under control, it is likely to contain a significant proportion of permanent structural pressures and any of this that cannot be managed will need to be added to the current £35m MTFP gap for 2024/25 and is likely again funded from reserves or other one-off measures. We note that the 2024/25 budget incorporates additional savings above what is required to balance the budget that will help manage the risk of slippage.

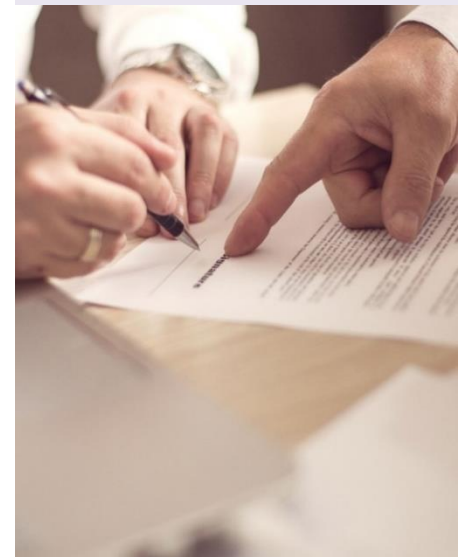
The Council is helped in the short term by holding fairly substantial levels of reserves, sufficient to mitigate the immediate risk to setting a balanced budget (they have slightly above average reserves in comparison to other London boroughs in proportion to net cost of services). However, there is a real risk that available reserves will quickly deplete if the Council fail to make substantial recurrent savings over the next 12 months - putting them in considerable risk by 2025/26.

Due to the significance of this matter we have raised key recommendations which have been accepted by Management. See pages 7-8 for more detail.



## Financial Statements opinion

We have completed our audit of your financial statements and plan to issue an unqualified audit opinion following the Full Council meeting in January 2024. Our findings are set out in further detail on pages 42 to 44



# Executive summary (continued)



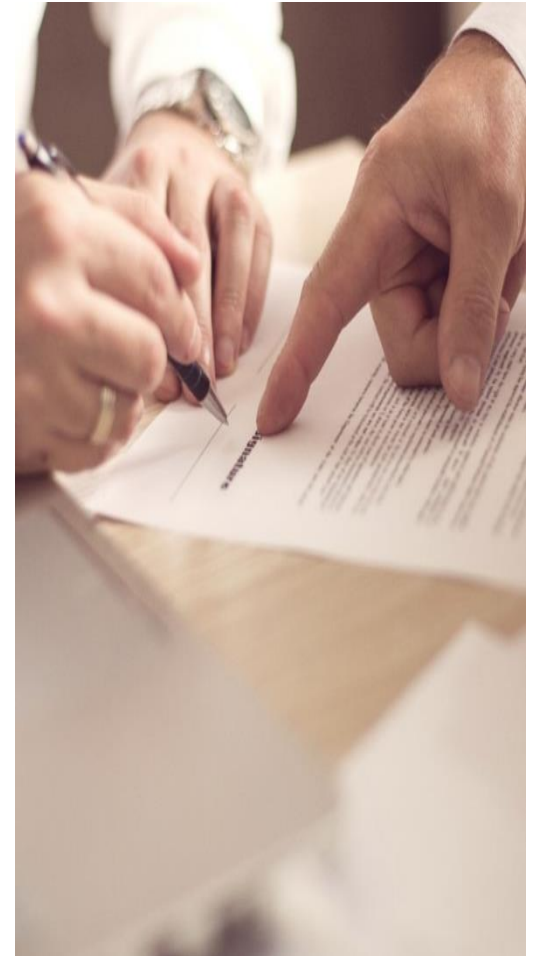
## Governance

The Council have begun to make changes to governance arrangements during the 2022/23 year, including refining the risk management processes and beginning the development of the workforce strategy. However, the pace of change has generally been slow and further improvements are still required in both of these areas. Whilst the internal audit function is adequate and has been reviewed externally during the year, the response of the wider organisation to internal audit recommendations continues to be an issue. The Council has slow organisational responsiveness and a directorate-led approach which may act as a barrier to achieving the ambitions outlined in the Our Greenwich Council Plan. This was highlighted, along with other areas of focus in the recent LGA Corporate Peer Review, and we would encourage the Council to implement actions from this review as soon as possible. In addition, we note that some of our audit recommendations from 2020/21 and 2021/22 have not been actioned and we would expect to see greater focus on resolving the issues we raise at an earlier stage. We have not found a significant weakness in arrangement but have raised a number of improvement recommendations. These are in addition to the remaining outstanding improvement recommendations that were raised in both 2020/21 and 2021/22.



## Improving economy, efficiency and effectiveness

In the prior year, we made several recommendations to the Council for improving economy, efficiency and effectiveness. However, many of these have not yet been implemented, although there is some evidence that work is underway. During the year the Council self-referred to the Regulator of Social Housing, which highlighted a delay in carrying out safety inspections. This as a significant weakness in delivering value for money, due to the failure to meet minimum service standards. Additionally, the Council needs to make changes to performance management, as it is not currently possible to ascertain a holistic overview of performance. Directorate performance reporting to panels is ad hoc and needs to be more streamlined. However, it is noted that partnership working appears to be a key strength for the Council, and it is vital this is capitalised on. Procurement and contract management needs a comprehensive review in order to achieve value for money. The duplication of contracts and lack of consistency within contract management needs improvements and should be a key priority for the Council given the potential for financial savings. We have raised a key recommendation in relation to the significant weakness in Housing Services, and a number of improvement recommendations, in addition to remaining outstanding improvement recommendations raised in both 2020/21 and 2021/22.



# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## 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.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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.

We did not issue a public interest report.

## 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.

We did not make an application to the Court.

## 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.

We did not issue any advisory notices.

## 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.

We did not make an application for judicial review.

# Key recommendation 1 (KR 1)

The Council's members and senior officers must acknowledge the gravity of the medium-term financial outlook and take effective, far-reaching action to restore a sustainable financial position. Repeated use of reserves to bridge the revenue gap is not a sustainable strategy for the Council and the development of a robust savings scheme is essential. To improve financial management, the Council should:

## Key Recommendation 1

- i. Review the process of setting and monitoring savings schemes with contingency plans, separating recurrent and one-off savings.
- ii. There should be robust corporate and member oversight and challenge of proposed savings, with responsible managers held accountable for credible, accurately valued, and realistically timed savings.
- iii. The Council should monitor savings delivery regularly and develop mitigating actions for delays or risks.
- iv. A realistic plan for replenishing reserves that will be drawn down to cover shortfalls in savings plans as part of wider initiative to reduce reliance on one-off measures.
- v. Savings plans for future years of the MTFS should be developed and discussed with members as soon as possible.
- vi. The effectiveness and speed of delivery of the Rethinking Services programme and Digital strategy in providing realisable cost savings should be reviewed to ensure that the value from the resources invested in the programme is optimised.
- vii. The findings of the LGA peer review should be carefully considered and action taken to ensure that officers and members are fully focused on the financial challenge and work together effectively to agree a sustainable savings programme.

## Identified significant weakness in arrangements

Not enough focus has been placed on developing and delivering a cost improvement / savings programme that consists of sufficient recurrent savings. The savings programme needs to be clearly documented and delivery of core schemes reported regularly to Cabinet so that progress can be monitored. Schemes should have clear time scales for delivery and delivery should be risk rated within a discrete register.

## Summary findings

The Council faces financial challenges due to increased demands and complexity of service provision, inflation, cost-of-living crisis, and workforce pressures. If savings schemes are not properly developed and risk assessed with appropriate contingencies, the pressure will increase, especially with the use of reserves in the short to medium term. With the erosion of reserves, the risk of not being able to deliver statutory services has been mentioned by the Council. The most recent MTFS acknowledges the need to stop the use of reserves.

## Criteria impacted by the significant weakness



Financial sustainability

## Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place. The budget faced significant financial pressures in 2022/23 and 2023/24. These financial risks raise concerns about financial sustainability in the medium term, with an inevitable large savings programme required from 2024/25 onwards to avoid a deficit position. We have therefore identified a significant weakness in arrangements.

## Management comments

See overleaf.

# Key recommendation 1 (KR 1) - continued

## Management comments

Councils up and down the country are grappling with the twin impacts of high demand in social care and homelessness, coupled with insufficient government funding. Health and Adult Services has delivered in excess of the MTFS commitments for the 22/23 period. Despite this there remain pressures on the HAS budget driven by demand for the service and central government funding not keeping pace with this. Members and officers working hard together to produce a detailed and substantial savings package for 2024/25 onwards, worth over £33m i.e. around 10% of the council's net budget. The use of reserves has been minimised in this process, with instead, other one-off measures adopted in order to smooth the delivery of this sum.

- i. The process for the 2024/25 budget setting was changed as set out in response to the further questions below. Overprogramming of around 10% of the required savings was embedded into the process and the savings report appendix clearly shows which items are recurrent versus those that are one off (whether that be a one-off resource such as something paused for a year or reserves etc), which provide time for other proposals to start delivering financial benefit.”
- ii. The 2024/25 budget setting process saw the Greenwich Strategic Leadership Team (GSLT - a joint meeting of the Cabinet the Greenwich Management Team) meet regularly throughout the process to help with iterating and challenging ideas.
- iii. Savings delivery are being monitored on a monthly basis by GSLT. The first revenue monitor, including savings dashboard will be reported to July Cabinet. Overview & Scrutiny will review the savings dashboard after the Summer recess. Depending on the detail within those reports, mitigating actions will be developed as appropriate in order to minimise impacts upon the overall MTFS. The council has a strong track record in developing mitigations, whereby similar activity was evidenced in the second half of 2023/24 where the council slowed down spending in order to bring down a large forecast overspend for the year.”
- iv. The council holds risks reserves to cover financial risks such as non-delivery of savings / overspends. Where there has been a drawing on these sums, the council has been able to replenish from its council tax and business rates accounts (these are the outstanding council tax and business rates sums received from taxpayers, after the end of the financial year). For 2023/24, non-delivery of savings was set out in the budget report to be fully met by those accounts. For the same period, overspends have been fully covered by risk reserves. Those risk reserves are being replenished by the relevant accounts at the start of 2024/25. Overall, the councils risk reserves remain relatively healthy, as they are replenished each year.
- v. The council has commenced the process of developing proposals for 2025/26 onwards. GSLT is once again meeting regularly to ensure this is a joined up process.
- vi. Of the 118 proposals put forward, 30 (i.e. over one quarter) are part of the “Rethinking Services” portfolio. These proposals total over £12m in 2024/25 (i.e. over one third of the total savings proposals put forward). The work of the digital team is tilted towards ensuring that it is value add and enabling savings delivery.
- vii. See also response to Improvement Recommendation 8.



# Key recommendation 2 (KR2)

## Key Recommendation 2

The Council must seek to settle the requirements of the Regulatory Notice issued by the Regulator of Social Housing (RoSH) with respect to the identification of a failure to meet minimum service standards. The Council should resolve the recommendations to ensure the removal of the Regulatory Notice.

## Identified significant weakness in arrangements

Due to the discovery of a failure to meet minimum standards in a core service, we have identified a significant weakness in the Council's arrangements to achieve value for money in this regard. The Council have failed to manage its service delivery obligations and therefore failed to achieve economy, efficiency and effectiveness.

## Summary findings

In May 2022 the Council self-assessed that it was behind with its safety inspections and self-referred to the Regulator of Social Housing. The Regulator of Social Housing published a regulatory notice concluding that the Royal Borough of Greenwich Council had breached the Home Standard and as a result there was the potential for serious detriment to tenants. The regulator confirmed that the Council did not meet a range of health and safety requirements in its tenants' homes. The Council failed to carry out:

- 400 risk assessments and hundreds of remedial fire safety actions
- 300 annual asbestos safety inspections
- 10,000 homes did not have a current electrical condition report
- 80 water safety risk assessments.

## Criteria impacted by the significant weakness



Economy, Efficiency and Effectiveness

## Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place.

## Management comments

The Council's housing assurance framework, as agreed in Cabinet in December 2021 before self-referral, sets out a rigorous level of member and officer governance, oversight and scrutiny to deliver organisational assurance that buildings are safe, and where issues exist, action plans are in place to meet consumer and other regulatory standards. This assurance framework has subsequently been followed rigorously, with two annual reports to Cabinet in 2022 and 2023, as well as four reports to Housing & Anti-Poverty Scrutiny Panel, twelve bi-monthly Cabinet member briefings, four reports to the Housing Delivery Group and 24 monthly Landlord Compliance Groups. In addition, the Regulator for Social Housing has met council officers monthly to review the action plan for returning to full compliance which has been extensive and well resourced. The plan is progressing well, and on target to deliver in the timescales set out.

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



# 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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 13-40.

# The current LG landscape



## National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 provided some help to councils but this and the 2024/25 provisional settlement have not resolved the underlying challenges. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

# The current LG landscape (continued)



## Local context

The Royal Borough of Greenwich Council was created in April 1965 under the Local Government Act, covering an area in the South-East of London. It is bordered by the London boroughs of Bromley, Bexley, Lewisham, Tower Hamlets and Newham. During 2022/23, the Council had 55 councillors in place across 23 wards, with the most recent elections taking place in May 2022. The Labour administration has been in control of the Council since 1971.

Greenwich Council area has a population of 289,100 people (2021 census), which is an increase of 13.6% compared to 2011 figures, much higher than the overall increase for England (6.6%) and London (7.7%). However, Greenwich is the 17<sup>th</sup> least densely populated of the 33 London Boroughs.

Greenwich saw London's third-largest percentage-point fall in the proportion of households in the social rented sector (from 34.3% in 2011 to 31.0% in 2021). Despite the decrease, Greenwich was in the highest 3% of English local authority areas for the share of households in the social rented sector in 2021. The Council has a stock of 20,251 social rented homes and 5,157 leaseholders. The Council's Annual Report details that they have invested £129m into improving council homes and building new ones through the Greenwich Builds programme.

Central Greenwich contains a UNESCO World Heritage Site centred on the Royal Naval College and Old Royal Observatory. The former is the main campus of the University of Greenwich. The O<sub>2</sub> is located on the Greenwich Peninsula, and includes an arena, cinema, exhibition space alongside bars and restaurants.

The Council is grouped into 6 directorates of Children's Services; Health and Adult Services; Regeneration, Enterprise and Skills; Housing and Safer Communities; Communities, Environment and Central; Finance and Legal Services. The Council has three subsidiaries and two associates.

# 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 2022/23 and 2023/24

The Council emerged from the COVID-19 pandemic in a relatively stable financial position. However, 2022/23 saw significant economic challenges in the aftermath of the pandemic, including the impact of unusually high levels of inflation, high energy costs and the subsequent cost of living crisis which put severe pressure on service budgets. The outturn report for 2022/23 reported a breakeven position in line with the overall budget. However, as had been the case in 2021/22, there were significant overspends on key service budgets totalling £14.7m that had to be mitigated by temporary one-off funding. In addition, there was a further £7.6m pressure on Transportation and Parking, primarily due to parking receipts being significantly less than had been anticipated from changes to enforcement arrangements. The ongoing financial pressures reflected in budget performance across the services continues to contribute to a highly challenging financial position in 2023/24 and in the medium-term.

The key service pressures driving the overspend were in Adult Social Care, Children's Services and Housing. Adult Social Care reported an outturn overspend of £3.9m. Budget pressures within Adult Social Care are driven by a combination of factors including more people presenting for care and these individuals requiring higher levels of support. We note that the projected outturn at Q2 2023/24 forecasts an overspend of £7.9m for the service.

Children's Services reported an outturn overspend of £5.8m for 2022/23. The overspend is mainly due to high-cost residential placements and transport budgets. The projected outturn at Q2 2023/24 forecasts an overspend of £4.9m.

Housing and Safer Communities reported an overspend of £3.8m, mainly driven by emergency overnight/temporary accommodation. The projected outturn at Q2 23/24 forecasts an overspend of £13.5m.

The temporary one-off funding to cover the gap came from £10.1m from unbudgeted Treasury benefits, use of Covid-19 Reserves of £9.6m and further corporate resources. The remaining £0.5m led to a reduction in General Reserves.

With an increasing borrowing requirement from the capital program, rising external borrowing will make it harder to rely on similar Treasury benefits in the future (we note that £7m forecast in 2023/24). The amount generated is also vulnerable to future changes to interest receivable on investments. We note also that the Covid Grant was a one-off resource that has now been expended. In our view, the level of reliance on one-off measures that the Council has used to mitigate overspends in the past will not be sustainable in the future.

For the current year 2023/24, the Q2 Report taken to Cabinet in December forecasted an overspend pressure of £24.7m for the year. The forecast overspend had increased from the £22.4m forecast in Q1. The Council has already begun to implement spending controls and a new Financial Management Board has been set up to try to develop further actions to bring service spending under control. We note that Q3 shows an improved position with spending controls contributing to a reduced but still significant forecast overspend of £13.1m for 2023/24.

Adult Social Care, Children's Social Care – SEND Transport and Homelessness continue to be key drivers of overspending.

Overall, the Council's budgetary control arrangements have not been sufficient to mitigate the reported pressures arising in 2022/23 and carrying through into 2023/24.

# Financial sustainability (continued)

## Short and medium-term financial planning

In February 2023, the Council set out a balanced budget for 2023/24 and the Medium-term outlook for the following 3 years up to 2026/27. The budget was balanced through net in year savings target of £11.6m and £5.6m from increasing Council tax. In July 2023 the Medium-Term Financial Plan (MTFP) was updated ahead of the 2024/25 budget planning round. This set out a funding gap of 11.3m in 2024/25 increasing to £32.5m by 2026/27. We note that this included the assumption that £15.3m of planned savings would be delivered and that the total funding gap for 2024/25 would be £26.6m if this was not achieved.

The Council has now finalised the budget for 2024/25. This highlighted that a gap of £38.3m would be closed with savings and other options. Cabinet members and the Council's management team have been focused on developing options to close this gap. As at March 2024 options to a value of £38.3m had been agreed leaving c.£6m to be identified. Analysis by the Council's finance team indicates that taking into account the need to carry forward the forecast pressures experienced in 2023/24, the total funding gap for 2024/25 is broken down in the following table:

£	Key Driver
£11m	Underlying MTFs deficit projected following local government finance settlement.
£15m	Planned savings from the Rethinking Services Initiative, that are no longer considered deliverable in year.
£19m	Overspends carried forward that are estimated to be structural, primarily relating to Health & Adults Services, SEN transport (Childrens Services), temporary accommodation (Housing).
£2m	Increased revenue from fees and charges
£2m	Reduced estimated pressure from pay award 2024/25
<b>£38.3m</b>	<b>Total budget gap for 2024/25 (prior to savings plans)</b>
{£33.7m}	Less: New savings proposals
£1.4m	Add: Investment decisions/ growth
{£6m}	Revised budget gap to be funded from council tax increases
<b>£0</b>	<b>2024/25 budget - in balance</b>

We note that the savings requirement of £33.7m for 2024/25 is approximately 10% of core spending power and represents a significant challenge for the Council. We note that some of the forecast 2023/24 overspend is considered by the Council to be temporary in nature. However, were the overspends to increase during 2024/25 and/or if savings plan delivery were to fall short of expectations, the total funding gap could grow significantly by the start of 2025/26. The Council has sufficient general fund reserves to cover the budget pressures and together with the savings programme is in a position to set a balanced budget for 2024/25. However, the reliance on large drawdowns from reserves is not a sustainable position beyond 2025/26, without further significant savings. Given the Council's inconsistent track record of savings delivery and managing in year budget pressures, a significant proportion of the 2024/25 budget will once again be reliant on one off measures in order to achieve balance.

The Council is still working towards resolving its underlying structural deficit. We are pleased to see the additional level of focus and arrangements, such as the Financial Management Board, that have been put in place during 2023, however it is now crucial that these are made to work and effectively resolve the medium-term financial position.

## Arrangements for identifying savings

The Council has a long-established savings programme in place, including the Rethinking Services Programme and the Digital Strategy with savings benefits agreed in 2020 and 2021 intended to contribute to the financial position throughout the MTFP period. The Rethinking Services savings were part of a digital investment plan that began in February 2021, with significant investment in digital security, team capacity, and partnerships in housing repairs, adult social care, and council tax.

The focus of the Council's financial planning process has been to identify and implement long-term savings, which may not materially impact the current year's residual savings targets. To ensure borough services remain funded in the short term while this work is ongoing, the Council agreed in February 2023 to guarantee any shortfall from reserves. This is a temporary measure that enables the continuation of borough services until sustainable savings and transformation under the Rethinking Services Programme are realised. We have some concerns that the Rethinking Services Programme and the Digital Strategy have received a significant level of investment in resources but has reached a mature stage without delivering the significant savings that were intended for it. We note that the reform of the digital function is necessary to reform the rest of the council and that some benefit has accrued, for example teHRA savings arising from this work.

# Financial sustainability (continued)

We note that the first tranche of £8.8m of the £15m in year savings target due to be delivered in 2023/24 and 2024/25 has not been realised and will now be covered by the use of one-off collection fund surpluses. This has been added to the forecast funding gap in 2024/25. The status of the remaining £6m is to be funded from council tax increases. We are aware that the organisation is reviewing its savings strategy and developing it into a more sustainable programme.

In our view, the Council's difficulty in developing and delivering planned savings during 2023/24 is indicative of a weakness in arrangements. The organisation is in need of greater robustness and program management around savings delivery. We note that strengthened governance arrangements around savings development have been introduced during 2023/24 including regular consultation with Cabinet and the Greenwich Management Team and this has enabled the Council to develop a substantial list of new savings options. It is important that these new arrangements around savings development and delivery are fully embedded and effective. **We recommend that the new Financial Management board rigorously monitors savings delivery and holds responsible managers to account. Savings plans must be appropriately challenged and supported by evidence to provide sufficient confidence on the value and timing of the projected benefit.**

## Budget Planning and Monitoring arrangements

Other than in relation to savings, the Council has a well-established budget planning process. This includes appropriate consultation with services, members and the public. The general assumptions used to project the impact of inflation and other economic factors are reasonable and in line with sector practice. The Council clearly identifies in its medium-term plan which funding sources are one off and which sources are ongoing, so that a clear distinction between recurrent and non-recurrent spending can be made.

The key areas of overspend in 2022/23 and 2023/24 are considered below. In each case there are indications that these may be at least in part transient and may ultimately be mitigated with appropriate management and/or future funding solutions from government. However, in the meantime, the Council must ensure that these areas are managed through its own resources without undue reliance on reserves.

The budget monitoring process has proved to be effective in highlighting emerging budget pressures and outlining mitigating actions. This includes comprehensive but understandable quarterly reports to Cabinet. However, we note that this has not always resulted in service spending being brought back into line with budget.

It is important that budget reporting does not just provide a narrative on pressures and serves as a prompt for effective mitigating action. **We recommend that the monitoring reports to Cabinet include a more detailed analysis of savings development and more specific commentary on savings delivery. This will support the Council's efforts to implement greater robustness and accountability in the delivery of savings plans by the services.**

## Key Financial Pressures – Homelessness/ Temporary accommodation

As of June 2023, the Council was responsible for 1,880 households living in temporary accommodation (TA), which is the highest number ever recorded, representing a 13.5% increase from the previous year. The Council projects an overspend of £11,430,200 in Q1 for Emergency Overnight Accommodation (EOA), including hotels and units from nightly paid TA providers, due to inflationary cost pressures.

This issue is not exclusive to Greenwich, as London Councils reported an increase in TA spending, higher net deficit on homelessness service spending, and a significant rise in families living in Bed & Breakfast (B&B) accommodation across the city. At the end of June 2023, RBG was responsible for 125 families living in B&B hotels, compared to only 12 families the previous year. Families are staying in TA longer, with RBG responsible for 64 families living in B&B hotels for more than six weeks, compared to none the previous year.

The Council spent around £1 million per month on non-chain hotel EOA TA and around £800,000 per month on Travelodge in Q1 2023/24. This is against the backdrop of an overspend of £2.6m in 22/23 on emergency overnight/temporary accommodation. The supply of non-chain hotel EOA accommodation has decreased, causing rising unit costs, and the council's use of chain hotels is causing significant financial losses. The Inter Borough Accommodation Agreement (IBAA) has been breached due to the TA crisis, resulting in a projected gross overspend on EOA TA ranging from £15.6 million to £19 million. Internal audit have also reviewed TA, which produced a limited assurance conclusion as published in November 2023.

The Council needs to urgently reduce the use of all TA, with a priority to reduce or eliminate the use of chain hotels. Work is in progress by the Council to alleviate pressure in the short term. This includes the development and utilisation of a hotel optimisation tool to ensure the cheapest chain hotel rooms are being used at any one time.

# Financial sustainability (continued)

## Key Financial Pressures - Adult social care

Adult Social Care at the Council is one of the highest risk areas for financial performance. That risk has only increased further from 2021/22 especially in the first few months of 2023/24. The Health and Adult Services Department reported an overspend of £3.9m for the 2022/23 financial year. Notably, there are underlying budget pressures stemming from an increase in demand for higher levels of support, as well as inflationary pressures on prices paid for provision. The year has seen a substantial increase of almost 9% in care package spend, with the highest areas of spend being for Older People and Learning Disability. The increase in spend has been partially mitigated by grant funding and use of reserves.

Recent under-delivery of savings in Adult Social Care is not unique to the Council. The challenges noted above have made it increasingly difficult for all Tier 1 councils to fully deliver all savings whilst managing increasing demand and inflationary pressures. However, in the short to medium term, if this trend of under-delivery of savings was to continue alongside demand and inflationary pressures, it would pose a significant risk to the overall financial sustainability of the Council. The result is the future financial sustainability of Adult Social Care into 2023-24 and beyond is challenging. The Council is having to grapple with continuing pressures on NHS budgets resulting in reduced funding contributions. The continuing trend of more placements/packages combined with higher unit costs per placement/package that the Council has faced in recent years is unlikely to reduce in either the short or medium term. This is due to wider demographic trends in the Council area (an ageing population living longer with more complex health and social care needs), an increasing proportion of the Council's younger adults population presenting with complex mental health conditions and/or learning disability needs (many of whom are transitioning from Children's services) and care provider markets facing their own financial pressures due to wider inflationary pressures and workforce shortages resulting in material fee uplifts for the Council.

Medium to long term financial planning in Adult Social Care has also been constrained by wider sectoral uncertainty. This includes the delays to key Social Care Reforms. The result is that for 2023/24, the Council is projecting an overspend of £7.9m, which is higher than the previous financial year's outturn position. These are all structural demand and inflationary pressures resulting in the current forecast overspend in Adult Social Care. They are unlikely to reduce or stabilise materially in the short to medium term.

The directorate does have a number of mitigating plans to better manage these pressures in the future including targeted work to reduce the backlog of client reviews, with a focus on high-cost care packages. The Service is also introducing more assistive technology to promote independence and reduce reliance on traditional services. The steps being taken appear to be those we would expect to see, however it is vital that the delivery of these schemes and benefits realisation is closely monitored.

## Key Financial Pressures - Childrens social care

Childrens Social Care at the Council is another of the highest risk areas of financial performance. Increasingly this is focused around the cost of providing schools transport for children with Special Educational Needs and Disabilities (SEND).

At the end of 2022/23 Children's Services reported an outturn overspend of £5.8m. The overspend is mainly due to high-cost residential placements and SEND transport budgets. Underspends were found in staffing budgets, including Family and Adolescent Support Services, Youth Offending, and Inclusion. The placement budget has the biggest area of overspend at £4.1m, with a significant increase in the use of residential placements since 2021/22. Special Educational Needs Transport is another area with a significant budget pressure, with costs rising year on year due to the increased cost of commissioning external contractors including taxi firms.

As at Q2 2023/24, the Council is forecasting a further overspend of £4.9m in Children's Social Care. This material forecast overspend in Childrens Social Care is being driven by a number of factors including increasing SEND Transport Costs and further increases in the average weekly cost of external residential and fostering placements. Again, these are all structural demand and inflationary pressures resulting in the current forecast overspend in Childrens Social Care. They are unlikely to reduce or stabilise materially in the short to medium term. However, the directorate does have a number of mitigating plans to better manage these pressures in the future including:

- Revisions to the Home to School Travel Assistance Policy which offers a personal travel assistance budget.
- Establishment of an Entry to Care Panel to oversee decision making and resource implications and reduce the number of children in the Council's care.
- Development of an adolescent unit which, when it has children in its care, should generate savings.

However, as with Adult Social Care, it is important to note that in the short to medium term, if these mitigating plans do not eliminate the recent trend of under-delivery of savings as well as stabilising and/or reducing current demand and inflationary pressures in Children's Social Care, they will continue pose a significant risk to the overall financial sustainability of the Council. In this case, delivery will need to be closely monitored and additional measures taken to ensure that remedial plans remain on track.



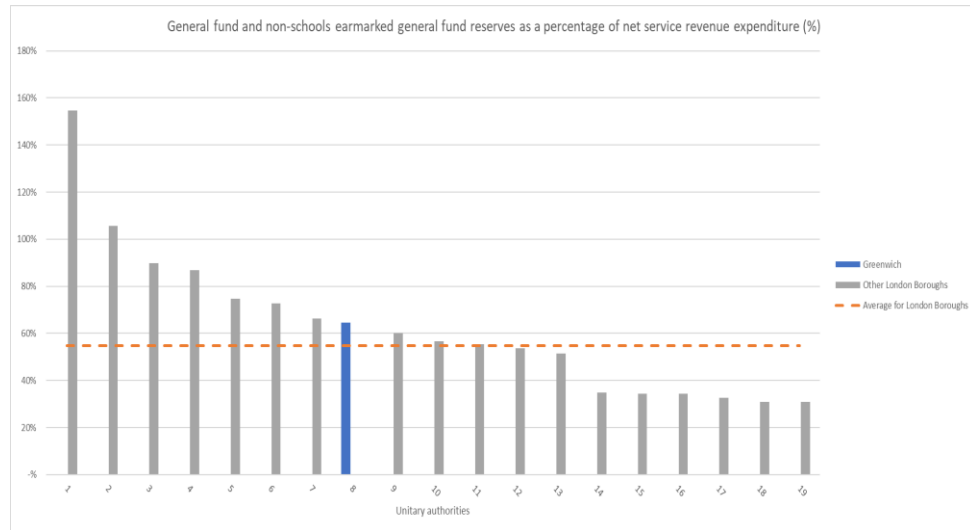
# Financial sustainability (continued)

## Managing risks to financial resilience including use of Reserves

The Council faces considerable risks concerning its future financial position, with ongoing funding issues including the New Homes Bonus Consultation which is awaited and poses a risk of £3.7m. Additionally, the Fair Funding Review has been delayed, possibly until 2025/26, and changes in the funding formula around the Area Cost Adjustment are likely to reduce several million pounds from the Council's assessment of need. The timing of the Business Rates Retention reset is uncertain, but it could result in growth of approximately £7m. The Council is also facing significant price increases related to social care, temporary accommodation, waste services, inflationary pressures, and the cost of living.

The Council has employed an internal borrowing policy, utilising existing reserves and balances to fund capital investment and minimise external borrowing costs. As a result, the level of internal borrowing increased to £309m by the end of 2022/23. This approach has been acknowledged as temporary, enabling the Council to delay borrowing while surplus cash was available. However, due to the increased borrowing requirements for the capital program, the Council will need to transition to external borrowing. This means that achieving the above Treasury saving would be challenging in the upcoming years. In 2022/23, £4.9m of corporate resources and one-off funding has been utilised to alleviate heightened pressures.

Previously, it was noted that a significant difference between the actual outturn and budget could destabilise the Council's financial strategy. Compared to many of its peers facing financial challenges, the Council is in a relatively strong position in regard to reserves (see chart below based on published 2022/23 draft accounts for London Boroughs). This can only provide a short-term measure to manage financial risks, however it can help the Council to absorb some of its current financial pressures and facilitate additional time for the Council to deliver the high level of savings it requires.



At 31 March 2023 the Council had approximately £209m of usable earmarked revenue reserves. In addition, a further £19m of unallocated general fund reserve was held. According to the Council's latest forecast, as at 31 March 2024 earmarked reserves of £196m would remain, after the use of £11m of risk and COVID-19 reserves to cover the residual impact of the 2020/21 overspend (after the use of Treasury management surpluses and other one-off revenue contingencies). This value is set to reduce by a further £2-3m as a result of the slight worsening of the forecast revenue outturn position at Q2.

Within this value only £43m is set aside to manage financial risk but only £12m of this is available for general unspecified risks, including those relating to potential future changes to business rates. This is currently sufficient to cover the gap between identified savings options and the total forecast deficit for 2024/25. However, further slippage against plan or failure to deliver sufficient savings options would significantly reduce the Council's ability to manage its identified and as yet unidentified risks in 2024/25 and beyond. Even if the 2024/25 budget and savings are delivered as planned, the Council would still have significant further savings to make to enable balanced budgets to be set over the remaining life of the MTFP. Furthermore, reserves would be significantly depleted to the point where further budget overspends or shortfalls on savings plans at a similar level to those seen in 2023/24 could no longer be safely covered from reserves. We note that the Council is developing a reserves replenishment mechanism that should help build reserves from 2024/25 onwards.

# Financial sustainability (continued)

## Workforce planning

As was noted in the prior year audit, financial planning should be aligned to other strategic documents including a workforce plan and this is still outstanding. An Apprenticeships and Workforce Planning review has been undertaken, with work being conducted on an updated Workforce Strategy. This strategy will provide a framework for workforce planning as has previously been recommended. This is particularly relevant to financial sustainability as the council is looking to reduce its reliance on contingent workforce, has staff shortages within social care and is aiming to reduce its agency staff utilisation. Other key risks relate to succession planning for a relatively mature workforce and making sure that the Council recruits and develops the digital and technology skills it will need to fulfil its ambitions for transformation.

## Housing Revenue Account

In March 2022, the Housing Revenue Account (HRA) had revenue balances of £9.5m, consisting of a Minimum Working Balance of £3.8m and Earmarked Balances of £5.7m. The HRA revenue outturn position reported to Cabinet for 2022/23 shows a final overspend of £1.2m. The overspend is attributed to Asset Management (£3.0m), Void Loss (£1.2m), Repairs and Investment (£1.5m), Estate Services (£1.8m), and Tenancy Services (£1.1m).

The repairs transformation programme is addressing the inflationary costs of subcontractors and the increase in staff required for building compliance functions. Management is focusing on decreasing the number and turnaround times of voids, although the void loss has remained consistently at £1.2m. Capitalisation of a larger percentage of the costs of additional work to address the pandemic backlog for responsive repairs and voids has resulted in a significant movement from a forecast £0.4m overspend for Repairs and Investment. Inflationary pressures, including energy cost increases, have impacted estate services, and an increase in pay award above the budgeted amount and lower than expected leaseholder income has caused an increase in tenancy services costs. The final overspend position of £1.2m was covered by earmarked HRA balances.

As at Q2 the HRA is projecting pressures of £6.5m for the 2023/24 fiscal year. These are being driven by the social rents cap and the cost of regulatory changes, including fire safety costs post Grenfell and damp and mould. HRA reserves comprise £8.3m of which £4.1m is held as a minimum working balance. A further £3.5m of potential benefit has been identified from the potential capitalisation of costs which should provide sufficient reserves to cover the overspend if it cannot be mitigated in year. **The Council must review its HRA planning in the medium term and take effective action to restore it to a sustainable position and protect the minimum working balance. There is a risk that in responding to issues raised by the Housing Regulator, additional costs may arise that will have to be managed. See commentary on the Regulators findings under Economy, Efficiency and Effectiveness later in this report.**

## Capital Budgets

In our 2021/22 Annual Audit Report we noted that the Council should revise its Capital budget process to ensure that the budget better reflected the actual outturn, in order to make the reporting of Capital budget monitoring more meaningful. We are pleased to report that for 2022/23 the re-profiled Capital budget including HRA developments delivered a net position in line with budget. We note that the only areas of underspend related to projects within the service transformation and schools programmes. This was compensated by over-performance in the HRA housing investment.

We note that as at Q2 2023/24 there has been some slippage in forecast HRA housing investment and development, however in regard to general fund programmes a relatively good level of performance against budget had been maintained.

## Conclusion

The Council faces a significant financial challenge in the medium term. In our 2021/22 VfM work we found that although it had delivered a breakeven position in 2021/22 this had only been managed through significant use of one-off underspends and funding. 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 again mitigated by the use of temporary (one-off) measures.

The current funding gap that had to be closed in the 2024/25 budget was £35m. The Director of Finance's latest assessment as at March 2023 is that they have identified £33.7m of savings for 2024/25 and are looking at options for the remainder of the MTFs period up to 2027/28, although in the interim any shortfall will have to be from one off measures most likely reserves. The Q3 Budget Monitoring report presented to Cabinet in December 2023 presents a further forecast £13.1m overspend on the 2023/24 budget. A significant element of this was added to the MTFP gap. We also note a significant forecast overspend on the HRA.

The Council is helped in the short term by holding fairly substantial levels of reserves, sufficient to mitigate the immediate risk to setting a balanced budget. However, there is a real risk that available reserves will quickly deplete if the Council fail to make substantial recurrent savings over the next 12 months - putting them in considerable risk by 2025/26.

Our 2022/23 VfM work has indicated that the financial position has significantly worsened during 2023/24 and while the Council has made some important progress in the latter part of 2023/24 significant further work will be required to restore financial sustainability in the medium term. We have therefore raised a significant weakness in regard to financial sustainability.

# Improvement recommendation (IR1)

## Improvement Recommendation 1

Monitoring reports to Cabinet should include a more detailed analysis of savings development and more specific commentary on savings delivery. This will support the Council's efforts to implement greater robustness and accountability in the delivery of savings plans by the services.

## Improvement opportunity identified

The organisation is in need of greater robustness and program management around savings delivery.

## Summary findings

We note that strengthened governance arrangements around savings development have been introduced during 2023/24 including regular consultation with Cabinet and the Greenwich Management Team and this has enabled the Council to develop a substantial list of new savings options. It is important that these new arrangements around savings development and delivery are fully embedded and effective.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements. The budget setting and outturn reports show that some budgets are misaligned or set at unrealistic levels for the financial year. This lack of alignment undermines the transparency of the budget and the setting of a balanced budget that aligns with other strategic objectives.

## Management comments

A comprehensive realignment of budgets took place as part of the 2024/25 budget setting process to address the structural deficit arising in services such as adult and children's social care and temporary accommodation.

See also response to Key Recommendation 1 (iii).

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation (IR2)

## Improvement Recommendation 2

The Council must review its HRA planning in the medium term and take effective action to restore it to a sustainable position and protect the minimum working balance.

## Improvement opportunity identified

The Council needs to improve the financial performance of the HRA to mitigate developing cost pressures.

## Summary findings

As at Q2 the HRA is projecting pressures of £6.5m for the 2023/24 fiscal year. These are being driven by the social rents cap and the cost of regulatory changes, including fire safety costs post Grenfell and damp and mould. HRA reserves comprise £8.3m of which £4.1m is held as a minimum working balance. A further £3.5m has been identified from the potential capitalisation of costs which should provide sufficient reserves to cover the overspend if it cannot be mitigated in year.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements as we do not believe a workforce plan is currently being implemented at the Council.

## Management comments

The Council has strengthened the process and support for the HRA medium-term financial strategy by integrating the 30 year business plan across capital and revenue, and establishing savings programmes in repairs, voids, and income collection. This financial modelling has allowed for planned borrowing to support capital investment and Council home building (alleviating GF homelessness pressures), and a prudent approach to rent rises, which have followed the national Rent Standard. This approach was agreed by Cabinet and full Council in February 2023 and again in 2024. A particular focus of the repairs transformation and productivity programme has been a review of pay and reward arrangements for council trades operatives, and the council has already entered into collective bargaining to modify these to allow investment in a more productive workforce. Other organisational changes in the housing service are underway, including investment in compliance and safety functions. Taken collectively, the HRA workforce plan reduces the cost base of the HRA MTFs, and increases HRA balances year on year over the next two years. Specifically, the 2024/25 budget process restores the Minimum Working Balance.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Risk management

Our prior year reporting highlighted structural weaknesses in the Council's risk management processes. Some improvements have been made during 2022/23. 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 development. In our view, it would be helpful if the risk register included a direct link to the visions and priorities outlined in the Corporate Plan "Our Greenwich. The Audit & Risk Management Panel (ARMP) have reviewed the risk register in February 2023, and it is encouraging that there was a drill down and focus in on one specific risk of Climate Change which is a corporate priority. Deep dives into individual risks can be useful to ensure the organisation has captured, understood and mitigated the risk more effectively. We further recommend that it would be helpful for the full risk register to be presented alongside the deep dive to understand the corporate risk profile on a regular basis. In future, key risks should be selected for a deep dive to address a specific concern or because they are relevant to other matters on the agenda rather than because it is their turn, this will require a degree of flexibility in the ARMP agenda.

The Council implemented new risk management software in February 2023, and are helping to embed this through use of Risk Champions. This is a welcome move away from the manual updating of spreadsheets. During 2022/23 the Council have also been developing a risk management toolkit to support risk management processes. This was agreed by ARMP in November 2023.

Whilst an updated strategy, process, risk register and toolkit are now in place, our discussions with officers have highlighted that the Council will need to continue focus in this area to ensure risk management is fully embedded across the organisation. There is still work to do at the directorate level to understand the thread from directorate to corporate level risk management, and there is currently limited consistency for risk management at the directorate level. The new risk management system includes training modules, which should be effectively utilised, so all staff are aware of the roles and responsibilities of risk management, throughout the organisation. The directorate level risk registers should be reviewed on a regular basis by the Greenwich Management Team to ensure alignment with the Strategic Risk Register.

There is also work needed to make sure risk management is fully aligned to the Council's strategy, business planning, decision making and annual budget setting processes. It would also be helpful for the Council to outline their risk appetite in a risk appetite statement. This will allow the Council to communicate their risk appetite and to outline risk tolerance, highlighting the threshold of impacts they are willing to accept in pursuit of the objectives outlined in the Corporate Plan.

The Council has arrangements in place for risk management, however processes and use of risk registers is inconsistent across service areas. It is encouraging to see that the strategic risk register has now been updated, and that this is being kept under review, along with the production of an updated toolkit for staff. Although there is further work needed, it is clear that action is progressing in this area.

# Governance (continued)

## Internal audit

The Council has implemented an Internal Audit Charter which is reviewed once a year and agreed with the Audit and Risk Management Panel (ARMP) and the Director of Finance. Internal Audit and Anti-Fraud performance reports are presented at the ARMP.

The Internal Audit Opinion for 2022/23 identified that 98.2% of the areas assessed by the Internal Audit team had demonstrated a high/moderate level of control over the risk environment. Therefore, it is the Head of Internal Audit's opinion that the Council can have reasonable levels of confidence in its financial and management control systems. This outcome is an improvement compared to prior years.

The Internal Audit team established a plan of a delivery performance of 90% for all audits to be completed during the year, the actual performance was 84.7%, which is considered adequate. Although 13 audit reviews were in progress at the end of March 2023 and 13 audit reviews were deferred to the 2023/24 plan. This was mainly due to service areas that have increasingly requested that audit reviews be postponed allowing the service to deal with constraints in resources for service delivery and increased requests for more time to provide information. During the year, 18 follow up reviews were conducted, however in 8 of these, recommendations remained outstanding. Deferred audits should be carried out as soon as possible and it is important that the Greenwich Management Team underline to service areas the importance of internal audit work, to reduce delays to audit plan delivery and to ensure recommendations are implemented in a timely manner. This improvement was raised in our prior year work and has therefore not yet been actioned. In order to support this the Audit and Risk Management Panel should review the reasonableness of deferrals to audit work, this has been recommended as part of our follow-up of prior year recommendations on Page 41.

The Internal Audit function received an external Public Sector Internal Audit Standards (PSIAS) assessment in 2022 – giving the opinion that the internal audit service is *generally conforming* to the requirements of the PSIAS and the CIPFA Local Government Application Note. However, it highlighted that the internal audit service has an experienced and mature workforce, some of whom may be eligible to take early retirement in the next few years, representing a risk to the service. At the time of the review, Internal Audit did not have any form of succession planning in place, nor did it have any trainee or apprentice auditors in the team. Nationally there is a shortage of qualified and experienced internal auditors wanting to take up posts in local government.

The Council have overcome this by recruiting through the Internal Audit Practitioner Apprenticeship via the Cross Council Assurance Service. This has allowed them to identify a successful candidate who began their apprenticeship in the team in September 2023. This is a measured response, but the Council should consider whether this post is sufficient to address potential skills gaps in the internal audit service, which may develop in the coming years.

There is one member of the internal audit team who is familiar with using specialist data analytics software (the IDEA application) although the Service has an active IDEA licence, team members prefer to use Excel for analysing large volumes of data. Given the Council's Digital Strategy, this does not align with the wider ambitions of the Council and the internal audit service should consider increased use of digital tools. Overall internal audit arrangements are adequate, although some improvements could be made as outlined above.

## Counter-fraud

As part of the Council's internal audit team, there is a counter fraud function that reports quarterly on identifying and mitigating fraud. The team are involved in the Cabinet Office anti-fraud pilot which is being undertaken as part of the National Fraud Initiative (NFI) London Fraud Hub and in October 2023, the Council won a counter-fraud award for excellence by the Institute of Revenues Rating and Valuation (IRRV) for its work in Protecting the Public Purse.

The Counter-Fraud Annual Report 2022/23 highlighted that during 2022/23, 8 Council properties and 8 registered social landlord properties were recovered during the year due to work conducted by counter-fraud with a combined estimated value of £744k. The Council also continues to provide counter-fraud services to the London Borough of Bromley under a partnership arrangement. This includes completing counter-fraud investigations and providing training, for example Fraud Awareness Training was provided to Bromley Housing Officers in December 2022, and Adult Social Care Staff in June 2023.

The Council has a 24-hour fraud reporting line that can call or an email account, this provides an unlimited access tool for anyone internal or external to report fraud to the council. Adequate arrangements are in place for the prevention and detection of fraud.

# Governance (continued)

## Audit & Risk Management Panel

The Audit & Risk Management Panel (ARMP) met 5 times during the year. This is in line with CIPFA's Practical Guidance for Audit Committees which recommends no less than 4 meetings annually. However, we did note that during the year there were 10 meetings booked in the calendar of which 5 were cancelled or postponed. The Council should ensure that organised meetings take place as planned throughout the year.

The ARMP had 6 members during 2022/23, which is within the CIPFA guidance. This stipulates that audit committees should have no more than 8 members. This allows for sufficient breadth of experience but is small enough to allow the training and development of a dedicated group. There is currently one independent member of the ARM in line with recommended practice.

The chair of the ARMP is also the chair of the overview and scrutiny committee. The Council should consider whether this affords the independence needed for both roles. We have noted that none of the members are also members of the cabinet, which is recommended practice and allows the ARMP greater independence in their role. We note that the former Leader also sits on the Audit and Risk Management Panel. CIPFA recommends that a period of two years should elapse before a councillor who previously held a senior policy role joins an audit committee.

The ARMP should consider completing a self-assessment on an annual basis, which seeks feedback from those that regularly interact with the panel to understand performance, and achievement of objectives. This should also be reported to Full Council to demonstrate the impact made each year.

Our progress report on prior year recommendations is set out on pages 41 to 44 of this report. We have some concerns that some of our audit recommendations from 2020/21 and 2021/22 have not been actioned and we would expect to see greater focus on resolving the issues we raise at an earlier stage. This will be particularly important in future given the importance of the issues we raise in this report in regard to financial sustainability.

## Member training

Although members are not elected for their expertise but to represent their communities, it's reasonable to expect them to understand elements such as, the risks associated with key investment decisions and the options that have been considered, and where this is not clear, to seek appropriate clarifications from senior officers. They should beware of optimism bias and avoid focusing too much on the potential benefits of projects and investments and not enough on the accompanying risks. Adequate training and development opportunities will help to embed this type of approach and make for more considered decision-making.

However, there is limited evidence of training for members currently, except on induction (as was done for the 2022 intake). We recommend that member training is strengthened with a clear analysis of the gap in training needs, a comprehensive induction process for new members and clear training materials and sessions developed throughout the year. This will help to support members in their roles for the duration of their tenure. It is also imperative that members fully participate in training made available, and this should be monitored to ensure suitable involvement.

## LGA Peer Review Results

This was the first peer challenge the Council have commissioned and was completed in June and August 2023. Whilst the results of this are outside the period under review, the findings reflect on some of the work that has been undertaken during the 2022/23 financial year. There was a suggestion that the Council is now starting to look outwards more, due to a recognised need for the organisation to operate differently. One of the key findings was that the current working arrangements between elected members and officers are not working effectively and need to be urgently addressed. There was a recommendation that more informal meetings of cabinet members and the corporate management team are needed, and more support should be provided to Leader and Cabinet colleagues.

Other findings are similar to those touched on in our prior year value for money reports and we would encourage the Council to develop an in-depth action plan to address the 10 recommendations. This should be monitored regularly through the Greenwich Management Team and committee system to ensure adequate action is taken on a timely basis.

# Governance (continued)

## Leadership and organisational responsiveness

Our discussions with officers highlighted that the Council has a history of being relatively devolved and directorate led, with varying management cultures developing over time, rather than having a strong corporate organisational culture. This was identified as part of the LGA Corporate Peer Review, completed in June and August 2023, which highlighted the need for collective senior managerial leadership. When we consider the findings of the LGA alongside our analysis of the Council's difficulty in delivering sustainable savings and transformation there is a risk that the leadership culture and the level of bureaucracy may become a barrier to the fast pace of change that it now required to resolve the Council's financial challenges..

Organisational responsiveness has been identified as an issue across several themes. This was highlighted in the LGA Corporate Peer Review, via the Local Government and Social Care Ombudsman (LGSCO) and actioning recommendations made from both internal and external audit. The LGA Corporate Peer Review recommended that the Council "develop increased visibility of the senior managerial leadership; reinvigorate management forums at different levels and use them to help shape and drive the organisation; and enable greater staff awareness and engagement generally" as well as "develop greater pace and clearer accountabilities in delivering changes in key aspects of how the organisation functions."

The LGSCO wrote a letter to the Council in July 2023, which highlighted that whilst recommendations were implemented in 19 cases, that they were disappointed that in five of these, they were not completed to the agreed timescales, and that this was the third time concerns had been raised. The letter also noted that the Ombudsman continued to experience delayed responses with more than two fifths of responses received late.

The Council have also not met the Information Commissioner's Office's statutory performance requirement of 90% for 2022, although 88% of Freedom of Information Requests and Environmental Information Regulations were completed within the statutory deadline, which was an improvement on the prior year result of 86%.

Many processes in the Council are underpinned by overly bureaucratic arrangements which appear to be impacting responsiveness and decision-making. These need to be more streamlined to allow for more agile working arrangements. One example relates to the reporting of contract procurement waivers and variations to Contract Standing Orders.

There was a report to Cabinet in June 2022, for the period of 9 months July 2021 to Dec 2021 detailing waivers and variations during the period. This also was presented in April 2023 for the period July 2022- Dec 2022. However, this is provided 4-6 months after the period under review and our discussions with procurement have highlighted it can take months to produce. This absorbs significant officer time and offers very little value to the Council in this format. We have discussed this in more detail as part of our review of procurement, but it is a clear example of bureaucratic processes which should be reviewed to ensure they add the most value.

This was also highlighted in the LGA Corporate Peer Review which has recommended that the Council need to "assist and support managers more effectively by addressing the barriers and disproportionate levels of bureaucracy presented by some corporate services and approaches."

Therefore, it is imperative that the Council directly focusses on changing ways of working and current arrangements, in order to support decision-making and organisational responsiveness. As part of this, it will be important to concentrate on empowering staff, increasing staff engagement and collective responsibility, to overcome siloed working arrangements and bureaucratic processes. This can be supported through engagement with other local government entities to understand working practices elsewhere.

The leadership of local authorities is shared between the leading politicians and senior officers. This requires mutual expectations, strong relationships and good communication between each. It is important for members to balance their political ambitions with their legal and moral duties to their Council and communities. Members and senior officers need to be able to ask difficult questions and challenge each other. The current working arrangements in Greenwich were identified in the LGA Corporate Peer Review as not working effectively. In order to make difficult decisions, councils need members and senior officers with a shared vision, clarity of purpose, strong governance and supportive leadership. We have stopped short of raising this as a significant weakness in arrangements at this stage to allow time for the Council to fully address the concerns raised. However, it is very important that the Council promptly addresses the improvement points raised here and by the LGA to ensure that this does not adversely affect efficient service delivery and financial sustainability.



# Governance (continued)

## Workforce

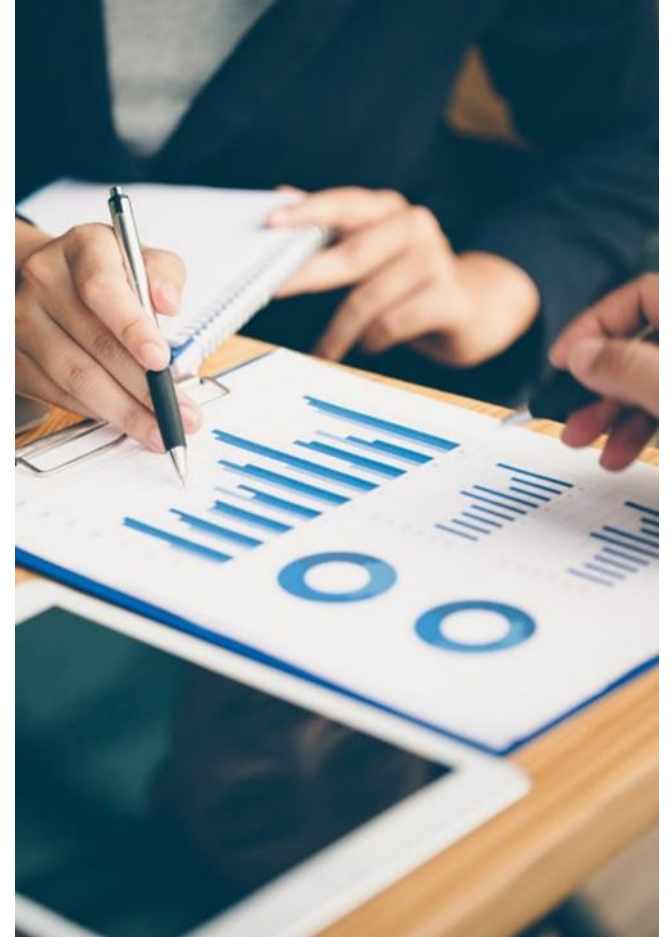
Greenwich has a mix of staff, with some individuals who have been in post for decades, combined with a high turnover rate in certain areas. There has been £21.0m of spend on agency workers during 2022/23, an increase of 33% on the 2021/22. Whilst it may be justifiable to make use of temporary staff to obtain expertise or deal with short-term gaps due to unexpected events, for longer time periods, it can indicate a lack of appropriate and robust workforce planning.

Strategic workforce planning is critical when it comes to effectively managing cost pressures, and this should be fully developed across all areas. The Council have had a workforce strategy which has been under development for some time. It is important that this is finalised, published and a set of actions developed alongside to ensure workforce considerations are at the forefront of the Council's decision-making. Our prior year recommendation on this point has not yet been addressed.

## Conclusion

The Council have an adequate internal audit and counter fraud function in place, which could begin to make more changes to align with the Council's digital agenda. There is evidence that the Council have begun to make changes in relation to governance arrangements during the 2022/23 year, including refining the risk management processes and beginning the development of the workforce strategy. However, the pace of change has generally been slow and further improvements are still required in both of these areas.

The ARMP aligns with much of the guidance outlined by CIPFA, but could be strengthened further by the introduction of independent members. Our work has identified a Council which has slow organisational responsiveness and a directorate-led approach which may act as a barrier to achieving the ambitions outlined in the Our Greenwich Council Plan. This was highlighted, along with other areas of focus in the recent LGA Corporate Peer Review, and we would encourage the Council to action these as soon as possible. We have not found a significant weakness in arrangement but have raised a number of improvement recommendations. These are in addition to the remaining outstanding improvement recommendations that were raised in both 2020/21 and 2021/22.



# Improvement recommendation (IR3)

## Improvement Recommendation 3

The Council needs to focus on embedding a culture of risk management across the organisation. This should include:

- i. More regular reporting of the strategic risk register to the ARMP
- ii. Deep dives by AMRP into specific risks
- iii. The risk registers should include direct links to the visions and priorities outlined in the Corporate Plan “Our Greenwich” and annual budget setting process
- iv. Staff should be completing training modules made available through the new risk management software
- v. The Council should publish a risk appetite statement
- vi. Directorate risk registers should be reviewed by the management team on a regular basis to help align with the corporate risk register

## Improvement opportunity identified

Weak risk management can result in poor decision making and can lead to incremental failures. It is important that the Council are dealing with risk at all levels across the organisation, and that there is a golden thread between service area risk management and the overarching Strategic Risk Register. It is the role of the Audit & Risk Management Panel to provide independent assurance that risks are being managed, and this could be better aided by more clearer reporting linking to the corporate plan.

## Summary findings

The Council have made some steps to improve risk management, which has resulted in an updated strategic risk register and risk management toolkit. However, the practices of risk management are not embedded across the organisation. There is a lack of understanding and consistency across directorates. This means there is little evidence of a golden thread existing between directorate level risk management and the corporate level. The new risk management system includes training modules, which should be effectively utilised, so all staff are aware of the roles and responsibilities of risk management, throughout the organisation. There is also work needed to make sure risk management is fully aligned to the Council’s strategy, business planning, decision making and annual budget setting processes. It would also be helpful for the Council to outline their risk appetite in a risk appetite statement. This will allow the Council to communicate the culture of risk-taking acceptable and to outline risk tolerance, highlighting the threshold of impacts they are willing to accept in pursuit of the objectives outlined in the Corporate Plan.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

See overleaf.

# Improvement recommendation (IR3) cont.


## Management comments

Since the February 2023 risk register report to the Audit and Risk Management (ARM) Panel, we have worked closely and jointly with Risk Champions, departmental management teams and Directors across all Council departments to review / update the strategic risk register and develop a revised risk management Toolkit, which is the high-level Framework that sets the tone for risk management across the Council.

The updated strategic risk register and revised Toolkit were presented to the ARM Panel on 22nd November 2023. In line with the Council's Constitution, they were also presented to Cabinet on 24th January 2024 and Full Council on 21st February 2024.

- i. The approved Toolkit contains a Risk Reporting section, which details the structure and types of risk registers to be held by the Council and the minimum review and reporting frequency for each register. The strategic risk register will continue to be reported to the ARM Panel as set out in the Toolkit. At present, the Risk Register is scheduled as an item for the ARM Panel twice per financial year.”
- ii. During the ARM Panel meeting on 22nd November 2023, the Panel considered undertaking regular deep dives into specific risks. As and when requested by the ARM Panel, management will provide relevant reports and registers for specific risks identified for a deep dive. A plan for the new municipal year is currently being developed.”
- iii. Risk registers are one of the key documents used to capture identified risks and mitigation in the Council. The corporate decision report template, which is another document used to capture and report risks, includes a section on specific Council Missions applicable to the recommended decision. Management will ensure that applicable Missions are also captured in all risk registers under the Executive Summary section.”
- iv. Given the significant challenge and financial cost of providing all RBG employees with access to the risk management software, the Council's risk management team is working with the digital team to create a dedicated risk management page on the intranet where information and guidance will be published, maintained and updated and readily available to all employees. In addition, the corporate risk management team will continue to provide advice and support to all staff at all levels across the Council.”
- v. Details of the Council's risk appetite are set out in the approved Toolkit.
- vi. Directorate Risk Registers should be reviewed by the management team on a regular basis to help align with the corporate risk register. Risks are considered as part of regular Cabinet Member(s) discussions with Chief Officers across all directorates. The approved Toolkit also contains a Risk Reporting section that sets out the minimum review and reporting frequency for risk registers. The corporate risk management team will work with departments across the Council to ensure their departmental risks are captured, managed and reviewed in line with the approved Toolkit. Management recognises that risk management is a continuous process, which relies on the dedication and ability of employees at all levels across the Council to apply agreed procedures within the risk framework (i.e., Toolkit). Whilst improvements have been made, we recognise there is room for more and are committed to taking the further steps necessary to continue to embed risk management across the Council.

# Improvement recommendation (IR4)

<b>Improvement Recommendation 4</b>	<p>We recommend the following improvements to internal audit arrangements:</p> <ol style="list-style-type: none"> <li>i. The Council should consider whether the addition of one apprenticeship post is sufficient to address potential future skills gaps in the internal audit service, which may develop in the coming years. There should be adequate succession planning in place.</li> <li>ii. Given the Council's Digital Strategy, the Internal Audit service should consider making better use of technology to help inform their audit work.</li> </ol>
<b>Improvement opportunity identified</b>	<p>The Council's internal audit function are an experienced team, although the most recent external review identified that potential retirement eligibility poses a risk to the service. The Council should ensure succession planning is in place, so that gaps in the workforce do not affect future service deliverability. This would allow more experienced team members to coach and mentor junior staff over coming years and provide development potentials.</p> <p>The Council are investing in their Digital Strategy, and whilst the internal audit function has access to IDEA software this is not currently utilised. By making better use of digital tools, this will better align with the Council's ambitions and may help to provide a quicker and effective audit process.</p>
<b>Summary findings</b>	<p>The internal audit function has a mature and experience team, however the external review highlighted that the retirement eligibility within the team poses a risk to the service. The team acted on this by recruiting an apprenticeship who by September 2023, is in post. However, it may be useful to consider whether one additional apprentice is sufficient for future years, and whether there are opportunities for development of junior staff over a number of years, to replace team members who may choose to retire in future.</p> <p>There is one member of the internal audit team who is familiar with using specialist data analytics software (the IDEA application) although the Service has an active IDEA licence, team members prefer to use Excel for analysing large volumes of data. This is more prone to user error and does not align with the Council's digital ambitions.</p>
<b>Criteria impacted</b>	<p> Governance</p>
<b>Auditor judgement</b>	<p>Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.</p>
<b>Management comments</b>	<p>See overleaf.</p>

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation (IR4) cont.

## Management comments

- i. Internal Audit are aware of the age demographics in the team and the risk of potential future skills gaps. Internal Audit management started to address this by recruiting an Internal Auditor Practitioner Apprentice in September 2023. It is envisaged that further similar recruitment will be undertaken during 2024/25. However, this will need to be within MTFs and the Rethinking Finance parameters. Nationally there is a shortage of qualified and experienced internal auditors, like many technical professions within local government. Earlier this year, the service advertised to recruit to vacant Internal Audit posts. The adverts did not attract any interest. Another attempt is currently underway. The current structure of the Internal Audit service is 'flat' with all internal auditors being on the same grade. Whilst this was considered appropriate at the time it is clear now that the structure makes it difficult to recruit newly qualified / less experienced internal auditors. Internal Audit management is therefore considering the options for creating an Assistant Internal Auditor role, which should allow for junior auditors (e.g. apprentices) to be offered a suitable full-time position within the Internal Audit service. It should also be noted that Internal Auditors and Fraud Investigators share the same job description. We have Investigators who were recruited recently shadowing Internal Auditors to develop their auditing skills. The service subscribes to the well-established Cross Council Assurance Service framework. The Cross Council Assurance Service not only offers a pathway for Internal Auditor Practitioner Apprentices but also provides options for buying in audit services from other local authorities and PwC. Therefore, should there be an urgent requirement for an audit review to be undertaken, and the Internal Audit service does not have the resource or skills (i.e. a skills gap), this can be accommodated via the Cross Council Assurance Service. Thus, whilst the recommendation is accepted it is also clear that the Council has measures in place to ameliorate the risk.
- ii. The Internal Audit Service uses the digital tools made available by ICT colleagues, including Power BI (a visualisation tool) as well as the AI function Microsoft Copilot. The Service currently uses a well-established product 'IDEA' when there is a requirement to analyse large volumes of data. Access to this was previously by license via stand-alone hardware, the service has now moved to online access to the product. ICT colleagues will be approached to ensure the Internal Audit Service is utilising the full range of available products and digital tools. As part of internal auditors' personal development, objectives are set for auditors to be more aware of instances where digital tools would offer better solutions and to explore how efficiencies can be achieved, particularly when analysing large volumes of data.

# Improvement recommendation (IR5)

## Improvement Recommendation 5

We recommend the following improvements to arrangements relating to the Audit & Risk Management Panel (ARMP):

- i. Consider the current membership of the ARMP to ensure it is compliant with CIPFA recommended practice.
- ii. Complete an annual self-assessment, reported to Full Council

## Improvement opportunity identified

Independent members of the ARMP would supplement the knowledge and experience of elected representatives in specific areas such as audit or risk management. This also allows for continuity outside of the political cycle. Whilst there are no statutory requirements that determine the composition of the ARMP, the injection of an external view can often bring a new approach to committee discussions. Independence of ARMP members is key, therefore the Council should consider whether this is satisfied by members who also sit on scrutiny committees. It is important that the ARMP demonstrates the impact it makes on an annual basis, this can be demonstrated through a yearly self-assessment, seeking feedback from others and highlighting performance against objectives.

## Summary findings

The ARMP follows CIPFA guidelines for many elements, however there are currently no independent members of the committee. The chair of the ARMP is also the chair of the overview and scrutiny committee, which may not provide the requisite independence needed and should be reviewed. The ARMP should consider completing a self-assessment on an annual basis, which seeks feedback from those that regularly interact with the panel to understand performance, and achievement of objectives. This should also be reported to Full Council to demonstrate the impact made each year. We note that the former Leader also sits on the Audit and Risk Management Panel. CIPFA recommends that a period of two years should elapse before a councillor who previously held a senior policy role joins an audit committee.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

- i. The ARM Panel has had an independent Member since inception. Susan Blackall is currently the vice Chair of the ARM Panel. The council took decisions in early 2024 to split the Chair of Scrutiny and the Chair of ARM and resolve membership of the ARM Panel.”
- ii. This is being undertaken in 2024.

# Improvement recommendation (IR6)

## Improvement Recommendation 6

The Council should move towards a more consistent corporate approach to decision-making, with focus concentrated at the corporate level on streamlining decision-making, reducing bureaucracy and increasing the pace of organisational responsiveness.

## Improvement opportunity identified

It is imperative that the Council directly focusses on changing ways of working and current arrangements, in order to support decision-making and organisational responsiveness. As part of this, it will be important to concentrate on empowering staff, increasing staff engagement and collective responsibility, to overcome siloed working arrangements and bureaucratic processes. This can be supported through engagement with other local government entities to understand working practices elsewhere.

## Summary findings

Many processes in the Council are also underpinned by bureaucratic arrangements which appear to be impacting responsiveness and decision-making. These need to be more streamlined to allow for more agile working arrangements. Examples include waiver reporting, responding to findings of the Local Government and Social Care Ombudsman and actioning improvement recommendations raised as part of our Value for Money reviews. This was noted as part of the Local Government Association Peer Review and the letter from the Local Government and Social Care Ombudsman.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

There are a number of programmes underway to reduce bureaucracy in the organisation – a recent example is the councils recruitment procedures. Previously decisions to initiate recruitment were vested in directors and required detailed financial commentary, overall taking an inordinate amount of time to complete. This has been reviewed – budget holders meet regularly with their finance support and are able to determine whether they have sufficient resources with which to recruit, thereby releasing finance staff to undertake more value add activities and speeding up the process. Additionally, senior leaders below director level are now empowered to take decisions, for which they are accountable for.

Continued overleaf.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation (IR6) cont.

## Management comments

We are undertaking the procurement review, with the first stage being a redraft of Contract Standing Orders, due for agreement by the Council at the end of June 2024. The new CSOs address a number of issues raised in the Audit letter including:

- Focussing effort on high risk contracts
- Reducing unnecessary bureaucracy to streamline decision and therefore increase efficiency and effectiveness
- Increase the visibility of contract management with Chief Officers producing annual reports evidencing performance of their larger contracts
- Improved record keeping and a more accurate contract register, reducing duplication
- A restructure of the Procurement Team will organise the work into a Category Management approach, with three key areas of “People”, “Place” and “Resources” which will enable better cross departmental working and fewer siloes. It is expected that recruitment into the new structure will take place from the summer.
- In addition, short term funding has been achieved to recruit additional posts (as part of the restructure) to support with the implementation of better Contract Management across the organisation. A new IT system to support this will be purchased and officers provided training and advice to meet the requirements set out in the Procurement Act and the additional focus to this from Contract Standing Orders. A

In 22/23 there were 92 Ombudsman complaints, resulting in 39 detailed investigations.

The Ombudsman measures compliance from the original due date. In many cases, an extension is requested whilst gathering information, and this is granted by the Ombudsman, but this is still considered late for compliance purposes. We have not been able to effectively measure the % of responses classified as ‘late’ to which this applies previously, but features have been put in place in the new case management system for 24/25 to allow better data collection around late responses. There is a central calendar with a reminder mechanism in place to drive compliance. There are no bureaucratic processes identified that hinder compliance with the response rate.

In 2022/23 68% of investigated complaints were upheld against Royal Borough of Greenwich, against a higher national average of 77% . Whilst 26% of remedies were delivered late, there was 100% compliance rate with all Ombudsman recommendations. Out of the 5 matters where remedies were delivered late, 3 had multiple remedies issued, and some elements of the remedy were completed on time. Late compliance occurred in 2 of the 5 cases due to awaiting action from a third party before the remedy could be delivered. Delays in relation to compensation payments can be due to awaiting bank detail confirmation from the complaint on a prescribed form as in 1 of the 5 cases.

Whilst the Organisation works hard to respond to Ombudsman complaints and delivery remedies on time, available resources can affect this.

In 2022-23 the figures were low for HAS – the LGO declined to investigate two cases for Health & Adults. They took on a third case and found us at fault but accepted our proposed remedy which meant a full investigation wasn’t necessary.

From a Health & Adults perspective we’ve implemented recommendations on time and we haven’t responded late to the LGO. IWe do already prioritise LGO cases when they do come in and work hard to keep to their timescales.



# Improvement recommendation (IR7)

## Improvement Recommendation 7

The Council should prepare and deliver a comprehensive suite of member training to provide support throughout their tenure and as new risks and challenges develop.

## Improvement opportunity identified

Although members are not elected for their technical expertise but to represent their communities, it's reasonable to expect them to understand elements such as, the risks associated with key investment decisions and the options that have been considered, and where this is not clear, to seek appropriate clarifications from senior officers. They should beware of optimism bias and avoid focusing too much on the potential benefits of projects and investments and not enough on the accompanying risks. Adequate training and development opportunities will help to embed this type of approach and make for more considered decision-making.

## Summary findings

There is limited evidence of training for members other than on induction. We recommend that member training is improved with a clear analysis of the gap in training needs, a comprehensive induction process for new members and clear training materials and sessions developed throughout the year. This will help to support members in their roles.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Going in to the 2022 council elections, a relatively large number of councillors were standing down and as such a great deal of work went into preparing for the change, which eventually saw 25 new Members, almost half the council, join in May 2022. The Greenwich Management Team had oversight of the training arrangements, with engagement across all directorates, led by the Head of Corporate & Democratic Services. Induction sessions commenced the day after the count has concluded and ran at an average rate of one session per day for five weeks. Members attended over 30 external courses throughout the rest of 2022/23 (e.g. LGA courses) including specific sessions on Scrutiny. Furthermore, the council setup a library of information for Members on Sharepoint, containing recordings of training sessions as well as a set of FAQs. Going forward, this will also include casework material as well and signposting Members on how to deal with some of the more common issues arising in their role. Training provided following the election surpasses that provided in previous years. There will also be a self-evaluation questionnaire for all Members asking what they feel they need training on, when and how they prefer it to be held etc.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation (IR8)

## Improvement Recommendation 8

The Council should develop an in-depth action plan to address the 10 recommendations highlighted by the LGA Corporate Peer Review. This should be monitored regularly through the Greenwich Management Team and Cabinet to ensure adequate action is taken on a timely basis.

## Improvement opportunity identified

In order to make improvements, the Council need to quickly develop a comprehensive action plan which addresses the recommendations made. This will signal to officers, members and the public that the review has been taken seriously, and that the Council is looking outwards to make changes.

## Summary findings

This was the first peer challenge the Council have commissioned and was completed in June and August 2023. Whilst the results of this are outside the period under review, the findings reflect on some of the work that has been undertaken during the 2022/23 financial year. There was a suggestion that the Council is now starting to look outwards more, due to a recognised need for the organisation to operate differently. One of the key findings was that the current working arrangements between elected members and officers are not working effectively and need to be urgently addressed. There was a recommendation that more informal meetings of cabinet members and the corporate management team are needed, and more support should be provided to Leader and Cabinet colleagues.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

In February 2024 the Cabinet agreed the Council's action plan for the recommendations made within the corporate peer challenge report. This report to Cabinet also detailed the approach to monitoring delivery of the recommendations by, where appropriate, building these into the Council's annual plan and reporting on them through this forum. In addition, the Greenwich Strategic Leadership Team (Cabinet and GMT) will also receive regular updates on the progress against each of the recommendations to ensure there is adequate action being taken on a timely basis.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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 monitoring

During 2022/23, performance management continued to be undertaken at service directorate level, supported by the Council's Performance Analysis Service and overseen by six separate scrutiny panels. However, during 2022/23 we note that performance reports were only submitted for the Children and Young People, Community Safety & Environment, and Regeneration directorates. Under the Corporate Finance Scrutiny Panel there was also monitoring of the performance of the Council's workforce and people management practices. It is recommended that all directorates performance should be reported, to allow for appropriate oversight. This should be streamlined, to ensure that all directorates report to scrutiny panels on a regular basis.

Additionally, there was a lack of consistency between the content and format of performance reports and limited use of key performance indicators (KPIs). KPIs would allow for measurement, and combined with benchmarking against internal and national targets would also help to understand where the services are performing well or not. It is also important that performance reporting links to risk registers and objectives, with responsible owners to allow for accountability. A narrative should then be provided to help understand why certain areas are or are not performing well, along with mitigating actions which are taking place to ensure improvements.

One of the Council's main areas of focus in 2022/23 was developing the corporate council plan, named 'Our Greenwich' which was agreed at Full Council in December 2022. It contains five themes and 20 missions, which move away from a directorate led approach, with an emphasis on outcomes. There have been steering groups set up focussing on each theme and shaping the strategic direction of each. It is important that the monitoring of this is developed corporately, in order to ensure that the Council overcome the current siloed approach to performance management and produce performance reports which provide a substantial overview. It would also be helpful for corporate level reporting to link to financial reporting. Whilst the Council have made changes to performance management during 2022/23, improvements are still needed to ensure that management, members and the public are provided with a comprehensive view on the Council's performance both at the corporate and directorate level. Our improvement recommendations in the prior year therefore remain open.

# Improving economy, efficiency and effectiveness (continued)

## Housing

In 2022/23 the Council did not meet minimum service standards in a core service area. As a registered provider, the Council is required to comply with the consumer standards, including the Home Standard. The Home Standard requires registered providers to have a cost-effective repairs and maintenance service and to meet all applicable statutory requirements that provide for the health and safety of tenants in their homes.

In respect of fire safety, the Council has a statutory duty to regularly assess the risk of fire and to take precautions to prevent the risk of fire. The Council self-assessed that it was behind with its safety inspections and in May 2022 self-referred to the Regulator of Social Housing. The subsequent Regulator of Social Housing investigation found that the Council had failed to carry out:

- 400 risk assessments and hundreds of remedial fire safety actions
- 300 annual asbestos safety inspections
- 10,000 homes did not have a current electrical condition report
- 80 water safety risk assessments

The regulator considered the case as a potential breach of part 1.2 of the Home Standard and has concluded that the Council did not have an effective system in place to allow it to meet its statutory health and safety responsibilities across a range of areas, and to demonstrate that it was compliant across these areas.

Complying with statutory health and safety requirements is a fundamental responsibility of all registered providers because of the potential for serious harm to tenants. The Council has demonstrated to the regulator that it understands the work it needs to undertake to ensure the required statutory checks and relevant safety actions are completed. However, taking into account the seriousness of the issues, the duration for which tenants were exposed to risk, and the number of tenants potentially affected, the regulator has concluded that the Council has breached the Home Standard and that there was a risk of serious detriment to tenants during this period. The regulator confirmed that the Council did not meet a range of health and safety requirements in thousands of its tenants' homes.

Due to the discovery of a failure to meet minimum standards in a core service, we have identified a significant weakness in the Council's arrangements to achieve value for money in this regard. The Council have failed to manage the its service delivery obligations and therefore failed to achieve economy, efficiency and effectiveness.

Although the Council has an action plan in place that is being implemented, the backlog of work is not yet complete and is not expected to conclude until June 2024. Therefore, the risk is not yet mitigated for the purposes of our 2022/23 VfM assessment.

Our discussions with officers highlighted that whilst this failure was driven by the pandemic and recruitment issues, there were also limited assurance frameworks in place as part of performance management of the service to ensure that actions were taking place. The Council now have an assurance framework in place, alongside the action plan with internal reporting, including bi-monthly reporting to Cabinet member for Housing. Alongside this the Council are providing monthly progress reports to the regulator.

The Council must seek to settle the requirements of the Regulatory Notice issued by the Regulator of Social Housing (RoSH) with respect to the identification of a failure to meet minimum service standards. The Council should resolve the recommendations to ensure the removal of the Regulatory Notice.

# Improving economy, efficiency and effectiveness (continued)

## Digital improvement

Digital investment has been one of the Council's key focusses, and it is dependent upon the savings this strategy will secure as part of financial planning. The Digital Strategy was published in November 2020 with 6 workstreams, closely followed by a £5m funding approved in February 2021. In March 2021 there was also a restructure approved to a full in-house digital team, which has grown significantly to now over 130 people from 90 in Jan 2023.

The primary focus for 2022/23 has been on beginning large scale projects, and developing strategic partnerships across the Council to ensure required outcomes are achieved. By Jan 2023, £0.8m of savings had been achieved through the work of the digital improvement programme.

There are examples of positive work having taken place in this area particularly around services for residents, such as the launching of the online council tax service, recycling web content and the Greenwich Community Directory. The Council are also making better use of dashboards for training, procurement and customer services, and there is work on-going on modernising cloud infrastructure. There has also been a focus on equipping staff for remote working through roll-out of digital technology.

However, there is significant reliance on the work of the digital team to produce financial savings and efficiencies over the life of the MTFP. As we have discussed under Financial Sustainability, the outcome of financial benefits from transformation in general and from digital element in particular has been disappointing. The effectiveness and speed of delivery of Digital strategy in providing realisable cost savings should be reviewed to ensure that the value from the resources invested in the programme is optimised.

## Partnership working

Partnership working is important, as encouraging others to share experiences and learn from each other is an essential way to overcome insularity and minimise risks of failure. By fostering greater partnership working, this will help to create a sense of collective responsibility where individuals feel accountable for the performance of others and, more broadly, the reputation of the sector. This is particularly important as many councils' transition to new ways of working in the context of declining resource and impending financial collapse, which will require changes in ability to transform and integrate services with significantly less capacity.

The Council's recent LGA Peer Review highlighted that partnership relationships across health, adults, children's, Public Health and employment and skills are particularly strong. It was noted that the key partnerships are mutually valued between partners and the Council, with the integrated health and care arrangements in the borough highlighted to be particularly

This is in line with the Council's 'Our Greenwich' ambitions around developing networks with key partners, however the Peer Review highlighted that there is a need for the Council to focus more on 'co-design' and 'co-production' as part of these working arrangements.

The Healthier Greenwich Partnership feeds into the South-East London Integrated Care Board and formally reports to the Health & Wellbeing Board. There was a strategy in place for 2019-2024, however during 2022/23 the partnership has been developing, and has now launched a new 5-year Health and Wellbeing Strategy for 2023-2028 due to the changes as a result of the pandemic and move to the integrated healthcare system. Our prior year report highlighted that many meetings of the Health and Wellbeing Board had been cancelled, and that the Council should take a more active role in ensuring updates and progress was reported in a timely and consistent form. Our review of the meetings for 2022/23 have highlighted that there were only 2 meetings in July and December, therefore this recommendation remains open, as it is still awaiting action.

The Safeguarding Adults Board and Greenwich Safeguarding Children Partnership are multi-agency partnerships with representatives from a range of partner organisations. They produce annual reports which are presented to Cabinet on their work throughout the year. This has included a safeguarding adults review which was made available on the website and a joint review between adults and children. The Board also held a safeguarding adult's week delivering workshops and learning events across the partnership.

The Council has a number of subsidiaries and associates which deliver services directly for the Council and local people. However, outcomes delivered are not explicitly referred to as part of the Council plan, financial planning or performance monitoring. Use of council owned companies and joint ventures may increase the risk of a lack of transparency and conflicts of interest. It would be timely for the Council to undertake a review of Council companies to ensure they are delivering value for money against their original business plans and to ensure that monitoring arrangements can continue to be effective for protecting the Council's investment in future.

The Council has some good examples of partnership working, and they should capitalise on these, with a focus on developing co-production with partner organisations, to fully achieve the ambitions outlined in the Our Greenwich Plan.

# Improving economy, efficiency and effectiveness (continued)

## Procurement and contract management

The Council have in place a Procurement Strategy which was published in October 2019. However, our discussions with officers have highlighted that due to the impact of the pandemic and the market and regulatory changes, this is currently out of date and in need of updating. In the prior year we highlighted that the Council should endeavour to update and publish a renewed Procurement Strategy, which aligns with the corporate plan. This action remains open and should be complemented by a suite of training to ensure that all officers involved in any procurement activity are aware of and bought in to the strategy and ambitions.

Greenwich Council has a devolved directorate-led structure and this is reflected in differing procurement practices. However, this has led to limited sharing of contracts between departments. This is not efficient and raises risks of duplication and siloed working arrangements which have potential financial implications, due to the missed opportunity for both co-operation and financial savings. This should be resolved as soon as possible with a review of contracts across all areas of Council spend to identify efficiencies. Our discussions with officers have highlighted that plans are in place for this to be reviewed during 2023/24.

The Council also makes regular use of contract tender waivers, which are reported to Cabinet on a bi-annual basis. Our discussions with officers have highlighted that producing this report is a time-intensive exercise, and there is no assurance that the list even when presented, is fully complete. Additionally, the report tends to make it to Cabinet 4-6 months after the period under review, therefore negating its usefulness for members. The waiver template should be updated to ensure that it is efficient. The Council should also ensure that processes are in place and monitored so procurement are made aware of all potential waivers ahead of approval, to ensure that a complete log can be kept and routinely produced for review, but also to allow the Council to understand and reduce the number of waivers taking place throughout the financial year.

The fact that this is not in place highlights that procurement practices may need to be improved through better use of IT systems. This will be particularly important given the potential additional requirements which will be made of local government following the upcoming Procurement Bill.

The Council currently produce decision reports for all procurements above £25k. This should be reviewed amid rising costs, given the current inflationary environment, to ensure that this limit remains fit for purpose. There have also been some examples throughout the year of delays in decision-making which have prevented the Council from taking advantage of certain pricing, which has then increased due to months of delay. It is imperative that procurement processes are timely in order to maintain good relationships with the market and achieve value for money. Governance arrangements around procurement should be reviewed, taking into account lessons learned from previous procurement exercises which have been impacted by slow decision-making.

Contract management including social value monitoring is not consistent across the Council. This is driven by the lack of a formal contract management framework and associated training and guidance. This makes it difficult for the organisation to understand how successful delivery is across a range of contracts and against social value ambitions. A framework and guidance should be implemented as soon as possible as part of the review of contracts across the Council. This was highlighted in our prior year report, to ensure that contract management is reviewed and all contracts between £25k to £85k are recorded on the London Tenders Portal. This recommendation has not yet been actioned.

Our discussions with officers have highlighted that a Procurement Review is due to take place, which will cover many of the areas highlighted above. This is welcomed, and the Council should ensure that there is sufficient management team support, so findings are actioned quickly. We have therefore raised one overarching improvement recommendation for procurement and contract management, to complete the review and associated actions in a timely manner. However, the areas under review are all-encompassing and cannot be tackled by the procurement team alone. Instead, they will need organisational buy-in and a cultural shift to overcome siloed working practices and engagement with training materials and practices.

## Conclusion

In our prior year review, we made several recommendations to the Council for improving economy, efficiency and effectiveness. However, many of these have not yet been implemented, although there is some evidence that work is underway. The Council needs to make changes to performance management, as it is not currently possible to ascertain a holistic overview of performance. Additionally, directorate performance reporting to panels is ad-hoc and needs to be more consistent. All performance reports should make use of measurable targets and benchmarking. Partnership working appears to be a key strength for the Council, and it is vital this is capitalised on in future. Procurement and contract management needs a comprehensive review in order to achieve value for money. The duplication of contracts and lack of consistency within contract management needs improvements and should be a key priority for the Council given the potential for financial savings.

# Improvement recommendation (IR9)

## Improvement Recommendation 9

It would be timely for the Council to undertake a review of governance for Council companies to ensure they are delivering value for money against their original business plans and to ensure that monitoring arrangements can continue to be effective for protecting the Council's investment in future.

## Improvement opportunity identified

The Council's portfolio of companies would benefit from review focusing on governance arrangements and VfM.

## Summary findings

The Council has several subsidiaries and associates which deliver services directly for the Council and local people. However, outcomes delivered are not explicitly referred to as part of the Council plan, financial planning or performance monitoring. Use of council owned companies and joint ventures can increase the risk of a lack of transparency and conflicts of interest.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Following a challenging trading environment, Cabinet resolved in 2019 to wind down the operations of GSP and GSS over a period of time, which was extended due to COVID, through to March 2025. In line with the recommendations in this report, the Council is reviewing the value for money arrangements in relation to the decision taken. GSP / GSS have regular client meetings where the client manager works with both the council and GSP to resolve any issues, both financial and operational. DG Cities is the council's wholly owned innovation company focusing on technology and digital interventions around place and cities; it owns no substantive assets. Full Council makes nominees to the company board, and the Cabinet agrees the company Business Plan annually. There is a formal client governance group in place meeting quarterly to review company performance, success and ambition, and the Council is drafting a shareholder agreement to formalise delegations and where decisions require council approval.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation (IR10)

## Improvement Recommendation 10

The Council should undertake the planned procurement review as quickly as possible in order to address the issues identified in procurement and contract management procedures. This should have an associated action plan and will require Greenwich Management Team to spearhead this in order to overcome some of the current siloed working practices and inconsistencies across service areas.

## Improvement opportunity identified

The Council's procurement and contract management activity is directorate specific, and this has led to inconsistency in practice and bureaucratic processes. It also poses issues for accurate and efficient monitoring of contracts and procurement activity. Improved procurement and contract management could unlock financial savings for the Council, as well as significantly reduce officer time spent on arduous processes in order to focus on more risk-focussed areas of procurement activity. There is an opportunity to therefore make financial and resource savings in this area.

## Summary findings

The Council does not have a clear procurement strategy or contract management framework. There are currently siloed working practices in place which mean that there are potential duplicates of contracts which have financial implications for the organisation. There are examples of bureaucratic processes in place which provide limited value to officers and members but take up significant resource. There is also no consistency, training or sharing of good practice in this area. The Council are undertaking a review of Procurement and Contract Management in 2023/24 and this should be actioned as soon as possible in order to address many of the issues raised.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

In the period since the review was undertaken progress has been made to move the Council forwards and improve procurement activity and consistency across all areas. Regular updates have been provided to Greenwich Management Team who are fully supportive of the proposals. To support the two new sets of procurement legislation incoming in 2024, Contract Standing Orders have been redrafted and are due for approval by full Council in July, prior to the commencement of the Procurement Act in October 2024. These include significant streamlining in internal governance, not least replacement of the requirement for full decision reports over £25K with a more balanced risk and value approach, enabling swifter action whilst retaining appropriate scrutiny including a stronger focus for a new Corporate Procurement Board. There will be a requirement for improved reporting on contract performance including social value, which will reinforce the need for strong and auditable contract management. It will be mandatory for all contracts over £25K will be recorded on the Council's Contract Register. Once Contract Standing Orders are approved, additional guidance including a procurement manual and contracts management framework will be developed and rolled out across the organisation. A restructure of the procurement team is underway and should be implemented in by Q2 of 2024/25. This is a category-based approach, thus supporting cross working between departments and the potential for efficiency savings."

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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	Feb 2022 and Feb 2023	From our consultations with key client contacts during our 2021/22 work, it was noted that this would form part of the newly revised corporate plan. At the time of writing, this had not been released. Our discussions with officers during 2022/23 work highlighted that the Council is still undertaking a Rethinking Services approach to the delivery of all services going forward.	Partly	Yes
2	2021/22: The Workforce Strategy should be updated alongside the Corporate Plan. The strategy should reflect current and expected labour needs, demands and pressures.  2022/23: The Council must ensure that a centralised, focused and strategic workforce plan is implemented.	Improvement	Feb 2022 and Feb 2023	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. The key themes underpinning the Workforce Strategy are: <ul style="list-style-type: none"> <li>• Workforce Development</li> <li>• Recruitment &amp; Retention</li> <li>• Pay &amp; Reward</li> <li>• Equality, Diversity &amp; Inclusion</li> <li>• People Management</li> <li>• Wellbeing &amp; Engagement</li> </ul> Engagement took place with senior managers on themes at the end of 2022 and a draft Strategy has been prepared but is yet to be consulted on by officers or members or formally approved.	No, although activity has begun to address this.	Yes
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	Feb 2022	The Strategic Risk Register has now been updated and was presented to the Audit & Risk Panel in October 2022.  This has not been reviewed regularly since.	Superseded by new Governance Improvement Recommendation	No

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	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	Feb 2022	It has been noted that recommendation tracking is complete, however ownership of internal audit recommendations is still inadequate at the directorate level. Deferred audits should be carried out as soon as possible and it is important that the Greenwich Management Team underline to service areas the importance of internal audit work, to reduce delays to audit plan delivery and to ensure recommendations are implemented in a timely manner.	No	Yes
5	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	Feb 2022	The Council is still 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 still in the process of updating its corporate performance reporting to provide more accessible and up to date performance information across all corporate priorities.	Partly	Yes
6	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.	Improvement	Feb 2023	The Council retains corporate capacity to allow for inflationary and demand pressures as well as unforeseen events. The Council undertakes an exercise with services to forecast demand and inflation requirements over the medium-term financial plan.	Yes	No
7	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.	Improvement	Feb 2023	A revised and updated Strategic Risk Register was presented to Audit & Risk Management Panel in October 2022 and agreed by Cabinet November 2022. 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. However, our discussions with officers have highlighted that risk management culture is not yet fully embedded and whilst a Risk Management Toolkit has been developed to help with this, this has not yet been formally approved and made available to officers via the intranet. Risk Champions are now in place with the view that this will help to embed a more robust risk management culture at the operational level when combined with additional guidance to be released. We have raised more detailed recommendations to support this work in 2022/23.	Partly	Yes

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
8	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.	Improvement	Feb 2023	The Council is still in the process of updating the website and all information contained.	No	Yes
9	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.	Improvement	Feb 2023	The Council is still 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 still in the process of updating its corporate performance reporting to provide more accessible and up to date performance information across all corporate priorities.	Partly	Yes
10	The Council should redesign the way in which it reports its performance indicators	Improvement	Feb 2023	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 currently still in production for all Council run services, we have been informed these will include relevant performance indicators.	Partly	Yes
11	The Council should focus on refreshing its procurement and social value policy to align with corporate and strategic objectives going forward.	Improvement	Feb 2023	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. However our discussion with officers have highlighted that as at October 2023 this work had not yet begun.	No	Yes

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
12 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.	Improvement	Feb 2023	Updates to the contracts register are still underway. There is an acknowledgement from senior officers that this will require co-operation from departments where this information has not previously been shared. Moving forwards, there is an ambition for all contracts procured through the Council's e-Tendering system, regardless of cost to 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. However, our discussion with officers highlighted that as of October 2023, this had not yet begun.	No	Yes
13 The Council should take a proactive approach within its partnering relationships.	Improvement	Feb 2023	There is no evidence this has been undertaken.	No	Yes

# Opinion on the financial statements



## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

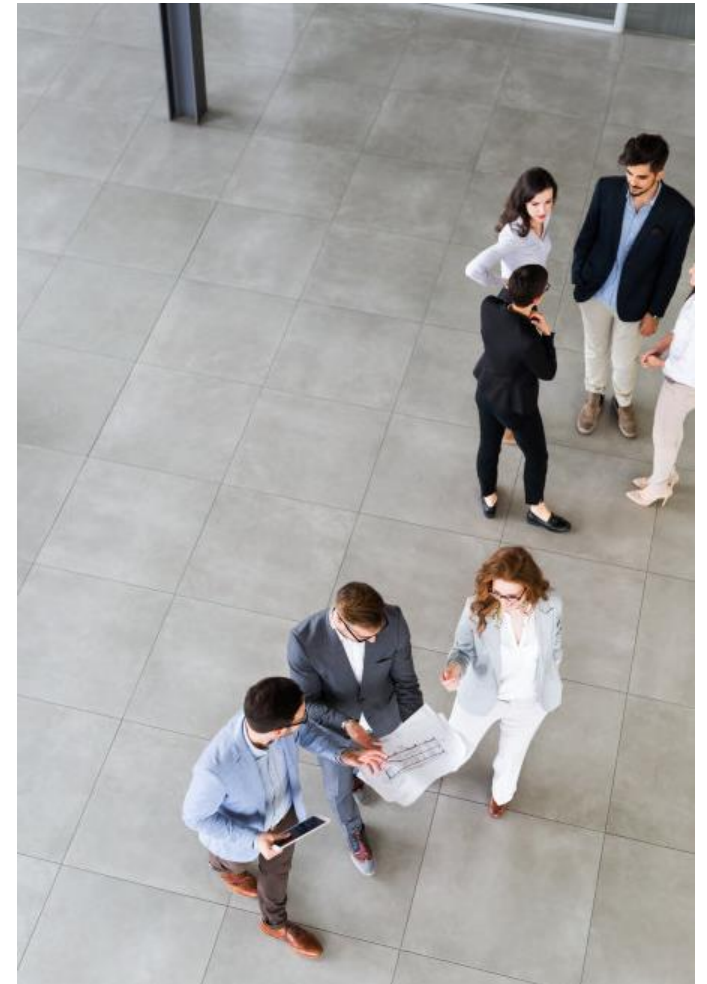
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements following the Full Council meeting at the end of January 2024.

The full opinion will be included in the Council's accounts, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



# Opinion on the financial statements



## Timescale for the audit of the financial statements

The Audit Plan was issued and presented to the Audit and Risk Management Panel in July 2023. The Council delivered the draft financial statements in line with the agreed deadline.

Delivering a large complex London Borough audit under the current regulatory regime with the volume of work now required remains challenging. Only 5 audits in the country were signed off prior to the 30 September 2023 statutory deadline.

Management, officers and the audit team have worked hard to ensure that the audit is delivered by our agreed timetable of 30 November 2023. There has been slippage in obtaining all the evidence and resolving queries to samples selected for testing. This has resulted in delays to the audit resulting in additional audit fees.

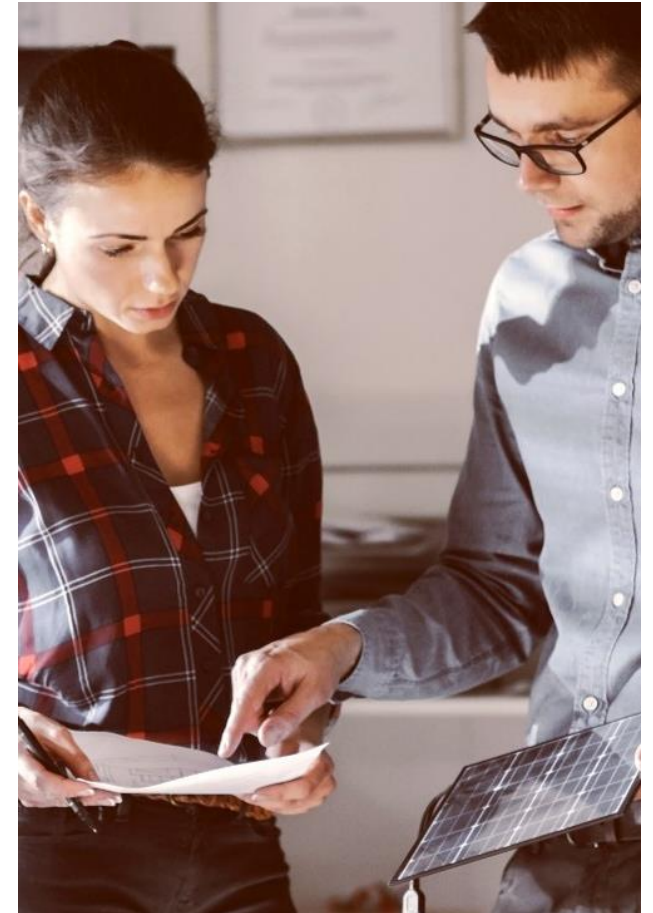
The audit was substantially completed by 30 November with the final bits of testing completed between December and January 2024.

We will provide an unqualified opinion following the Full Council meeting at the end of January 2024.

## Findings from the audit of the financial statements

We have not identified any adjustments to the financial statements that have impacted on the Council's General Fund position. We have identified a few adjustments in relation to the Council's valuations of its land and buildings. Overall the Council's financial statements are of a good standard.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Risk Management Panel on 22 November 2023. Requests for this Audit Findings Report should be directed to the Council.



# Other reporting requirements



## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Risk Management Panel on 22 November 2023.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. The Council are below the limit for a full audit of the Whole of Government Accounts.



# 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.

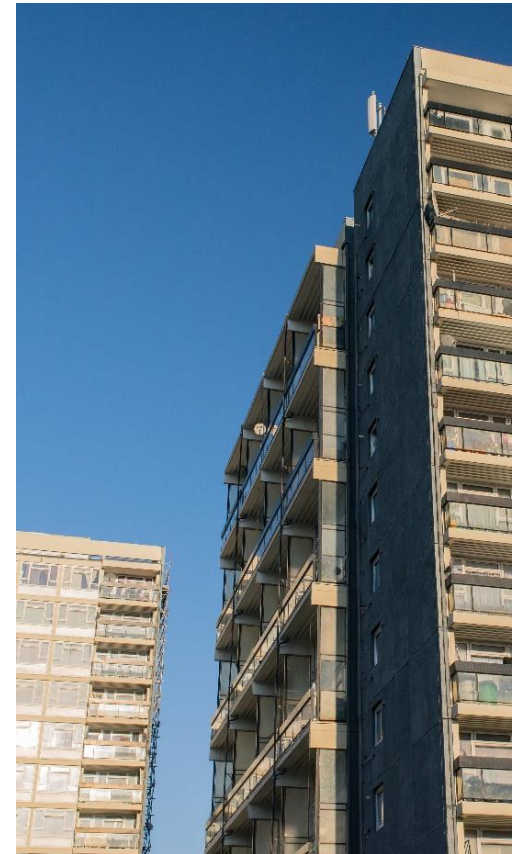
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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: 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(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	Not applicable
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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'.	Yes	7-9
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	19-20, 26-34 and 39-40

