

Audit, Governance and Standards Committee

Wednesday 16 November 2016

7.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Membership

Councillor Paul Fleming (Chair)
Councillor James Barber (Vice-Chair)
Councillor Catherine Dale
Councillor Nick Dolezal
Councillor Renata Hamvas
Councillor Hamish McCallum
Councillor Andy Simmons

Reserves

Councillor Evelyn Akoto
Councillor Dora Dixon-Fyle MBE
Councillor Karl Eastham
Councillor David Hubber
Councillor Sarah King
Councillor Rosie Shimell
Councillor Cleo Soanes

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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Contact

Victoria Foreman on 020 7525 5485 or email: victoria.foreman@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Eleanor Kelly

Chief Executive

Date: 8 November 2016



Audit, Governance and Standards Committee

Wednesday 16 November 2016

7.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Order of Business

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PART A - OPEN BUSINESS

THE CHAIR WOULD LIKE TO REMIND MEMBERS THAT PRIOR TO THE MEETING THEY HAVE THE OPPORTUNITY TO INFORM OFFICERS OF PARTICULAR AREAS OF INTEREST RELATING TO REPORTS ON THE AGENDA, IN ORDER FOR OFFICERS TO UNDERTAKE PREPARATORY WORK TO ADDRESS MATTERS THAT MAY ARISE DURING DEBATE.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

A representative of each political group will confirm the voting members of the committee.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

In special circumstances, an item of business may be added to an agenda within five clear days of the meeting.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.

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17.	GRANT THORNTON - AUDIT, GOVERNANCE AND STANDARDS COMMITTEE UPDATE NOVEMBER 2016	152 - 160

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ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

EXCLUSION OF PRESS AND PUBLIC

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution.”

Date: 8 November 2016



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Wednesday 14 September 2016 at 7.00 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Paul Fleming (Chair)
 Councillor Catherine Dale
 Councillor Nick Dolezal
 Councillor Renata Hamvas
 Councillor Andy Simmons

OFFICER SUPPORT: Jennifer Seeley, Director of Finance
 Jo Anson, Head of Financial and Information Governance
 Norman Coombe, Head of Corporate Team, Legal
 Louise Neilan, Media Manager
 Nina Dohel, Director of Education
 Bruce Glockling, Head of Regeneration, Capital Works and Development
 Claire Stanhope, Learning and Development Manager
 Lee Wilson, Programme Manager
 Fay Hammond, Departmental Finance Manager
 Rob Woollat, Interim Chief Accountant
 Victoria Foreman, Constitutional Officer
 Nick Taylor, Senior Audit Manager, Grant Thornton
 Stacy Lang, Executive, Grant Thornton

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. CONFIRMATION OF VOTING MEMBERS

Those members listed as present were confirmed as voting members for the meeting.

3. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

The chair gave notice of additional information relating to item 6 which was circulated at the meeting.

The chair also notified the committee of a variation to the order of business. Item 7 would be considered first, followed by items 6 and 8, and then item 12.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Councillor Paul Fleming declared a personal non-pecuniary interest in agenda item 6 – Governance topic: School building programme, as he was a governor at Robert Browning Primary School, which had been expanded by the council as part of the school building programme. Councillor Fleming was not required to withdraw from the meeting during consideration thereof.

5. MINUTES

RESOLVED:

That the minutes of the open section of the meeting held on 14 July 2016 be agreed as a correct record and signed by the chair.

6. GOVERNANCE TOPIC: SCHOOL BUILDING PROGRAMME

The committee heard from Nina Dohel, Director of Education and Bruce Glockling, Head of Regeneration; members asked questions of the officers.

RESOLVED:

1. That the progress and future plans of the council's school building programme 2016-17 be noted.
2. That figures relating to the balance of costs vs. savings incurred due to delays in some schemes that were part of the council's school building programme be sent to the committee.
3. That figures showing the proportion of Education Funding Agency (EFA) funding compared to that of the council, in relation to the school building programme, be sent to the committee.
4. That cost figures for the two contractors (Galliford Try and Morgan Sindall), and details of comparative costs with other school building programmes elsewhere in inner London, be sent to the committee.

7. GOVERNANCE TOPIC: COMMUNICATIONS AND PROMOTION OF FINANCIAL MATTERS

The committee heard from Louise Neilan, Media Manager; members asked questions of the officer.

RESOLVED:

That the council's approach to communications and the promotion of financial matters be noted.

8. REPORT ON RETROSPECTIVE CONTRACT-RELATED DECISION

Officers introduced the report. Members had questions of officers.

RESOLVED:

1. That the retrospective contract decision detailed in the report be noted.
2. That the actions taken by the strategic director of children's and adult's services and the director of regeneration to ensure that the risk of future retrospective contract decisions is minimised for the future, as set out in paragraph 10 of the report, be noted.
3. That an update on succession planning be given at a future meeting of the committee.
4. That the internal audit team examine risks around redundancy and succession planning, review the governance arrangements put in place by the Capital Programme Board to ensure contract decisions are undertaken correctly, and explore closer working between different departments and the council's procurement team.
5. That the terms of reference of the Capital Programme Board, and an explanatory note relating to the identification and rectification of contract issues, be shared with other departments.

9. ANNUAL GOVERNANCE STATEMENT 2015-16

Officers introduced the report.

RESOLVED:

That the annual governance statement 2015-16 be approved.

10. AUDIT FINDINGS REPORT 2015-16 AND PENSION FUND AUDIT FINDINGS REPORT 2015-16

Officers introduced the report. Members had questions of officers.

RESOLVED:

- 1) That the matters raised in the audit findings report for 2015/16 be noted.
- 2) That the adjustments to the accounts be noted.
- 3) That the letter of representation be approved.
- 4) That the matters raised in the pension fund audit findings report for 2015/16 be noted.
- 5) That the action plan to address audit findings be noted.
- 6) That the pension fund letter of representation be approved.
- 7) That an update on the action plan relating to scanned contracts of employment (as set out in Appendix A to the report) be given at the next meeting of the committee, to be held on 16 November 2016.

11. STATEMENT OF ACCOUNTS 2015-16

Officers introduced the report and notified members that minor amendments would be made to the accounts following approval by the committee and prior to sign off by the chair. Members had questions of officers.

The committee asked that their thanks to officers for an excellent audit result and completion of the work on the Statement of Accounts 2015-16 be recorded.

RESOLVED:

1. That the statement of accounts for 2015-16 be approved.
2. That the accounts approved by the committee be signed and dated by the chair.
3. That the chair be authorised to approve any further significant changes to the statement of accounts should changes be required.

12. MEMBER TRAINING SUMMARY 2015-16

Officers introduced the report. Members had questions of officers.

RESOLVED:

1. That the report be noted.
2. That a link to the council's e-learning website 'My Learning Source', along with instructions for use, be sent to all members.

13. GRANT THORNTON AUDIT, GOVERNANCE AND STANDARDS COMMITTEE UPDATE

Grant Thornton introduced the report. Members had questions of Grant Thornton.

RESOLVED:

That Grant Thornton's audit, governance and standards committee update be noted.

The meeting ended at 9.00 pm.

CHAIR:

DATED:

Item No. 6.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Southwark Local Government Pension Scheme – Governance Arrangements	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the briefing regarding the governance arrangements for the Southwark local government pension scheme (Appendix A).

BACKGROUND INFORMATION

2. The purpose of this report is to brief the audit, governance and standards committee on the Southwark local pension scheme governance arrangements. This has been provided in the format of a PowerPoint presentation attached at Appendix A.

KEY ISSUES FOR CONSIDERATION

3. The Southwark local government pension scheme is subject to an overarching national governance framework as well as formal local governance arrangements. These arrangements are in place to mitigate financial, reputation and legal and regulatory risks to the council.

Community impact statement

4. This report is not considered to have a direct impact on local people and communities.

Resource implications

5. There are no direct new resource implications in this information report.

Consultation

6. There has been no public consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

7. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix A	Southwark Local Government Pension Scheme – Governance Arrangements (PowerPoint presentation)

AUDIT TRAIL

Lead Officers	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Fay Hammond, Departmental Finance Manager (Corporate)		
Version	Final		
Dated	3 November 2016		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
	Officer Title	Comments sought	Comments included
	Director of Law and Democracy	No	No
	Strategic Director of Finance and Governance	No	No
	Cabinet Member	No	No
	Date final report sent to Constitutional Team		3 November 2016

Southwark Local Government Pension Scheme – Governance Arrangements

Audit, Governance and Standards Committee

November 2016

Agenda

- Aims of Pension Fund
- Risk Management
- Regulations & Constitution
- Governance Arrangements – national and local
- Role of the:
 - Pensions Advisory Panel
 - Local Pensions Board
- Accountability through external reporting

Aims of Pension Fund

- Ensure that sufficient resources are available to meet all liabilities as they fall due
- Ensure employer contribution rates remain stable
- Maximise the returns from investments within reasonable risk profile
- Conform to LGPS regulations

Pensions Governance Framework

National

LGPS Regulations

- LGPS governed by Public Sector Pensions Act 2013
- Administered in accordance with following secondary legislation
 - LGPS Regulations 2013
 - LGPS (Transitional Provisions, Savings & Amendments) regulations 2014

Local

Constitution

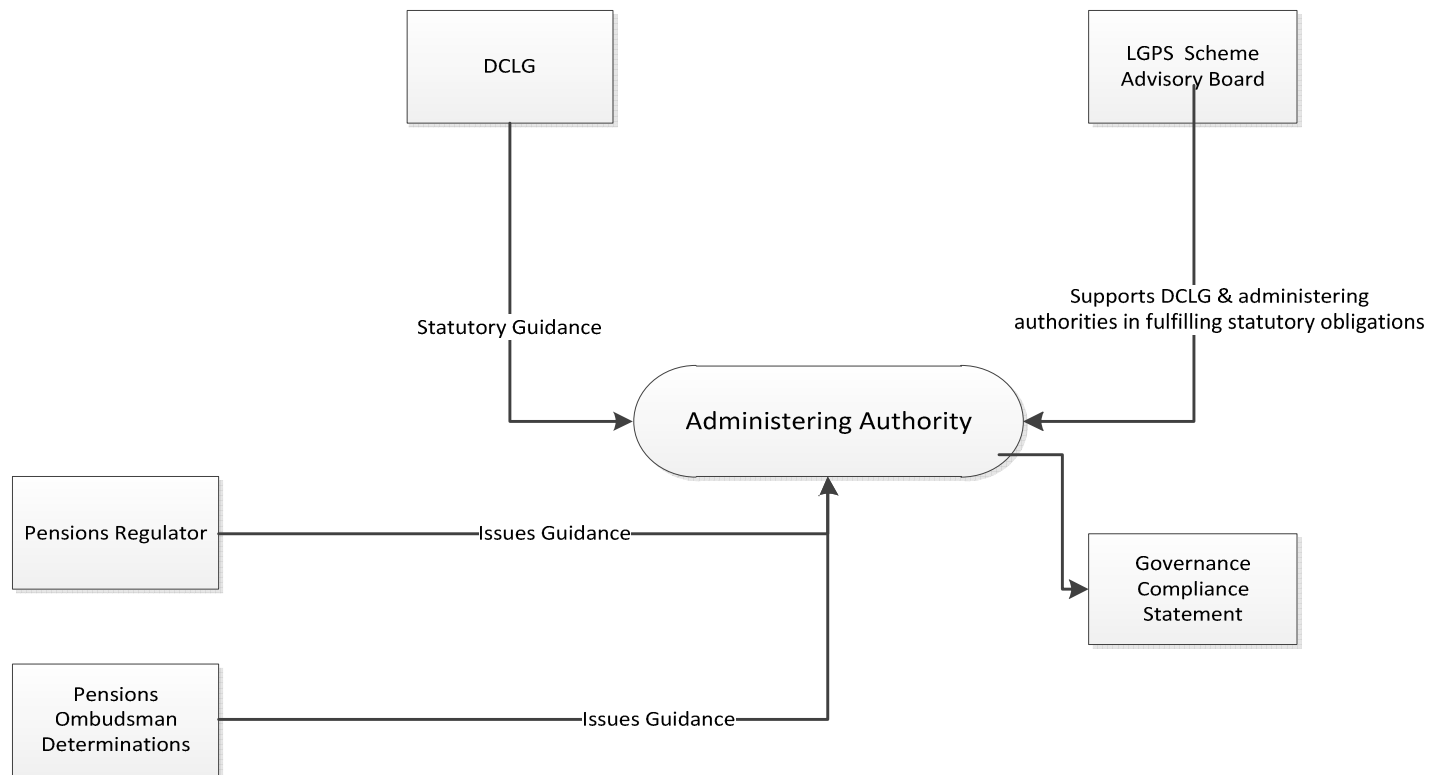
- PART 3N: PANELS
 - PAP & LPB – roles and functions
- Part 3O: MATTERS DELEGATED TO OFFICERS
 - Strategic Director of Finance & Governance

11

Risk Management – Key Risks to Council

- Financial: Poor investment performance/asset-liability mismatch could lead to a larger deficit and a requirement for increased employer contributions
- Reputational: Inaccuracy of financial information – leading to qualification of accounts
- Legal & Regulatory: Failure to comply with regulations – resulting in legal sanctions and detrimental effect on Council's reputation

National Governance Arrangements



Role of the Pensions Advisory Panel

- Quarterly review of investment performance(advisers support)
- Investment portfolio strategy and review
- Considering results of actuarial valuations and agreeing contribution levels
- Considering policy matters relating to pension fund and Council's early retirement policy
- Monitoring costs incurred in administering the pension fund

Role of the Pensions Advisory Panel (cont'd)

- Recommendations to S151 officer
- Oversight of pensions administration
- Scrutinised by local pension board
- Minutes published on Council website

Role of the Local Pensions Board (LPB)

- Oversight and scrutiny not decision making
- Assists the Council to secure compliance with scheme regulations
- Ensures the effective and efficient governance and administration of the LGPS
- Independent Chair
- Employee and employer representatives
- Can report to pensions regulator
- Open meeting, papers published on Council website

Accountability through external reporting

- Pension fund audited annually
- Pension Fund Annual Report
- LPB and PAP agenda and minutes published

Current and Future Issues

- Triennial Actuarial Valuation
- Pensions Consultation
- Investment Pooling
- London Collective Investment Vehicle (LCIV)
- Continual review of strategy

Pensions Governance

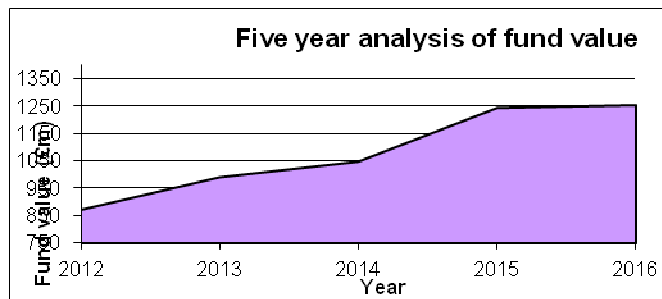
- Any Questions?

Useful Links (Council Website)

- Survey
http://www.southwark.gov.uk/info/200175/pensions/3667/pension_survey_and_ipad_prize_draw
- Annual pension report
https://www.southwark.gov.uk/downloads/download/2717/pension_fund_annual_report
- PAP minutes
- [http://www.southwark.gov.uk/downloads/download/4296/pensions_advisory_panel_pap -
meeting](http://www.southwark.gov.uk/downloads/download/4296/pensions_advisory_panel_pap_-_meeting)
- LPB
http://www.southwark.gov.uk/info/200175/pensions/3925/local_pension_board
- Pensions online service
- <https://pensions.southwark.gov.uk>

Overview of Pension Fund

- Southwark Pension Fund is part of the Local Government Pension Scheme (LGPS)
- LGPS is a fully funded pension scheme
- 21,828 members
 - 7,117 Active
 - 7,212 Retired
 - 7,858 Deferred
- £1.26 bn 2015-16 (2014-15 £1.25 bn)
- In 2013, 83% funded (20 year recovery period)
- Cash flow 2015-16
 - £55m – Pensions contributions in (£12m employee; £43m employer)
 - £56.9m – Benefits out



Who is a member of PAP?

Name	Title/Company
Fiona Colley	Elected Member
Eliza Mann	Elected Member
Jon Hartley	Elected Member
Duncan Whitfield	Strategic Director of Finance & Governance
Fay Hammond	Departmental Finance Manager
Malcolm Laird	SAP Payroll & Pensions Manager
Chris Cooper	Unison
Vacant	GMB
Independent Adviser	Vacant
Jo Holden	Mercer

Who is a member of LPB?

Name	Title/Company
Mike Ellsmore	Independent Chair
Sue Plain	Scheme Member Representative
Bill White	Scheme Member Representative
Jo Anson	Employer Representative
Norman Coombe	Employer Representative
Colleen Reid	Substitute Scheme Member representative
Neil Tasker	Substitute Scheme Member Representative
Mike Pinder	Substitute Employer representative
Matthew Hunt	Substitute Employer representative (2)

Investment Strategy

Asset Class	Strategy
Global equities (active and passive)	50%
Diversified growth	10%
Absolute return bonds	10%
Passive index linked gilts	10%
Active Property	20%

Item No. 8.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Report on retrospective contract-related decisions	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee note the retrospective contract decisions detailed in the report.
2. That the audit, governance and standards committee note the actions taken to ensure that the risk of future retrospective contract decisions is minimised for the future, as set out in paragraphs 15 to 17 and 22 to 26 below.
3. That the audit, governance and standards committee consider whether it would wish to make recommendations to help improve future decision-making.

BACKGROUND INFORMATION

4. Where an approval to a contract decision has been sought retrospectively and has an estimated value of more than £100,000, there is a requirement under contract standing order 4.8 to submit a report to the audit, governance and standards committee. The report should set out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.
5. This requirement applies to decisions relating to the approval of a procurement strategy (Gateway 1 or GW1), decisions relating to the approval of a contract award (Gateway 2 or GW2) and decisions relating to the approval of a variation or extension to a contract (Gateway 3 or GW3) decisions.
6. On 14 September 2016, the strategic director of finance and governance approved the procurement strategy and the award of three contracts in respect of corporate removals, storage and crate hire services for the operational and non-operational estate, through a Gateway 1 and 2 report. The procurement strategy and contract award approvals were retrospective and the chair and vice-chair of the audit, governance and standards committee were made aware of this decision on 22 September 2016.
7. On 20 September 2016, the strategic director of finance and governance approved the procurement strategy and contract award in respect of printing and document management services. The procurement strategy and contract award approvals were retrospective and the chair and vice-chair of the committee were made aware of this decision on 3 October 2016.

KEY ISSUES FOR CONSIDERATION

Corporate removals, storage and crate hire services

8. The Gateway report relating to this decision (attached at Appendix 1) sets out the nature of the contracts, their values and timelines.
9. The Gateway report explains that the three contracts with the suppliers commenced on 1 June 2005. After these had expired on 31 May 2012, new interim contracts with the incumbent suppliers were put in place for the period 1 June 2012 to 30 June 2014.
10. It was noted at this time that although there had been a need for a corporate service (the majority of the expenditure had related to moves of council staff between operational buildings and in particular the relocation of more than 2,000 staff to Tooley Street), henceforth the need would be in respect of relocating tenants as part of major works and/or regeneration activities. As a result, it had been agreed that the contracts would be classified as departmental, with responsibility for them transferring from the corporate facilities management (CFM) function to resident services.
11. The intention was that the housing department would complete a service review and have a new service provision in place from 1 July 2014 but this slipped to November 2014 and so further corporate contracts were put in place, again with the incumbent suppliers, for the period 1 July 2014 to 31 December 2014. These contracts had provision for extensions to 30 June 2015 and although these were not formalised, they were utilised.
12. It should be noted that in June 2014, a procurement strategy had been approved to replace the existing contracts with a supplier procured via a third party framework. The intention had been to have new contracts in place from November 2014 but this slipped and in May 2015 the procurement was halted to examine the feasibility of bringing the service in-house. In October 2015 this option was deemed to be unviable and consideration was given to procure the service through a competitive tendering process. However a new framework became available in February 2016.
13. The report at Appendix 1 notes that a review which was undertaken by the resident services team to find alternative solutions suffered numerous delays and for this reason the three incumbent providers continued to provide the services under their existing (expired) contracts in order to provide service continuity.
14. Between February 2016 and July 2016, the resident services team conducted a review with regards to the suitability of the new framework available to ascertain if this would meet the needs of the council. During this time CFM were in the process of undertaking a major restructure throughout the division and this caused a delay in carrying out the procurement strategy.
15. A new procurement strategy was however approved on 27 July 2016 to use a different third party framework and a new contract has been in place since 1 October 2016. The new contract is for a period of three years with the option to extend for up to two years.
16. To help ensure that workloads are managed more effectively in future and due attention is paid to governance requirements, the CFM contracts team have

implemented a procurement tracker within an enhanced contracts register. This will enable the team to pre-plan and track, well in advance, any procurement exercises so that contracts are put in place within the agreed time scales and not retrospectively. The CFM contracts team will review this register proactively to ensure that all planned procurement strategies are met beforehand.

17. The contracts team is currently being maintained at its current establishment level and is not due to be affected by any major restructures in the near future.

Printing and document management services

18. The Gateway report relating to this decision (attached at Appendix 2) sets out the nature of the contract, its values and timelines.
19. The Gateway report explains that the council had a contract with the supplier which commenced on 1 March 2014 and ended on 28 February 2015. The council continue to need printing services but the contract had no extension provisions and so, in the absence of a procurement strategy, the contract was extended by way of letters for the period 1 March 2015 to 1 May 2016. During this period, a procurement strategy was approved on 11 August 2015 to call off from a third party framework and negotiations commenced with the provider under the framework. However, these were not successful as it became clear that the provider was not able to meet the council's requirements.
20. This Gateway report is therefore seeking to retrospectively formalise the user of the existing supplier until the end of September 2016. In order to ensure that current service requirements continue to be met, the Gateway report also seeks approval to continue to use the current supplier for a further year from 1 October 2016. During this time, the council will explore procurement options which will meet the council's revised service needs, particularly in the context of 'digital by default': although the council has an ongoing need for reprographic work and non-reprographic work, this no longer includes a design element, and there is an emphasis on being less reliant on paper.
21. It should be noted that a provision to extend further to 30 September 2018 has been included, but the intention is to complete the new procurement process without the need to utilise this.
22. Draft Gateway reports had been prepared to be presented to DCRB/CCRB before the contract expired back in March 2015. However, due to the restructuring in CFM, along with staff turnover, these Gateway reports had not been completed and presented to DCRB/CCRB for review before the contract expired.
23. The CFM team now have a fully resourced team in place to write gateway reports for future procurement strategies that are in the CFM's procurement pipeline.
24. To help ensure that workloads are managed more effectively in future and due attention is paid to governance requirements, the CFM contracts team have implemented a procurement tracker within an enhanced contracts register. This will enable the team to pre-plan and track, well in advance, any procurement exercises so that contracts are put in place within the agreed time scales and not retrospectively. The CFM contracts team will review this register proactively to ensure that all planned procurement strategies are met.
25. The CFM team have already planned a procurement timeline in order to ensure

the contract will be put in place before the current contract expires from the new contract extension that is now September 2017.

26. CFM will proactively ensure the agreed procurement timeline is carried out in order to just utilise the one year contract extension although the contract extension offers another optional year, CFM will want to ensure that the new procurement is completed within the one year so it can allow other potential SME print providers the opportunity to bid for the contract.

Summary

27. Officers in the legal and procurement sections have discussed and agreed the conclusions set out above.

Policy implications

28. There are no policy implications arising from this report.

Community impact statement

29. This report is not considered to contain proposals that would have a significant impact on any particular community or group.

Resource implications

30. There are no direct resource implications in this report.

Consultation

31. There has been no consultation on this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Constitution – Contract Standing Orders July 2016	Constitutional Team, Tooley Street, Second Floor	Constitutional Team 020 7525 5485

APPENDICES

No.	Title
Appendix 1	Gateway 1 and 2 corporate removals, storage and crate hire services for the operational and non-operational estate
Appendix 2	Gateway 1 and 2 Printing and document management services (PDM)

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jo Anson, Head of Financial and Information Governance Barbara Crabb, Corporate FM Contracts Manager	
Version	Final	
Dated	1 November 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Corporate Contract Review Board	Yes	Yes
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	1 November 2016	

Item No.:	Classification: Open	Date: 6 September 2016	Meeting Name: Strategic Director of Finance and Governance
Report title:		Gateway 1 and 2 Corporate Removals, Storage and Crate Hire Services for the Operational and Non- Operational Estate	
Ward(s) or groups affected:		All Wards	
From:		Head of Corporate Facilities Management	

RECOMMENDATIONS

1. That the strategic director of finance and governance retrospectively approves the single supplier procurement strategy for Corporate Removals, Storage and Crate Hire Services for the Operational and Non-Operational Estate (Corporate Removals) for the period 01/07/2015 to 30/11/2016.
2. That the strategic director of finance and governance retrospectively approves the contract award for Corporate Removals for the period 01/07/2015 to 30/09/2016 to Benjamin Oswald Ltd, Crown Promotions and Removals Ltd and Harradines Removals Ltd at an estimated cost of £914,400.
3. That the strategic director of finance and governance approves the contract award for Corporate Removals for the period 01/10/2016 to 30/11/2016 to Benjamin Oswald Ltd, Crown Promotions and Removals Ltd and Harradines Removals Ltd at a total estimated value of £34,300.
4. That the strategic director of finance and governance should note that two of the awards will be effected by way of deed of variation and one of the awards will be effected by way of an agreement.

BACKGROUND INFORMATION

5. Currently, there are three contracts providing Corporate Removals with Benjamin Oswald Ltd (Benjamins), Crown Promotions and Removals Ltd (Crown Promotions) and Harradines Removals Ltd (Harradines) (the incumbent providers). These contracts commenced on 1 June 2005 for a period of five years with the option to extend for two twelve month periods at the council's discretion.
6. These contracts provide the following services: office relocations, crate hire, tenant moves, temporary storage of tenant's belongings and disposals.
7. The actual spend from the start date of the contracts (1 June 2005) to 31 May 2012 was £3.5M.
8. The contracts expired on 31 May 2012 and approval was given via a combined Gateway 1&2 report to put new interim contracts in place with the three incumbent providers for the period 1 June 2012 to 30 June 2014 by way of variation to the existing contracts. The actual spend from 1 June 2012 to 30 June 2014 was £1m.

9. As the current contracts were due to expire on 30 June 2014, a combined gateway 1&2 report was approved to extend these contracts for a period of six months from 1 July 2014 to 31 December 2014, with the option to extend further for two periods of three months at the council's discretion by way of variation to the existing contracts. The actual spend during this period was £678,400k.
10. Initially, a Gateway 1 report was approved in June 2014 to replace the existing contracts with a supplier procured via a third party framework which was undertaken by the council's resident services team.
11. In September 2014, it is understood that the resident services team could no longer continue with this third party framework as it transpired that it no longer met the council's requirements, as explained in paragraph 16 below and alternative options were considered. Options considered by the resident services team were feasibility of bringing the service in-house or procuring a new service through a competitive tendering process.
12. As the current contracts were due to expire on 31 December 2014, extension letters were issued to the three incumbent providers utilising the six month extension option from 1 January 2015 to 30 June 2015. Although formal approval was not obtained, the six month extensions were allowed for and were therefore utilised.
13. Approval is now sought retrospectively for the procurement strategy for the Corporate Removals services from 01/07/2015 to 30/11/2016.
14. Approval is now sought retrospectively for the contract award for Corporate Removals services from 01/07/2015 to 30/09/2016 to Benjamins, Crown Promotions and Harradines in the estimated sum of £914,400k.
15. Given that the resident services team are procuring a new contract via a third party framework (approval via a Gateway 1 report approved on 27 July 2016), approval is sought for the contract award to the three incumbent providers for Corporate Removals from 01/10/2016 to 30/11/2016 at a total estimated value of £34,300k.

Summary of the business case/justification for the procurement

16. The council has a number of statutory requirements which means the council needs to provide removal and storage services including the (Local Government (Miscellaneous Provision) Act 1982 section 41 and Torts (Interference with Goods) Act 1977 and Mental Health Capacity Act 2005) which place certain duties on the council in regard to how resident's possessions are dealt with.
17. It is understood that a review was undertaken by the resident services team to find alternative solutions for the procurement of a new contract and to deal with the issues of storage. However this review suffered numerous delays and set backs, and didn't appear to be achievable and therefore the three incumbent providers continued to provide the necessary services under their existing contracts in order to provide service continuity.
18. The primary aim of this contract award (1/10/2016 to 30/11/2016) to the three incumbent providers is to enable all items received up to 1/10/2016 to be stored and disposed of in the usual way whilst assisting the new provider on its exit

strategy to remove any items held in storage by 30/11/2016. All three existing contracts will be varied so that the existing providers will only store and dispose of items from 01/10/2016 to 30/11/2016 whilst the new provider removes any storage held. However, a new agreement needs to be put in place with Benjamin Oswald Ltd as the original contractor, Benjamin Oswald (UK) Holdings Ltd, was dissolved in March 2015 and as such, the services have continued to be provided (albeit by a different legal entity).

Market considerations

19. As outlined above, attempts to use a framework were not successful and for these procurements, wider market engagement was not considered as there was a need for continuity of service and therefore the existing contracts continued with the three incumbent providers whilst the resident services team explored a new procurement option.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

20. Doing nothing option was considered but rejected because the council needs to have a facility for the provision of Corporate Removals in order to fulfil the council's statutory requirements.
21. Use of a framework had been discounted at this stage, following the failure to agree terms using the previous framework.
22. It was not possible to bring the service in-house given the feasibility review that the resident services team undertook due to the level of capacity in the council.

Procurement route followed

23. Single supplier negotiations have been held with the three incumbent providers to modify their contracts from 1/10/2016 to 30/11/2016 for storage / disposal services and to facilitate the new provider on its exit strategy to remove items in storage by 30/11/2016. All new orders will be placed through the new contract that the resident services team aim to have in place on 1/10/2016.

Future proposals for this service

24. The resident services team have sought approval via a Gateway 1 report to procure a new contract via a third party framework to be in place on 1/10/2016. This new contract will be for a period of three years with the potential to extend up to a further 2 years (in increments at the council's discretion).

Identified risks for the procurement

25. The table below identifies risks associated with this procurement strategy and controls to mitigate the risks.

Risk No.	Risk Identified	Risk level	Mitigation
R1	Possible risk of challenge for not undertaking EU	Low	This is a relatively short contract and service continuation is required to allow a new

	procurement.		procurement to be undertaken. Regulation 72(1)(e) of the Public Contracts Regulations 2015 (PCR 2015) will be relied upon for this negotiation.
R2	Procurement process for replacement arrangements becomes delayed	Low	The project management of the procurement process will ensure that adequate service provision is in place.
R3	The incumbent providers cease trading, goes into administration or liquidation	Low	A recent credit check, which is scored out of 100, indicates that Crown Promotions scored a Delphi rating of 100 and Harradines scored a Delphi rating of 68 and Benjamins scored a Delphi rating of 85. Should it be necessary, the remaining providers will be capable of picking up the extra work load, noting that a new contract is planned to commence on 1/10/2016.

Key /Non Key decisions

26. This report deals with a key decision.

Policy implications

27. These contracts will support departments who need to make use of this service in line with the council's standards/protocols. In addition, effective delivery of the contracts will contribute to the council's priorities of transforming public services, improving customer service and improving the management of the council's resources.

Procurement project plan (Key decisions)

Activity	Complete by:
DCRB Review Gateway 1 and 2	11/08/2016
CCRB Review Gateway 1 and 2	18/08/2016
Single supplier negotiations	04/07/2016
Notification of forthcoming decision	01/09/2016
Approval of Gateway 2 : Contract award report	09/09/2016
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	19/09/2016
Contract award	26/09/2016
Add to contracts register	27/09/2016
Place award notice on contracts finder	28/09/2016
Contract start	01/10/2016
Contract completion date	30/11/2016

TUPE/Pensions implications

28. It was considered and agreed that TUPE did not apply.

Development of the tender documentation

29. Benjamins, Crown Promotions and Harradines have all confirmed that they will execute the necessary documentation to modify their current contracts from 1/10/2016 to 30/11/2016 for storage/disposal services only and to facilitate the new provider on its exit strategy to remove items in storage by 30/11/2016.

Advertising the contract

30. Not applicable.

Evaluation

31. Not applicable as varying the current contracts. All three incumbent providers have provided a high quality of service to date.

Community impact statement

32. This decision has been judged to have no or a very small impact on local people and communities, however local suppliers will be sought to reduce costs, environmental impacts and support and build the local Southwark economy.

Sustainability considerations

33. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

34. The full cost of this service for the required period is set out in the financial implications.

Social considerations

35. Benjamins, Crown Promotions and Harradines have confirmed that all relevant staff is paid at least the London Living Wage rate.

Environmental considerations

36. Paper, furniture and other waste will be disposed of in a sustainable way and in line with the council's waste policy. All supplier vehicles are compliant with current regulations in terms of emissions.

Plans for the monitoring and management of the contract

37. Monitoring and management arrangements already exist and will continue in accordance with the provisions of the current contracts. These arrangements include:

- Monitoring budget spend and compiling monthly spend profile reports.
- Checking invoices for accuracy.
- Providing a robust single point of contact for end users.
- Proactively responding to complaint and service improvement requests.
- Chairing monthly contractor performance monitoring meetings.
- Ensuring contractor monthly reports are received timeously.

Staffing/procurement implications

38. The contract will be monitored by the CFM team.

Financial implications

39. This report seeks retrospective approval for contracts that commenced on 1 July 2015. Actual costs are known from that time to date and have been used to form a view on the estimated cost to 30 November 2016 producing an overall contract value of circa £1m for a 17 month period.

40. The cost of these contracts will continue to be met by the departments through a process of re-allocation.

Legal implications

41. Please see the supplementary advice from the director of law and democracy.

Consultation

42. The incumbent providers and the resident services team have been consulted.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M16/032/fh)

43. The strategic director of finance and governance notes that this report is requesting the retrospective approval for corporate removals services to Benjamin Oswald Ltd, Crown Promotions and Removals Ltd and Harradines Removals Ltd with an overall contract value of circa £1m for a 17 month period.

Head of Procurement

44. This report is seeking retrospective approval for the procurement strategy and award of contracts for removals, storage and crate hire services and award for a further period of 2 months with the incumbent providers.

45. The reason for the retrospective decision is to provide continuity of service as the council had not prepared a procurement strategy to implement a new contract, resulting in the need to extend the existing contract.

46. A separate procurement process to provide these services going forward has now been carried out and a new contract is due to start on 1/10/16. This report

advises that the recommended 2 month period from 1/10/16 is being used to facilitate the transfer of goods into the new suppliers' facilities.

47. It is expected that the exit strategy is monitored closely to ensure a smooth transition process from these contracts to the new service provider.

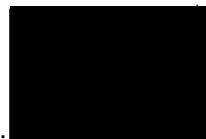
Director of Law and Democracy

48. This report seeks the retrospective approval of the strategic director of finance and governance for the procurement strategy and contract award for Corporate Removal services and contract award for a 2 month period (01/10/2016 to 30/11/2016), as further detailed in paragraphs 1-3.
49. The nature and value of this service is such that it is subject to the tendering requirements of the Public Contracts Regulations 2015 (PCR 2015). Regulation 72(1)(e) of PCR 2015 permits contracts to be modified, irrespective of their value, if modification is not substantial. The justifications for relying on regulation 72 are noted in paragraphs 6-15. The strategic director is advised that when relying on any ground for exemption from the requirements of PCR 2015, there is a potential risk of challenge on the basis that the council does not have sufficient grounds to justify negotiations in these circumstances. However, given a failed procurement exercise, the fact that the modification is not substantial and the need for items to be stored and disposed of in the usual way whilst assisting the new provider on its exit strategy and that a new contract will commence on 1 October 2016, it is considered that the risk is low.
50. It is confirmed that this report has been submitted to the relevant departmental contract review board and will be submitted to the audit and governance committee as required by contract standing orders (CSO) 4.8.
51. As the procurement strategy and contract award fall within the circumstances noted in CSO 4.5.2(c) and 4.6.2(c), the decision is reserved to the strategic director of finance and governance, after consideration by the corporate contract review board.
52. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 39-40 confirm the financial implications of this award.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature



Date 14-9-16

Duncan Whitfield, Strategic Director of Finance and Governance

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Contract File	CFM, 2 nd Floor Hub 4, 160 Tooley Street, London, SE1 2QH	Ray Hoosen Ext 53303

APPENDICES

No	Title
	Not Applicable

AUDIT TRAIL

Lead Officer	Barbara Crabb, CFM Head of Contracts	
Report Author	Ray Hoosen, CFM Contracts Officer	
Version	Final	
Dated	6 September 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional /Community Council/Scrutiny Team		

Item No.	Classification: Open	Date: 12 September 2016	Meeting Name: Strategic Director of Finance and Governance
Report title:		Gateway 1 and 2 Printing and document management services (PDM)	
Ward(s) or groups affected:		All Wards	
From:		Head of Corporate Facilities Management	

RECOMMENDATIONS

1. That the strategic director of finance and governance retrospectively approves the single supplier procurement strategy for Printing and Document Management Services (PDM) for the period 01/03/2015 to 30/09/2016.
2. That the strategic director of finance and governance retrospectively approves the contract award for PDM for the period 01/03/2015 to 30/09/2016 to Swiss Post Solutions Limited at an estimated cost of £982,200.
3. That the strategic director of finance and governance retrospectively approves the single supplier procurement strategy for PDM for the period 01/10/2016 to 30/09/2017, with an option of extending for one period of up to 12 months.
4. That the strategic director of finance and governance approves the contract award for PDM for the period 01/10/2016 to 30/09/2017 to Swiss Post Solutions Limited at an estimated cost of £458,000, with an optional extension taking total contract value to £1,440,000. The strategic director of finance and governance should note that the award will be effected by way of a deed of variation.

BACKGROUND INFORMATION

5. The council requires print services including reprographic and non-reprographic services, being:
 - a. reprographic, e.g. general and digital printing, scanning and bulk photocopying
 - b. non-reprographic, e.g. all other design and high quality print.
6. The council had a contract with Swiss Post Solutions Limited (SPS) which commenced on 1 March 2014 and had an expiry date of 28 February 2015.
7. In order to provide continuity of service, as the council had not prepared a procurement strategy to implement a new contract, and as the previous contract had no further formal contract extension provisions, the contract was extended using the same terms and conditions by way of letters.
8. These extensions were by a way of extension letters sent to SPS as shown below:
 - 01/3/15 – 30/8/15 – extension put in place by way of extension letter.
 - 31/8/15 – 30/11/15 – extension put in place by way of extension letter.
 - 30/11/15 – 01/05/16 – extension put in place by way of extension letter.

9. Approval is now sought retrospectively for the procurement strategy for the PDM services from 01/03/15 to 30/09/16, namely a single supplier negotiation with SPS.
10. Approval is now sought retrospectively for the contract award for PDM services from 01/03/15 to 30/09/16, to SPS in the estimated sum of £982,200.
11. A planned procurement strategy to call off from a third party framework was the subject of a Gateway 1 report approved on 11 August 2015. This route was followed and negotiations commenced with Ricoh UK Ltd (Ricoh) (the provider under the Westminster (WCC) framework).
12. At first, negotiations appeared to progress well but unfortunately, they then became delayed and protracted. It soon transpired that Ricoh's proposal could no longer meet the council's requirements for the following reasons:
 - The council only requires the print management lot under the framework to be provided as opposed to a complete print and document management service. The nature of print management means costs fluctuate constantly due to market pressures. Any cost savings that Ricoh could offer the council were notional against driving better prices through their training and education of council staff to have better planning of advance requirements.
 - The short turn around basket of goods, which are primarily in relation to the printing requirements of the council's constitutional team, proved to be more problematical in terms of financial viability and the basket of goods and rate card offered by Ricoh was not considered to offer any savings to the council.
13. Given that the above procurement strategy has not resulted in a successful outcome, retrospective approval is now sought for a single supplier procurement strategy for PDM for the period 01/10/2016 to 30/09/2017, with an option of extending for one period of up to 12 months, and for the award of that contract for the period 01/10/2016 to 30/09/2017 to Swiss Post Solutions at an estimated cost of £458,000, with an optional extension taking total contract value to £1,440,000.

Summary of the business case/justification for the procurement

14. The council has a wide remit of printing requirements ranging from committee agenda and minutes, annual reports, leaflets, applications forms, campaign support materials etc. These requirements fall into two main service areas, reprographic and non-reprographic with the former covering much of the work required by the constitutional team, community councils and scrutiny section. The communications team commissions much of the non-reprographic work both directly and on behalf of other departments and some departments send requests direct to the service provider. Whilst the contract includes a design facility, the use of this option has declined in recent years and the communications team now sources this requirement direct from the market when necessary.
15. As it is no longer considered viable to call off from the WCC framework, the primary aim of this single supplier negotiation is to ensure that current service

requirements continue to be met whilst a new procurement strategy is identified and completed, and a new contract from 30/09/2017 is put in place. The justification for continuing the print document management service with SPS for 01/10/2016 to 30/09/2017 is to ensure continuity of service for the council whilst CFM procure a new contract.

16. The performance of SPS has been good since the commencement of this contract and they have continued to perform at a level in line with or above contractual requirements, thus demonstrating value for money for the council. The council have been provided a "premium service" from SPS which means job received up to 14:00 are produced and returned by 17:00 as other SPS contracts work at a standard 24 hour turnaround.

Market considerations

17. The council is not yet in a position to take advantage of recent changes in the PDM market. As outlined above, attempts to use a framework have not been successful. For these procurements, wider market engagement has not been considered as there is the need for continuity of service and therefore the contract continues with SPS whilst a new procurement option is explored.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

18. Doing nothing option was considered but rejected because the council must have a facility for the provision of print document management services in order to fulfil the council's printing requirements.
19. Use of a framework has been discounted at this stage, following the failure to agree terms using the WCC framework.
20. It was not possible to bring the service in-house given the limited time horizons of each of the extensions and level of capacity in the council.

Procurement route followed

21. Single supplier negotiations have been held with the incumbent supplier (SPS) for service continuity reasons already highlighted in this report.

Future proposals for this service

22. The recommendation in this report will provide a contract for PDM services until 30/09/2017. It is intended to bring forward a new procurement strategy in this time to have in place a new arrangement after 30/09/2017.
23. It is considered that this gives a clear opportunity to review all options for the delivery and management of this service particularly in the context of digital by default potentially utilising a web based electronic ordering system meeting the council's requirements in terms of integrating more digital services showing innovation by being less reliant on paper and establishing more stream lined processes for internal print requirements.
24. This will be achieved by liaising with all relevant stakeholders to understand their requirements and a thorough review of currently available technology and

systems in order to draft a new specification in line with the council's requirements. Dependent on the outcome of this work bids will be sought either via an existing framework or by going out to market and conducting an EU procurement tender. It has been highlighted in this report that one extension provision of up to 12 months is sought in case the new procurement process cannot be completed in time. However CFM is planning not to need that extension.

Identified risks for the procurement

25. The table below identifies risks associated with this procurement strategy and controls to mitigate the risks.

Risk No.	Risk Identified	Risk level	Mitigation
R1	Possible risk of challenge.	Low	This is a relatively short contract and service continuation is required to allow a new procurement to be undertaken. Regulations 72(1) (e) of the Public Contracts Regulations 2015 (PCR 2015) will be relied upon for this negotiation.
R2	Procurement process for replacement arrangements becomes delayed	Low	The project management of the future procurement process will ensure that adequate service provisions will be in place.
R3	Lack of staff resources to deliver new procurement	Low	There is additional resource within the CFM department to help support and deliver the new procurement strategy outlined.
R4	SPS ceases trading, goes into administration or liquidation	Low	A recent credit check indicates that Swiss Post Solutions scored a Delphi rating of 86 out of 100 which indicates that there is a low risk of SPS ceasing trading or going into liquidation during the proposed extension.

Key /Non Key decisions

26. This report deals with key decisions.

Policy implications

27. This contract will support departments who need to produce printed information in line with the council's communication standards/protocols.

Procurement project plan (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1 and 2:	13/06/2016
CCRB Review Gateway 1 and 2:	30/06/2016
Single supplier negotiations	07/07/2016
Notification of implementation of Gateway 2 decision	23/08/2016

Activity	Complete by
Approval of Gateway 2: Contract Award report	01/09/2016
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision (If GW2 is key decision)	09/09/2016
Contract Award	12/09/2016
Add to Contract Register	29/09/2016
Place award notice on Contracts Finder	30/09/2016
Contract start	01/10/2016
Initial Contract completion date	30/09/2017
Contract completion date if maximum extension used	30/09/2018

TUPE/Pensions implications

28. It was considered and agreed that TUPE did not apply.

Development of the tender documentation

29. The existing contract and specification has been reviewed and will be amended and negotiated accordingly with SPS.

Advertising the contract

30. Not applicable.

Evaluation

31. Not applicable as extending the current contract. SPS have provided a high quality service to date.

Community impact statement

32. This decision has been judged to have no or a very small impact on local people and communities however, local suppliers will be sought to reduce costs, environmental impacts and support and build the local Southwark economy.

Sustainability considerations

33. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Economic considerations

34. The full cost of this service for the required period is set out in the financial implications.

Social considerations

35. SPS confirmed that all relevant staff are paid at least the London Living Wage rate.

Environmental considerations

36. As part of the council's green buildings programme staff will use recycled paper where practical.

Plans for the monitoring and management of the contract

37. Monitoring and management arrangements already exist and will continue in accordance with the provisions of the current contract. These arrangements include:
- Monitoring budget spends and compiling monthly spends profile reports.
 - Checking invoices for accuracy.
 - Providing a robust single point of contact for end users.
 - Proactively responding to complaint and service improvement requests.
 - Chairing monthly contractor performance monitoring meetings.
 - Ensuring contractor monthly reports are received timeously.

Staffing/procurement implications

38. The contract will be monitored by the CFM team.

Financial implications

39. After negotiations with SPS that took place on the 7 July 2016, they confirmed that their prices on their original pricing schedule will remain the same throughout this proposed extension. SPS were not able to decrease the pricing schedule that was agreed when the contract was let due to the council having already a "premium service" in terms of specific delivery requirements.
40. This is a call off contract, which is recharged to the departments who use it. The departments hold their own budgets and are responsible for monitoring them.
41. Costs up to 31/03/2016 have been accounted for in previous financial years.
42. The council's general fund budget for 2016-17 was agreed in February 2016 and includes estimated budgets for planned PDM work. It is important that budgets are closely monitored as work is commissioned to ensure that these budgets are not exceeded.

Legal implications

43. Please see the supplementary advice from the director of law and democracy.

Consultation

44. The Campaigns team have been identified as the key stakeholders and have been consulted about the procurement strategy.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M16/021)

45. The strategic director of finance and governance notes the recommendations in this report. Costs up to 31/03/2016 have been accounted for in previous financial years. The council's general fund budget for 2016-17 was agreed in February 2016 and includes estimated budgets for planned PDM work. It is important that budgets are closely monitored as work is commissioned to ensure that these budgets are not exceeded. Budgets for 2017-18 will be agreed in January (HRA) and February (general fund) 2017.

Head of Procurement

46. This report is seeking retrospective approval for the procurement strategy and award of contract for printing and document management services and award for a further period of 12 months with the incumbent provider.
47. The reason for the retrospective decision is to provide continuity of service as the council had not prepared a procurement strategy to implement a new contract, resulting in the need to extend the existing contract.
48. The report advises that during the recommended 12 month period from 1/10/16 a full service review and procurement will be carried out with the intention of putting in place a new arrangement. Should the option to conduct a full competitive tendering process of the new procurement be carried out, the timeline of 12 months is ambitious but achievable provided the service review is concluded, procurement process is started in sufficient time and appropriate resources are available when necessary.
49. The housing and modernisation department reports that performance to date has been good since the commencement of the contract with the provider performing at a level in line or above contractual requirements. There are management and monitoring arrangements in place which should support that this level of contract performance is maintained throughout the extension period.

Director of Law and Democracy

50. This report seeks the retrospective approval of the strategic director of finance and governance for the procurement strategy and contract award for PDM services and contract award for a 12 month period (01/10/2016 to 30/09/2017), as further detailed in paragraphs 1-4.
51. The nature and value of this service is such that it is subject to the tendering requirements of the Public Contracts Regulations 2015 (PCR 2015). Regulation 72(1)(e) of PCR 2015 permits contracts to be modified, irrespective of their value, if modification is not substantial. The justifications for relying on regulation 72 are noted in paragraphs 6-15. The strategic director is advised that when relying on any ground for exemption from the requirements of PCR 2015, there is a potential risk of challenge on the basis that the council does not have sufficient grounds to justify negotiations in these circumstances. However, given a failed procurement exercise, the fact that the modification is not substantial, the need for continuity of service whilst a full service review is carried out and a new procurement exercise conducted, it is considered that the risk is low.

- 52. It is confirmed that this report has been submitted to the relevant departmental contract review board and will be submitted to the audit, governance and standards committee as required by contract standing orders (CSO) 4.8. As the procurement strategy and contract award fall within the circumstances noted in CSO 4.5.2(c) and 4.6.2(c), the decision is reserved to the strategic director of finance and governance, after consideration by the corporate contract review board.
- 53. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 39-42 confirm the financial implications of this award.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature



.....
Strategic Director of Finance and Governance

Date 20-9-16

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Contract file	160 Tooley Street, London SE1 2QH	Lee Nailard Ext 51047

APPENDICES

No	Title
	Not applicable

AUDIT TRAIL

Lead Officer	Barbara Crabb, Head of Contracts, CFM	
Report Author	Lee Nailard, Interim Contracts Manager, CFM	
Version	Final	
Dated	12 September 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	N/a	N/a
Date final report sent to Constitutional Team		

Item No: 9.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Treasury Management: Review of policy, practices and strategy	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

That the audit, governance and standards committee:

1. Considers the revised treasury management policy statement (Appendix A).
2. Considers the council's draft 2017-18 treasury management strategy statement (Appendix B) ahead of consideration by council assembly at its budget and council tax setting meeting in February 2017.
3. Considers whether it wishes to comment on any matter in this report.

BACKGROUND INFORMATION

4. Treasury management is an integral part of the council's finances, providing for cash flow management (i.e. ensuring cash is available when needed and that surplus monies are invested securely) and funding of the councils capital plans and longer term cash flow requirements. Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risk.”

Statutory requirements

5. The Local Government Act 2003 and supporting regulations require the council to have regard to the prudential code and to set prudential indicators for the next three years, to ensure that the council's capital investment plans are affordable, prudent and sustainable. The Act requires the council to set out its treasury management strategy for borrowing and to prepare an annual investment strategy. This sets out the council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

CIPFA requirements

6. The council has adopted the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2011. The primary requirements of the code are as follows:

- Creation and maintenance of a treasury management policy statement (Appendix A) stating the policies, objectives and approach to risk management of the councils treasury management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Receipt by the council assembly of an annual Treasury Management Strategy Statement (Appendix B) which includes:
 - A treasury management strategy which sets out the council's proposed borrowing for the financial year and establishes the parameters (prudential and treasury indicators) within which officers under delegated authority may undertake such activities
 - An annual investment strategy which sets out the councils policies for managing its investments and for giving priority to the security of those investments over liquidity and yield
 - A policy statement on the basis on which provision is made in the revenue accounts for the repayment of borrowing – the Minimum Revenue Provision Policy Statement
 - Prudential indicators in respect of treasury management and the council's capital plans.
- Receipt by the council assembly of a mid-year review report and an annual report on progress and performance against the treasury management strategy statement
- Delegation by the council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. In Southwark, this responsibility is delegated to the strategic director of finance and governance.
- Delegation by the council of the role of scrutiny of the treasury management strategy and policies to a specific named body. In Southwark, the delegated body is the audit, governance and standards committee.

KEY ISSUES FOR CONSIDERATION

7. In accordance with the CIPFA code, the treasury management policy statement (TMPS) has been reviewed and updated to include the council's high level policies for borrowing and investment. The revised statement is attached at Appendix A
8. The 2016-17 treasury management strategy statement (TMSS) covering debt, investments, prudential indicators and minimum revenue provision has been updated to reflect the council's current plans and forecasts, the latest economic and interest rate outlook, and longer-term cash flow forecast. The draft 2017-18 TMSS is attached at Appendix B.

9. It should be borne in mind that the forecasts on which the strategy is based will not be 100% accurate; however, the TMSS needs to be robust and flexible enough to deal with the uncertainty and risk. The draft strategy will be updated prior to council assembly in February 2017 to take account of the latest available information and prevailing economic conditions and intelligence. Factors likely to influence the strategy include:
- The US presidential election on 8 November has the potential to shock the global economy
 - 23 November will see the chancellor issue his autumn statement
 - Cash balances may not actually decrease as forecast, for example, we have a large and complex capital programme which is unlikely to spend exactly as planned and the timing and value of capital receipts are not known with certainty
 - Long-term interest rates may actually keep falling and might not be higher next year, despite what forecasters are telling us
 - Short-term rates might be negative in 2017-18, so that we would be guaranteed to receive back less than we originally invested.
10. Despite the uncertainty, no changes to the council's existing high level strategy for borrowing and investments are proposed at this stage.

Treasury management - debt

11. The council has loans it took to pay for capital expenditure in previous years. The loans are from the Public Works Loans Board (PWLB, part of HM Treasury) and the balance in PWLB loans at 1 April 2016 was £462.9m. The PWLB loan balance and the interest payable have fallen over the last few years; refer table below. The average rate of interest on PWLB loans is currently running at 5.5%.

Year	Loans at year end	Annual interest payable	Average interest rate
	£m	£m	%
2006-07	693.7	60.9	8.8%
2007-08	738.3	54.6	7.6%
2008-09	770.7	52.0	7.0%
2009-10	761.7	52.8	6.9%
2010-11	761.7	52.8	6.9%
2011-12*	462.5	55.6	6.9%
2012-13	560.0	33.2	6.0%
2013-14	474.9	33.1	5.4%
2014-15	469.2	25.7	5.5%
2015-16	462.9	25.5	5.5%

12. As well as PWLB loans, the council also has internal borrowing to support previous years' capital expenditure. The sum outstanding in internal borrowing at 1 April 2016 was £198m. Internal borrowing is temporary drawing on internal balances pending replacement with loans.

13. Both PWLB loans and internal borrowing are being paid off. The general fund debt is being paid off by way of the minimum revenue provision (MRP) in accordance with the council's MRP policy. The MRP policy itself is discussed further below. The HRA is also paying off debt, lowering the interest draw and raising the headroom for new investment.
14. The council's approved capital programme is largely funded from reserves, capital receipts, grants and contributions with the shortfall funded from borrowing. Whilst borrowing provides the funding, the servicing of that debt is financed from revenue in the form of charges for interest and principal/MRP.
15. The HRA capital programme is expecting to draw on debt finance to fund its investment in new housing, make existing properties warm dry and safe, and provide quality kitchens and bathrooms. Initially, up to £98m debt finance was allocated to the programme. The 1 November cabinet report – 'Month 5 Capital Monitoring for 2016-17 and Capital Programme Refresh for 2016-17 to 2023-24' indicates an in-year borrowing requirement of £74m.
16. It is important to note that at this point there is no requirement for the council to take out any new loans but instead advance to the HRA by drawing on existing PWLB debt held by the general fund at an average rate of 3.5%, well below the 6.0% rate on existing HRA loans. This ensures that the council as a whole:
 - i. does not suffer a significant financial loss by borrowing money before it is actually needed
 - ii. is able to adopt a strategic and corporate borrowing approach, taking any new loans from the most advantageous source at the most appropriate time.
17. Beyond 2016-17 there remains an underlying borrowing requirement to fund capital expenditure incurred and planned. Current forecasts indicate that the council will need to undertake new borrowing over the forecast period of up to £232m.
18. The degree to which HRA can rely on debt finance to support its capital programme is constrained by its indebtedness cap. The cap was introduced by the government in 2012 as part of HRA self-financing and for Southwark was fixed at £577m, a level judged to be serviceable from council rents. The government at the time wanted housing authorities to support its priority of bringing public spending down and contain growth in public borrowing from rent income. HRA indebtedness is £462m, well within the indebtedness cap.

Treasury management - investments

19. The council holds significant investment funds, representing income received in advance of expenditure plus balances and reserves held. Investments held at 31 October were £186m with balances ranging from £140m to £230m during the year to date. The average cash balances are some £50m lower than the corresponding period in 2015-16.
20. Cash that is not immediately used in spend is invested prudently until it is needed under an investment strategy agreed by council assembly each year as part of the TMSS. It is prepared in accordance with DCLG's investment guidance and emphasises the importance of security and liquidity.

21. In July 2016 the Bank of England reduced the base rate to 0.25%. Prior to this, the base rates in the UK had stood at 0.5% since 2019. Arlingclose, our treasury management advisors, forecast that the bank rate will be held at 0.25% through to December 2019. However, there is a small risk that if the UK enters recession in 2017-18 that the Bank of England could set the base rate at or below zero which would likely feed through to negative interest rates on all low risk short term investment options.
22. The investment strategy was reviewed independently by specialist advisors at the end of 2015 and found to be sound. The review recognised that with credit spreads tight and term premium low, the scope for enhancing yield safely under current markets was low. However, given the increasing risk and falling returns from short-term unsecured bank investments, there has been a diversification into more secure and/or higher yielding asset classes - supranational bonds, quasi-sovereign bonds, covered bonds and senior short-term money market instruments, such as commercial paper and notes, issued by banks. This is a continuation of the strategy adopted in February 2016.
23. In the interest of security, bank exposure favours major high rated banks. Liquidity is secured by use of money market funds and short term money market securities. The strategy demands that no investment be longer than five years and holdings beyond one year can only be in: government bonds, supranational bonds, quasi-sovereign bonds or covered bonds issued by major banks.
24. In the interest of sound risk management and operational efficiency, cash management is divided between an in-house operation and the council's two fund managers. The in-house team manages day-to-day cash flow using principally money market funds. The fund managers (Alliance Bernstein and Aberdeen Asset Managers) invest some £144m on behalf of the council in short term money markets and longer bonds within a risk controlled framework. It is likely that cash balances will be lower through the forecast period, reducing the funds for investment with managers. The council may draw down funds from the fund managers should cash be needed to meet spend.

Prudential indicators

25. Local authority borrowing, investment and capital finance activity is supported by the Prudential Code for Capital Finance and the Treasury Management in the Public Services Code of Practice and Guidance published by the Chartered institute of Public Finance and Accountancy, backed by the Local Government Act 2003. The codes introduced a series of indicators and limits, which the council assembly should agree annually. The indicators needing approval relate to 2017-18 to 2019-20 and are set out at Appendix B. The authorised limit for debt is a self imposed limit on debt which the council assembly must determine each year. Approval will ensure that the council meets its obligations under the 2003 Act and that the strategic director of finance and governance can carry out his financial responsibilities in this area. The indicators do not affect existing budgets and will be updated over the course of 2017-18 to reflect activity.

Minimum revenue provision

26. Government guidance on the minimum revenue provision (MRP) requires that the general fund set aside prudent sums to reduce debt and long term liabilities arising from capital spend and that the council produce a statement on its MRP policy. MRP costs fall on revenue budgets and run for many years into the future, usually

over the period over which the expenditure provides benefit or the period over which the revenue grant supporting the expenditure runs for.

27. As government spending cuts continue to bear down on local authority finances and challenge the sector's capacity to meet its MRP obligations, councils are looking at how they may continue to make prudent MRP payments and at the same time improve affordability. A council may not change the total MRP it is liable for but may prudently modify the timing of payments to improve affordability and take account of individual spend and financing characteristics. The MRP policy approved by council assembly in February 2016 updated the previous strategy to enable these factors to be taken into account.

SUPPLEMENTAL ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

28. The constitution determines that agreeing the treasury management strategy is a function of the council assembly and that review and scrutiny of strategies and policies is the responsibility of the audit and governance committee.
29. Financial standing orders require the strategic director of finance and governance to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a quarterly basis to cabinet and at mid and year-end to council assembly. Furthermore all executive and operational decisions are delegated to the strategic director of finance and governance.
30. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.
31. Section 15(1) of the 2003 Act requires a local authority "to have regard (a) to such guidance as the Secretary of State may issue". This guidance is found in the Department of Communities and Local Government Guidance on Local Authority Investments updated March 2010 and there is statutory guidance on the Minimum Revenue Provision (MRP) produced under amendments made to section 21(1A) of the 2003 Act by section 238(2) of the Local Government and the Public Involvement in Health Act 2007.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None.		

APPENDICES

No.	Title
Appendix A	Treasury Management Policy Statement
Appendix B	Draft Treasury Management Strategy Statement 2017-18

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Fay Hammond, Departmental Financial Manager Finance and Corporate Services	
Version	Final	
Version Date	7 November 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Final Report Sent to Constitutional Team		7 November 2016

Treasury Management Policy Statement

1. The council defines its treasury management activities as:

Treasury management is the management of the council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities shall be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage those risks.
3. The council recognises that that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Councils high level policies for borrowing and investments are
 - The councils borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing will allow the council transparency and control over its debt.
 - The council's primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the council's investments followed by the yield earned on investments remain important but are secondary considerations.

DRAFT**Treasury Management Strategy Statement 2017-18****Introduction**

The Council has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

In accordance with the CLG Guidance, the Authority will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of its investment balance.

External Context

The major external influence on the Authority's treasury management strategy for 2017-18 will be the UK's progress in negotiating a smooth exit from the European Union. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of the next few years when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and weakened economic growth prospects in 2017-18.

Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18.

Gilt yields and PWLB rates are expected to trend broadly flat from current levels, albeit with much short-term volatility. The Bank of England has used Quantitative Easing as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a distinct possibility, to keep long-term interest rates low.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Annex 1**.

Local Context

On 30 October 2016, the council held £458m of borrowing and £186m of investments. This is set out in further detail at **Annex 2**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.16 Actual £m	31.3.17 Estimate £m	31.3.18 Forecast £m	31.3.19 Forecast £m	31.3.20 Forecast £m
General Fund CFR	385	428	499	526	557
HRA CFR	390	462	524	518	520
Total CFR	775	890	1,023	1,044	1,070
Less: Other debt liabilities	-109	-103	-98	-94	-91
Borrowing CFR	666	787	925	948	979
Less: External borrowing	-463	-458	-453	-440	-435
Internal (over) borrowing	203	329	472	507	549
Less: Usable reserves	-191	-174	-166	-159	-156
Less: Working capital	-155	-155	-155	-155	-155
Investments (or New borrowing)	143	0	-151	-193	-232

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £232m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three

years. Table 1 shows that the Authority expects to comply with this recommendation during 2017-18.

Borrowing Strategy

The Authority currently holds £458 million of loans, a decrease of £5m million on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to borrow up to £151m in 2017-18. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £1.08m million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. This analysis may determine whether the Authority borrows additional sums at long-term fixed rates in 2017-18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2017-18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Southwark Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative

- sale and leaseback

The Authority has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be subject to a full appraisal.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt Rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £140m and £229 million. It is expected that levels will reduce significantly in the forthcoming year.

Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative Interest Rates: If the UK enters into a recession in 2017-18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and falling returns from short-term unsecured bank investments, there has been a diversification into more secure and/or higher yielding asset classes. This is a continuation of the strategy adopted in 2015-16. Money Market Funds continue to be used for day to day working cash balances. Fund managers have been appointed to assist in advising or executing elements of the strategy. As at November 2016 the councils fund managers are AllianceBernstein Ltd and Aberdeen Asset Management Ltd.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur.

Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling
- due to be repaid within 12 months of arrangement
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA-] or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital

expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

Investment Limits:

Table 2: Investment Limits

Investment limits, subject to overall constraints and minimum ratings		
	Issuer/Institution	Upper limits (percent or amount of council investment portfolio)
A	UK government	100% of all investments up to 1 year; 50% of all investments between 1 and 5.5 years
B	Foreign sovereign and supranational banks, minimum long term rating AAA/Aaa/AAA	Up to 5.5 years; £30m per issuer on portfolios up to £150m and 20% on portfolios above £150m
C	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum long term rating AA-/Aa3/AA-	Up to 5.5 years; £15m per issuer on portfolios up to £150m and 10% on portfolios above £150m
D	Banks: long term rating A-/A3/A- and short term rating F2/P-2/A-2, subject to minimum long term sovereign rating AA-/Aa3/AA-	Total £30m per issuer including: £30m up to 1 year, of which up to £20m may be in covered bonds no longer than 5.5 years
E	UK local authorities	£10m per issuer, up to 1 year.
F	Money market funds above £3,000m in holdings	£50m per fund on portfolios up to £150m and 35% per fund on portfolios above £150m
G	Short duration low volatility enhanced cash funds above £1,000m in holdings	10% per fund
H	Sterling government money market funds above £200m in holdings	10% per fund
I	Royal Bank of Scotland (NatWest) and Bank of New York Mellon (custodian)	£75m per issuer and up to three months
J	Overall portfolio: maximum above 1 year maturity 50% maximum weighted average maturity 2 years (the maturity of floating rate instruments is treated as the next interest re-set date)	

A group of banks under the same ownership will be treated as a single organisation for limit purposes.

Liquidity Management: The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Policy on Apportioning Interest to the HRA: On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk.

Investment Training: The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through regular meetings and discussions.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be two years, although the Authority is not required to link particular loans with particular items of expenditure.

Other Options Considered

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The [Chief Financial Officer], having consulted the [Cabinet Member for Finance], believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Cease using fund managers and manage all investments in house	Interest income will be lower	Increased risk of losses from credit related defaults
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain

Annex 1 – Arlingclose Economic & Interest Rate Forecast September 2016

Underlying assumptions:

- The economic trajectory for the UK has been immeasurably altered following the vote to leave the European Union. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.
- The short to medium-term outlook is somewhat more downbeat due to the uncertainty generated by the result and the forthcoming negotiations (notwithstanding the Olympic and summer feel-good effects). The rapid installation of a new Prime Minister and cabinet lessened the political uncertainty, and the government/Bank of England have been proactive in tackling the economic uncertainty.
- Purchasing Managers Index data, and consumer and business confidence surveys presented a more positive picture for August following the shock-influenced data for July, in line with expectations for an initial overreaction. However, many indicators remain at lower levels than pre-Referendum.
- Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016 and in 2017.
- UK Consumer Price Index inflation (currently 0.6% year/year) will rise close to target over the coming year as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies.
- The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policymakers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- There is a debatable benefit to further interest rate cuts (particularly with regard to financial stability). Negative Bank Rate is currently perceived by policymakers to be counterproductive, but there is a possibility of close-to-zero Bank Rate. QE will be used to limit the upward movement in bond yields.
- Following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than a few months ago. However, financial market volatility is likely at various points because the stimulus has only delayed the fallout from the build-up of public and private sector debt (particularly in developing economies, e.g. China).

Forecast:

- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.25%, but there is a 40% possibility of a drop to close to zero, with a small chance of a reduction below zero later in the forecast period.

Annex 2 – Existing Investment and Debt Portfolio Position

	30/10/16 Actual Portfolio £m	30/10/2016 Average Rate %
External Borrowing: Public Works Loan Board	457.8	5.5
Other Long Term Liabilities: PFI & Finance Leases	105.0	NA
Total Gross External Debt	562.8	NA
Investments: Fund Managers:		
Aberdeen	71.8	0.7
AllianceBernstein	72.1	0.7
Money Market Funds	42.2	0.4
Total Investments	186.1	0.6
Net Debt	376.7	NA

Annex 3 – DRAFT Prudential Indicators

BACKGROUND

1. The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.
2. **Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2016-17 Revised £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
General Fund	162	229	43	43
HRA	221	164	129	129
Total Expenditure	383	393	172	172
Capital Receipts	62	102	53	53
Government Grants	64	69	14	14
Revenue and Reserves	83	78	97	97
Borrowing	174	144	8	8
Total Financing	383	393	172	172

3. **Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.17 Revised £m	31.03.18 Estimate £m	31.03.19 Estimate £m	31.03.20 Estimate £m
General Fund	428	499	526	557
HRA	462	524	518	520
Total CFR	890	1,023	1,044	1,077

The CFR is forecast to rise by £187m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

4. **Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital

financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.17 Revised £m	31.03.18 Estimate £m	31.03.19 Estimate £m	31.03.20 Estimate £m
Borrowing	458	604	633	667
PFI liabilities	103	98	94	91
Total Debt	561	702	727	758

Total debt is expected to remain below the CFR during the forecast period.

5. **Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2016-17 Revised £m	2017-18 Estimate £m	2018-19 Estimate £m	2019-20 Estimate £m
Borrowing	780	925	950	985
Other long-term liabilities	120	115	110	105
Total Debt	900	1040	1060	1090

6. **Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2016-17 Limit £m	2017-18 Limit £m	2018-19 Limit £m	2019-20 Limit £m
Borrowing	815	960	985	1,020
Other long-term liabilities	125	120	115	110
Total Debt	940	1,080	1,100	1,130

7. **Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016-17 Revised %	2017-18 Estimate %	2018-19 Estimate %	2019-20 Estimate %
General Fund	17	17	17	17
HRA	8	8	8	8

8. **Incremental Impact of Capital Investment Decisions:** this is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed (no changes proposed within this report).

Incremental Impact of Capital Investment Decisions	2017-18 Estimate £	2018-19 Estimate £	2019-20 Estimate £
General Fund - increase in annual band D Council Tax	0	0	0
HRA - increase in average weekly rents	0	0	0

9. **Adoption of the CIPFA Treasury Management Code:** The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* and fully complies with the Codes recommendations

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

10. **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

	2017-18	2018-19	2019-20
Upper limit on fixed interest rate exposure	1,080	1,100	1,130
Upper limit on variable interest rate exposure	210	220	230

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

11. **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	0%	20%
12 months and within 24 months	0%	20%
24 months and within 5 years	0%	40%

5 years and within 10 years	0%	60%
10 years and within 20 years	0%	60%
20 years and within 30 years	0%	60%
30 years and within 40 years	0%	60%
40 years and within 50 years	0%	60%

12. **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The indicator caps maximum exposure to longer investments whilst recognising that such investments can help secure additional yield within a risk controlled framework. Since 2015-16 the overall average life of investments is limited to 2 years recent exposure has remained cautious in view of market volatility:

	2017-18 Limit	2018-19 Limit	2019-20 Limit
Upper limit on investments greater than one year	Investments greater than one year under 20%	Up to 50% of investments greater than one year	Up to 50% of investments greater than one year
	Overall average maturity 2 years	Overall average maturity 2 years	Overall average maturity 2 years

Annex 4 – Minimum Revenue Provision Policy Statement

BACKGROUND

1. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, local authorities are required to charge a minimum revenue provision (MRP) annually to its revenue account in respect of capital financing obligations arising in that year or in any prior year. Capital financing obligations represent debt or long term liabilities taken to fund capital expenditure.
2. Amendments to section 21(1(A)) of the Local Government Act 2003 and the statutory guidance on the minimum revenue provision made thereunder, recommend that councils produce a policy on making prudent MRP each year.
3. The MRP policy recommend for approval by council assembly is set out below. The policy is similar to the one approved by council assembly in February 2014 and now includes provisions permitting MRP on any one asset or expenditure to be considered on its own merits in the interest of financial flexibility.

ANNUAL MINIMUM REVENUE PROVISION STATEMENT

4. This statement covers the minimum revenue provision (MRP) that the council shall set set-aside from revenue to reduce borrowing and long term liabilities arising from capital expenditure. Additional sums to reduce the balance on capital financing obligations are also set out herein.
5. In calculating the MRP, the council shall draw on advice and options cited in the guidance on MRP issued by the Secretary of State. This statement is effective from 2015-16, the current year, and onwards, and replaces previous statements for that year. Any changes to this statement require council assembly approval.

General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008.

6. The pre-2008 debt is being paid off over 50 years on an annuity basis. 50 years is consistent with assets which include freehold land, other long-lasting assets such as infrastructure and assets benefitting from on-going investment to maintain or prolong useful life.

General Fund Self- Financed Capital Expenditure from 1 April 2008.

7. Where the capital expenditure is incurred from 1 April 2008 and on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset in accordance with “Option 3: Asset Life Method” of the guidance.
8. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the strategic director of finance and corporate services and where an asset is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is actually received, if sooner.
9. The asset life method shall also be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by virtue of either a

direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The estimated asset life for MRP purposes shall be determined in accordance with advice contained in the guidance and in other cases by the strategic director of finance and corporate services. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year.

10. In the case of finance leases, on balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability.
11. Where capital expenditure involves repayable loans or grants to third parties no MRP is required as the loan or grant is repayable.
12. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself.
13. The MRP on any one asset or expenditure can be assessed on its own merits and subsequently modified in the interest of financial flexibility.
14. The strategic director of finance and corporate services has delegated responsibility for implementing the Annual Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with regulatory and financial requirements and determine any practical interpretation issues.
15. The strategic director of finance and corporate services may make additional revenue provisions, over and above those set out above, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the General Fund.

Item No. 10.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual Audit Letter 2015-16	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the annual audit letter (Appendix 1).

BACKGROUND INFORMATION

2. The annual audit letter provides an overall summary of the external auditor's key findings from the work they have carried out for the year ended 31 March 2016. It draws on the findings and conclusions from the audit of the council and from work that has been undertaken in the last year.
3. The main issues from the audit work were reported in Grant Thornton's audit findings reports which were presented to the audit and governance committee on 14 September 2016. This letter summarises the position on the audit of financial statements and the Whole of Government Accounts submission, the assessment of arrangements to achieve value for money in the use of resources, and the current position in respect of the certification of grant claims and returns. It also considers the implications of the recently published Code of Practice on the Highways Network Asset.

KEY ISSUES FOR CONSIDERATION

4. Grant Thornton has the following key messages to report in the letter:
 - Unqualified opinions on the council's statements of accounts for the year ended 31 March 2016, issued on 26 September 2016, in line with the deadline set by the Department for Communities and Local Government
 - An unqualified conclusion in respect of arrangements for securing economy, efficiency and effectiveness, also issued on 26 September 2016
 - The council's Whole of Government Accounts (WGA) final submission was not submitted for audit until 17 October 2016 and Grant Thornton was unable to complete its work by the deadline of 21 October 2016
 - Audit of the 2015-16 housing benefit subsidy claim is in progress and the deadline of 30 November 2016 is expected to be met

- Grant Thornton is working with the council on the accounting and other implications of the Code of Practice on the Highways Network Asset and will address the audit risks in its 2016-17 audit plan
- The audit fees for both the council and the pension fund were in line with the planned fees for the year and that for grant certification work is also expected to be in line with the scale fee.

Community impact statement

5. This report and the accompanying letter from the external auditor are not considered to have a direct impact on local people and communities.

Resource implications

6. There are no direct resource implications in this report.

Consultation

7. The annual audit letter is a key document in assessing the council's progress and plans for the future. The letter will be published on the council's website in accordance with usual practice.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

8. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Audit Findings Reports 2015-16	Finance and Governance, Tooley Street, Second Floor	Jo Anson 020 7525 4308
Statement of Accounts 2015-16	Finance and Governance, Tooley Street, Second Floor	Fay Hammond 020 7525 0614

APPENDICES

No.	Title
Appendix 1	Grant Thornton annual audit letter year ended 31 March 2016

AUDIT TRAIL

Lead Officers	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jo Anson, Head of Financial and Information Governance	
Version	Final	
Dated	3 November 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		3 November 2016



The Annual Audit Letter for Southwark Council

Year ended 31 March 2016

October 2016

Paul Dossett

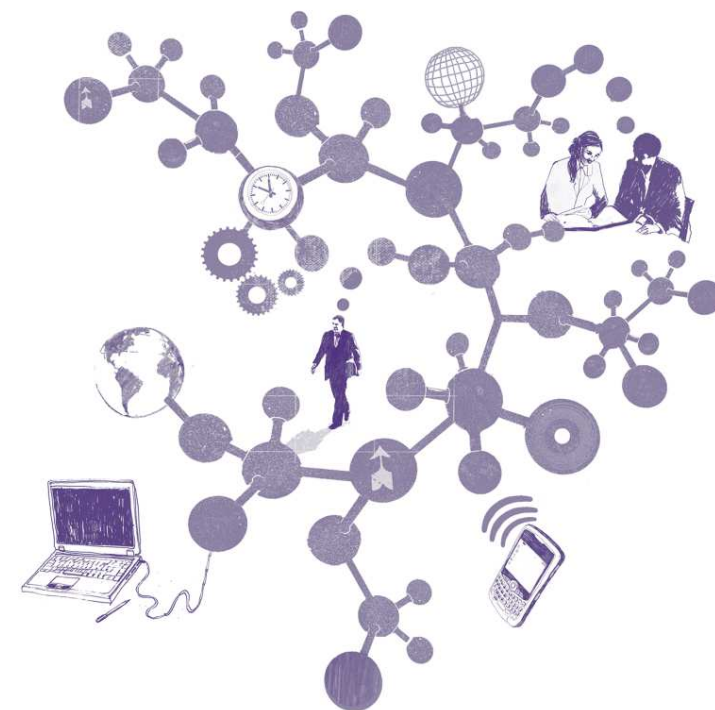
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4. Working with the Council	10

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A Reports issued and fees

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Southwark Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit, Governance and Standards Committee as those charged with governance in our Audit Findings Report on 14 September 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 26 September 2016.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 26 September 2016.

Whole of government accounts

The Council submitted its consolidation return for audit on 17 October 2016. This did not meet the deadline of 12 August for submission to HM Treasury. As a result of the late submission, we were unable to meet the deadline of 21 October for submission of the audited pack. At the time of writing, we are awaiting responses to audit queries that will enable us to complete our audit work and submit the final pack.

Certificate

We are currently unable to certify that we have completed the audit of the accounts of Southwark Council as we have not yet completed the work required under the Code on the Council's Whole of Government Accounts.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.

Other work completed

We are in the process of performing independent assurance audit work on the Teachers' Pension return and the Pooling of Housing Capital Receipts. Our work on both returns are not yet complete and will be finalised by 30 November 2016 in line with national deadlines.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2016

Audit of the accounts – Southwark Council and Pension Fund

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £18,056,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash. We set a lower threshold of £500,000, above which we reported errors to the Audit, Governance and Standards Committee in our Audit Findings Report.

Pension Fund

For the audit of the Southwark Pension Fund accounts, we determined materiality to be £8,734,000, which is 1% of the Fund's net assets. We used this benchmark as, in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts – Southwark Council and Pension Fund (continued)

These are the risks which had the greatest impact on our overall strategy for both the Council and the Pension Fund and are where we focused our work.

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Southwark Council, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Southwark Council, mean that all forms of fraud are seen as unacceptable. <p>Our audit work did not highlight any issues in respect of revenue recognition.</p>
<p>Management over-ride of controls</p> <p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to address this risk included:</p> <ul style="list-style-type: none"> • Review of entity level controls • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions <p>Our audit work did not identify any evidence of management over-ride of controls. In particular, the findings of the review of journal controls and testing of journal entries did not identify any significant issues.</p>

Audit of the accounts – Southwark Council and Pension Fund (continued)

Audit opinion

We gave an unqualified opinion on the Council's accounts on 26 September 2016, in advance of the 30 September 2016 national deadline.

The key messages arising from our audit of the Council and Pension Fund financial statements were:

- The valuation of Council dwellings at 31 March 2016 did not fully reflect the uplift in values during the period. This was as a result of a number of properties not having the uplift applied. The revaluation has been reviewed in full to ensure that all dwellings are included and this has resulted in an increase in valuation of £45,429k. The adjustment will have no impact on general fund balances, but the exact changes required are still being finalised by the Council. The Audit, Governance & Standards Committee will be updated at the meeting on 14 September.
- The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit. The draft financial statements were of a high quality and the only adjustments required were minor misclassification and disclosure amendments. We also recommended some enhancement to the narrative in the notes to improve the presentation of the financial statements. All amendments have been processed by management.

We reported the key issues from our audit of the accounts of the Council and the Pension Fund to the Council's Audit, Governance and Standards Committee on 14 September 2016.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council/Authority and with our knowledge of the Council/Authority.

Whole of government accounts

The Council submitted its consolidation return for audit on 17 October 2016. This did not meet the deadline of 12 August for submission to HM Treasury. As a result of the late submission, we were unable to meet the deadline of 21 October for submission of the audited pack. At the time of writing, we are awaiting responses to audit queries that will enable us to complete our audit work and submit the final pack.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Value for Money conclusion (continued)

Risk identified	Work carried out	Findings and conclusions
<p>The Council has a significant regeneration programme underway designed to reshape the Borough and improve community outcomes. We considered the Council's arrangements in place to monitor and report the outcomes resulting from these regeneration programmes</p>	<p>In order to understand the processes in place at the Council, we completed a high level review of two major projects:</p> <ul style="list-style-type: none"> • Canada Water (£4bn project) • Elephant & Castle (£3bn project) <p>As part of this process we attempted to understand the following:</p> <ul style="list-style-type: none"> • the background to the project • how progress is monitored • who is responsible for the monitoring • the risk management of the project 	<p>No significant issues were noted from the review of governance in place around the sampled regeneration projects.</p> <p>The Elephant & Castle project has a clearly structured monitoring process in place, primarily through the monthly operational meetings and the quarterly strategic board. Both of these are attended by senior Council officers. No issues have been noted from a high level review of the items discussed at these meetings.</p> <p>The Canada Water project is at a much earlier stage, but the plans in place clearly set out what the Council is trying to achieve with the project, alongside how this will be monitored. There is a clear identification of the importance of following the progress of the plan in order to ensure that the set objectives are being met and a monitoring framework has been established</p>
<p>As a result of the significant financial pressures facing local government, the Council has undertaken large scale restructuring and reduction of its workforce to meet these challenges to 2020 and beyond. We considered the Council's arrangements for reshaping its workforce to meet the financial, demographic, digital and cultural changes of enabling and providing public services to its diverse and ever changing communities</p>	<p>Through discussions with senior officers, we completed a review of the processes in place at the Council in order to understand the arrangements in place for reshaping the Council's workforce and arrangements that are in place to support and monitor this.</p>	<p>No significant issues have been identified from consideration of the restructuring process in place at the Council.</p> <p>The current process in place appear to be fundamentally sound, with strong HR processes in place around recruitment and retention.</p> <p>Going forward, the Council is looking to take a more strategic focus over how it restructures in order to ensure that it is going to be fit for the 21st century.</p>
<p>The Council has significant contracts in place with private sector providers to deliver a range of services taking up a growing proportion of the revenue budget. We reviewed the arrangements for monitoring these contracts and ensuring they continue to provide value for money in the context of the funding challenges facing local government.</p>	<p>In order to understand the processes in place at the Council, we completed a high level review of two major contracts:</p> <ul style="list-style-type: none"> • Capita IT contract • Keepmoat Homes contract 	<p>Based on our high-level review of the Capita contract management arrangements, overall we have found the Council has effective arrangements in place to manage the contract and monitor performance of the provider. The Council has been disappointed with the performance of Capita and is preparing to go out to market to procure a new provider.</p> <p>Based on our high level review of the Keepmoat contract management arrangements, overall we have found the Council has effective arrangements in place to manage the contract and monitor performance of the provider. The Council has been pleased with the performance of Keepmoat and their flexibility in terms of their service and response to major works being completed within cost and to the required quality standards.</p>

Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit ahead of the national deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Improved financial processes – during the year we reviewed your financial systems and processes including employee remuneration, non- pay expenditure, property plant and equipment, housing revenue account and welfare expenditure. We worked with you to streamline your processes including journals, fixed assets and made comments to improve controls over the access to scanned contracts of employment.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

Sharing our insight – we provided regular Audit, Governance and Standards Committee updates covering best practice. Areas we covered included 'Innovation in public financial management', 'Knowing the Ropes – Audit Committee; Effectiveness Review', 'Making Devolution Work', and 'Re-forging Local Government. We have also shared with you our insights on advanced closure of local authority accounts, in our publication 'Transforming the Financial Reporting of Local Authority Accounts' and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

Working with the Council (continued)

Working with you in 2016/17 - Highways Network Asset

The Code of Practice on Local Authority Accounting (the Code) requires authorities to account for Highways Network Asset (HNA) at depreciated replacement cost (DRC) from 1 April 2016. The Code sets out the key principles but also requires compliance with the requirements of the recently published Code of Practice on the Highways Network Asset (the HNA Code), which defines the assets or components that will comprise the HNA. This includes roads, footways, structures such as bridges, street lighting, street furniture and associated land. These assets should always have been recognised within Infrastructure Assets.

The Code includes transitional arrangements for the change in asset classification and the basis of measurement from depreciated historic cost (DHC) to DRC under which these assets will be separated from other infrastructure assets, which will continue to be measured at DHC.

This is expected to have a significant impact on the Council's 2016/17 accounts, both in values and levels of disclosure, and may require considerable work to establish the opening inventory and condition of the HNA as at 1 April 2016.

Under the current basis of accounting values will only have been recorded against individual assets or components acquired after the inception of capital accounting for infrastructure assets by local authorities. Authorities may therefore have to develop new accounting records to support the change in classification and valuation of the HNA.

The nature of these changes means that Finance officers will need to work closely with colleagues in the highways department and potentially also to engage other specialists to support this work.

Some of the calculations are likely to be complex and will involve the use of external models, a combination of national and locally generated rates and a number of significant estimates and assumptions.

We have been working with the Council on the accounting, financial reporting and audit assurance implications arising from these changes. We have issued two Client Briefings which we have shared with the finance team. We will issue further briefings during the coming year to update the Council on key developments and emerging issues.

This significant accounting development is likely to be a significant risk for our 2016/17 audit, so we have already had some preliminary discussions with the Council to assess the progress it is making in this respect.

We will continue to liaise closely with the senior finance team during 2016/17 on this important accounting development, with timely feedback on any emerging issues.

The audit risks associated with this new development and the work we plan to carry out to address them will be reflected in our 2016/17 audit plan.

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit.

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of the Council	237,296	237,296	316,394
Statutory audit of the Pension Fund	21,000	21,000	21,000
Housing Benefit Grant Certification (i)	17,717	TBC	24,047
Total fees (excluding VAT)	276,013	TBC	361,441

(i) Certification of grant claims and returns is on-going, so this remains a work in progress at the date of this letter. Based on the work completed to date, we expect our fees to be in line with the scale fee above. Confirmation of the final fee will be included within the separate Certification Report later in the year

Fees for other services

Service	Fees £
Audit related services:	
• Teachers Pensions Return (15/16 claim)	TBC
• Pooling of Housing Capital Receipts (1516 claim)	TBC
Non-audit services	
• Investors in People accreditation	28,660
• Analysis of accounts of comparable authorities to provide benchmark data	10,000
• CFO Insights	10,000
• Financial Resilience – Capacity Building Programme	8,750

Reports issued

Report	Date issued
Audit Plan	February 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016
Certification Report	Will be issued in December 2016



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Item No: 11.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Progress report on the implementation of external audit recommendations	
Wards or Groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note progress and actions for implementing the external auditors' recommendations.

KEY ISSUES FOR CONSIDERATION

2. At its meeting on 14 September 2016 the committee received a report from Grant Thornton, the council's external auditors, on their audit findings which made one recommendation. This report provides a response to that recommendation.

Community impact statement

3. This report and the accompanying action plan are not considered to have a direct impact on local people and communities.

Resource implications

4. There are no direct resource implications in this report.

Consultation

5. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

6. None required.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Audit findings report 2015-16	Constitutional Team, Southwark Council 160 Tooley Street London SE1 2QH	Victoria Foreman 020 7525 5485

APPENDICES

No.	Title
Appendix A	2015-16 Annual findings report action plan

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Director of Finance	
Report Author	Fay Hammond, Departmental Financial Manager Finance and Governance	
Version	Final	
Version Date	4 November 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Final Report Sent to Constitutional Team		7 November 2016

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Recommendation	Recommendation Priority	Management response	Implementation date & responsibility
The Council should ensure that a system is in place to enable access to scanned copies of all employment contracts.	Medium	<p>Agreed</p> <p>The recommendation relates to an on-going IT access problem with retrieving a number of historical records that have been scanned on to the councils SAP HR module.</p> <p>The issue has been escalated with our IT provider CAPITA and we await resolution.</p>	<p>January 2017</p> <p>Steven Parker Executive HR Manager</p>

Item No. 12.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Progress report on the work of the internal audit and anti-fraud teams for the period 1 July 2016 to 17 October 2016	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note the progress report on the work of the internal audit and anti-fraud teams for the period 1 July 2016 to 17 October 2016.

BACKGROUND INFORMATION

2. The progress reports summarise the work undertaken by the anti-fraud and internal audit teams to date relating to on-going anti-fraud initiatives and investigations and the results of internal audit work where final reports have been issued.

Member questions

3. In response to the minutes from previous meetings:
4. The head of anti-fraud and internal audit was asked by the committee to look at risks around redundancy and contingency planning in light of retrospective contract decisions seen by the committee. This will be considered and discussed as part of the 2017-18 planning process.
5. The head of anti-fraud and internal audit was asked to examine the process around a Gateway 1, essential parts of the contracts process for the school's programme. This matter will be considered as part of the annual audit of regeneration projects, which is due to be undertaken in quarter four of the 2006-17.

Internal audit

6. The following section sets out the internal audit assurance for the reports finalised in the period 1 July 2016 to 17 October 2016. The definitions of the assurance levels that have been awarded depending on the audit findings, associated risk and consequently the number of high, medium and low recommendations are as follows:

Assurance level	Opinion
Red	Taking account of the issues identified, the council cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed. (This is a negative opinion)

Assurance level	Opinion
Amber / Red	Taking account of the issues identified, whilst the council can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed. (This is a positive opinion)
Amber / Green	Taking account of the issues identified, the council can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising. (This is a positive opinion)
Green	Taking account of the issues identified, the council can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. (This is a positive opinion)

7. The priorities of the recommendations made are:

Priority	Description
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
Low	There is scope for enhancing control or improving efficiency and quality.
Suggestion	These are not formal recommendations that affect our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Summary

8. The following table sets out the areas of work where reports have been finalised and the assurance levels achieved for the period:

Audit area	Red	Amber / Red	Amber / Green	Green	Totals
Corporate audits	0	0	1	0	1
Departmental audits	0	5	3	0	8
IT audits	1	0	0	0	1
Key financial systems	0	0	1	0	1
Thematic reviews	0	0	0	0	0
Totals	1	5	5	0	11

9. The progress made in the implementation of the recommendations is monitored through the internal audit follow-up process and is reported to the audit, governance and standards committee.

Individual reports completed from 1 July 2016 to 17 October 2016

Corporate audits

Fees and charges

10. Overall the controls in place in respect of the annual fees and charges process were found to be suitably designed. However areas of non-compliance were identified from sample testing undertaken. Two medium recommendations were raised to improve the controls over the communication of approved fees via all mediums and the accuracy in the application of fees approved by cabinet to service users. Low recommendations were made in relation to minor weaknesses in the design of existing controls. Management agreed to implement all of the recommendations by April 2017; therefore internal audit will carry out a follow up in May 2017.

Report issued:	Recommendations:			Assurance level:
1 September 2016	High: 0	Medium: 2	Low: 6	Amber/Green

Departmental audits

Control framework compliance - income management - parking

11. A sound set of controls is in place with regards to the processing of parking fines and that overall is being complied with. More risk is present in the collection and handling of the physical cash income and two medium recommendations were made to address the need for more frequent ticket roll inspections to ensure that a record of cash collected is available, and the lack of segregation of duties during the counting of cash collected. Six low recommendations were made for minor compliance and to strengthen the existing controls. Management agreed to implement the audit recommendations by the end of September 2016 therefore a follow up is underway.

Report issued:	Recommendations:			Assurance level:
21 July 2016	High: 0	Medium: 2	Low: 6	Amber/Green

Control framework compliance - income management - pest control

12. The audit identified a number of weaknesses in the control framework with regards to income collection and management, and non-compliance with a number of controls that should have been in place. A high recommendation was made to identify the need for an overall control framework review relating to income management. This is in order to mitigate the potential risk of financial loss and irregularity, particularly to address the current lack of reconciliations from expected income, monies actually collected and then subsequently processed for banking. Medium recommendations were made in respect of a lack of adequate controls over requests for services, income collection and banking. Low recommendations were made to reflect the need for more formalised procedures regarding income collection and banking, and for the creation of action plans to investigate variances from budgeted spend. Management implemented a number of the recommendations immediately following the issuing of the draft report and the remaining by the end of August, therefore a follow up is underway.

Report issued:	Recommendations:			Assurance level:
1 August 2016	High: 1	Medium: 8	Low: 5	Amber/Red

Learning disability payments

13. The audit identified a general lack of compliance with the standard procedures around the uploading of relevant documents to the care management systems. A significant number of documents were missing or unavailable to review at the time of the audit. Consequently internal audit could not in all cases confirm that the support plans were current, had been subject to appropriate approval and that accurate payment for services were being made. A high recommendation was made in respect of the need to upload and retain support plans and panel approval for all users within the learning disabilities programme. Two medium recommendations were made in respect of the uploading of all financial assessments and the need to carry out six week reviews and to ensure that they are clearly evidenced. Three low recommendations were made in respect of minor compliance and control issues. Management agreed to implement all of the recommendations by the end of September 2016 therefore internal audit will carry out a follow up in October 2016.

Report issued:	Recommendations:			Assurance level:
18 August 2016	High: 1	Medium: 2	Low: 3	Amber/Red

Commercial property portfolio

14. The audit confirmed that there is a clear strategy in respect of the development and maintenance of the council's commercial property strategy with critical success factors agreed, written lease agreements are in place and appropriate monitoring of income due is being undertaken. Four medium recommendations were made to enhance controls to monitor the delivery of the asset management plan, the absence of disaster recovery testing, and a lack of segregation of duties over amendments to records and reconciliations undertaken with regards to the primary system used (Manhattan). Low recommendations were made to address minor non-compliance and administrative issues. Management have agreed to implement all recommendations except one low, which is due for implementation in March 2017, by the end of November 2016. Internal audit will carry out a follow up in December 2016.

Report issued:	Recommendations:			Assurance level:
15 September 2016	High: 0	Medium: 4	Low: 6	Amber/Green

Control framework compliance - income management – cemeteries and crematoria

15. The control framework in place is generally adequate with regards to the identification and invoicing of income due from services relating to cemetery and crematoria. The key finding from the audit was that there had been a small number of incidences of the incorrect application of fees and charges approved by cabinet in 2015-16 and 2016-17 due to an administrative error. This has now been rectified for 2016-17. The one high recommendation related to this issue. Three low recommendations were also made to address minor compliance and administrative issues. Since August 2016 cash and cheques are no longer collected by cemeteries and crematoria due to the implementation of an online payments system, therefore the risks relating to cash handling have been mitigated. Management have agreed to implement all recommendations by the end of March 2017 therefore a follow up will be carried out in April 2017.

Report issued:	Recommendations:			Assurance level:
23 September 2016	High: 1	Medium: 0	Low: 3	Amber/Red

Housing solutions services

16. This audit considered four services within the housing solutions service: direct housing payments; homelessness reviews; fraud and validation; and private rented sector and assistance. The audit identified that the control framework across the four services required strengthening to ensure a consistency of approach and effective monitoring, review and action with regards to decisions made. A number of areas of non-compliance with the controls were identified: a need for improved document retention and increased centralised overview to support decisions made and the need to restrict access to information. Eight recommendations across the four teams were made to address these issues. One overarching medium recommendation was also raised relating to the introduction of a framework to ensure consistency for recording, investigating, authorising actions and security over investigation data within the fraud and validation team. Some of the issues identified though the audit are already being addressed through the use of the council's InCase system. Low recommendations were raised to address minor compliance and procedural issues, a need for increased communications and a lack of clear delegated responsibility in management absence. Since the time of the internal audit fieldwork management advised that a number of the recommendations have already been implemented to reduce the risks identified through the audit. A formal follow up is to be undertaken in December 2016 to verify the implementation of the recommendations.

Report issued:	Recommendations:			Assurance level:
23 September 2016	High: 0	Medium: 9	Low: 12	Amber/Red

Regulatory business unit - trading standards, food safety and health and safety

17. The controls in place were generally found to be adequate although more routine and consistent compliance with those controls is required across the three services, including the need for formal discussion and action plans to address monthly targets not being achieved and the updating of the system in a timelier manner. Three medium recommendations were made in respect of these areas. For the Health and Safety

service, a further medium recommendation was made in respect of the need for evidence to support the completion of category A inspections. Low recommendations were made to further improve the design of existing controls and address minor lapses in compliance with existing controls. Management has agreed to implement all of the recommendations by the end of January 2017 therefore a follow up will be carried out in February 2017.

Report issued:	Recommendations:			Assurance level:
23 September 2016	High: 0	Medium: 4	Low: 4	Amber/Green

Planning applications

18. An established process is in place with clarity of roles and responsibilities and information required to support the progression of pre-planning applications and planning applications. However, the control framework needs to be improved to ensure the completeness of planning performance agreements, communication and agreement of fees, and amount of work required, prior to the commencement of work by the council's officers. There is also a need for the retention of budget monitoring information with detailed explanatory notes for large variances. We made five medium recommendations to address these issues. In addition, low recommendations were made to address the need for formalised procedures relating to the collection of fees, inadequate separation of duties and the need to identify fees held in suspense accounts. There was also a lack of consistency and compliance regarding the retention and location of documents. At the time that the final report was issued, management advised that a number of recommendations had already been implemented or were in progress. A follow up audit will be carried out in December 2016.

Report issued:	Recommendations:			Assurance level:
5 October 2016	High: 0	Medium: 5	Low: 7	Amber/Red

IT audits

IT improvement programme (priority work programme) – key applications

19. Although some applications are well managed, a number of themes were identified regarding general IT control gaps. We made one high recommendation due to the absence of ICT department expectations of business owners/system owners or standards for systems operation; there is not an approved framework in place to ensure the availability and security of all applications considered by the audit. This has led to a lack of formal processes for granting, modifying and terminating user access for the business systems reviewed, periodic user access reviews and approved backup arrangements and schedules that satisfy business recovery expectations. In addition the council's disaster recovery arrangements do not include the applications in the sample tested in this audit. We made two medium recommendations due to the absence of an information system asset register and to address weaknesses in the council's leaver's process. Management agreed to implement all of the recommendations by the end of November 2016 therefore a follow up will be carried out in December 2016.

Report issued:	Recommendations:			Assurance level:
9 August 2016	High: 1	Medium: 2	Low: 1	Red

Key financial systems

National non-domestic rates

20. The NNDR team has well-established procedures in place that support compliance with the control framework. Two medium recommendations were raised relating to the review and authorisation of evaluation forms by management, and clearance of the suspense account on a routine and regular basis. The timeliness of the suspense clearing has been raised previously by internal audit. Low recommendations were made for minor weaknesses in the design of existing controls. Management has agreed to implement all of the recommendations by the end of September 2016, therefore a follow up audit will be carried out in October 2016. Overall, controls in place were found to be suitably designed and consistently applied.

Report issued:	Recommendations:			Assurance level:
10 August 2016	High: 0	Medium: 2	Low: 4	Amber/Green

Follow up work

Summary

21. Since our last report to committee we have followed up 38 recommendations. Of these: 23 (61%) had been fully implemented, 5 (13%) were in progress and 11 (26%) had not been implemented.
22. Where recommendations have not been implemented at the time of the initial follow-up review revised implementation dates are agreed with management and a further follow up review is scheduled.
23. Three high recommendations have been followed up since the last report to the committee. Of these, one had been fully implemented and two had not been implemented within revised timeframes and were ongoing, as summarised below:

Audit	Recommendation	Date Due	Status
2014/15 internal audit plan – data management (children’s services)	Staff should be reminded that sensitive and confidential information should not be left unattended and should be stored in the appropriate cupboard at the end of the working day. Reminders could take the form of: team meetings, practical workshops to identify areas of non-compliance and solutions, more posters in kitchens, around vending machines and in meeting rooms, publicity around the implication of data breaches, to the council and for individuals. Internal audit was informed that the delay in the implementation of actions agreed has been due to a change in responsibility for the implementation of these recommendations. The implementation will now be raised at management meetings and data security issues incorporated into staff members’ work plans.	Ongoing (originally to be reviewed in September 2015)	Ongoing A further follow up is underway

Audit	Recommendation	Date Due	Status
2014/15 internal audit plan – multi-disciplinary safeguarding hub	A membership application form should only be processed and access granted to the MAISy system once the form has been completed correctly and the appropriate signatures are present. Internal audit sample testing has identified instances of non-compliance with this control.	Ongoing (as at the first follow up in April 2016)	Ongoing A further follow up is underway

24. We will continue to report all instances where high level recommendations have not been implemented by their due dates. If the implementation date is exceeded by more than three months, this will be reported to the committee.

Key performance indicators

25. The following table identifies the key performance indicators which are used to monitor the contractor and the service's performance for the current contract, which ends on 30 November 2016:

	Target	Actual
The agreed 60% of the audit plan to be completed to draft by the end of the November. The completion of the plan is to the satisfaction of the Authorised Officer and in line with the specification.	60%	To be reported to the next meeting. RSM is on target to meet this KPI.

26. To date, other than changes to the original timing of some audits to accommodate circumstances such as changes in legislation or management, there have been no changes to the approved internal audit plan.

27. The total internal audit plan to be completed by 31 March 2017 is summarised below:

Area	Original audit plan	Added	Cancelled
Corporate audits	2	0	0
Thematic reviews	2	0	0
Departmental audits	33	0	0
Key financial systems	7	0	0
IT audits	3	0	0
Schools	25	0	0
Totals	72	0	0

Anti-fraud

28. This section of the report provides an annual review of the anti-fraud work conducted between 1 April 2016 and 30 September 2016.
29. The anti-fraud team work is split in to two categories:
- Reactive work, which is the response to reports and allegations of fraud
 - Proactive work, which includes initiatives to identify fraud and to prevent fraud.
30. The anti-fraud work is conducted by two anti-fraud teams, who are:
- Anti-fraud services, which investigates all cases involving the council's employees, agents, contractors, anyone else conducting business for or with the council, and members of the public. There are multiple types of fraud this could include, some of which are theft, council tax fraud, significant financial fraud, procurement fraud, grant fraud, national non-domestic rates fraud or evasion, false documents, identities and applications, and immigration offences.
 - The special investigation team, which investigates housing tenancy fraud in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, and right to buy.

Reactive anti-fraud work

31. The number of referrals received through the council's website, fraud email, fraud hotline and by letter for the two anti-fraud teams between 1 April 2016 and 30 September 2016 has been 398.
32. Table 1 below shows the number of cases that have resulted in a successful sanction for each of the two anti-fraud teams from 1 April 2016 to 30 September 2016.

Anti-Fraud Team	Number of Sanctions 2016-17	Equivalent Number of Sanctions 2015-16
Anti-fraud services	12	9
Special investigations team	30*	34
Total	42	43

Table 1 – Sanctions for period 1 April 2016 to 30 September 2016

*Housing management has recovered an additional 50 properties, and the special investigations team has undertaken an additional 8 preventative actions, which can include a right to buy being stopped or a tenancy succession claim being cancelled, for example.

Operation Strike

33. On 14 October a former member of staff was sentenced to three years imprisonment, and two co-conspirators were each sentenced to 16 months imprisonment. This related to NNDR, and was identified by the service and promptly referred to the anti-fraud team.
34. Controls and processes have been reviewed by internal audit and measures have been put in place to prevent this from occurring in the future.

Proceeds of Crime Act

35. The Proceeds of Crime Act 2002 (POCA) provides for the confiscation or civil recovery of the proceeds from crime and contains the principal money laundering legislation in the UK. This work acts as an important deterrent to show that crime against the council does not pay.
36. Between 1 April 2016 and 30 September 2016, successful work in this area, which has included Operation Bronze, has resulted in the courts recognising that those we have prosecuted have benefited from their criminal conduct to the value of £204,184. This is an increase of 74% on the same period during 2015-16. A total of £56,006 has also been received from the proceeds of crime work for the year to date from available assets.

Proactive anti-fraud work

Operation Bronze

37. One of Southwark council's biggest fraud investigations, Operation Bronze, has ended with the successful prosecution of three further defendants linked to Trudy Ali-Balogun, a former council employee recently jailed for four years, for processing fraudulent housing applications.
38. Theresa Okondunjokanm, Florence Allen and Raphael Djeugam were all in receipt of council homes obtained using fraudulent documentation processed by Trudy Ali-Balogun. All three were found guilty of obtaining services by deception (Theft Act 1978) at Woolwich Crown Court.
39. Ms Okondunjokanma was also sentenced to 18 months imprisonment; this included a first for the council, as Ms Okondunjokanma was also sentenced for illegally subletting a secured tenancy under the Prevention of Social Housing Fraud Act 2013. The new law was introduced by the government to give local authorities greater powers to tackle housing fraud.
40. Florence Allen and Mr Raphael Djeugam were ordered to serve 15 months and two years respectively in prison for their crimes.
41. Operation Bronze has resulted in 38 convictions and the recovery of 43 properties.

National Fraud Initiative (NFI)

42. Data for the 2016-17 biennial NFI cycle has been submitted to the Cabinet Office. The results are expected to be released late January 2017 and will be reported to committee in due course.

London Counter Fraud Hub (LCFH)

43. The LCFH is a pan-London data exchange to ensure local authorities are making maximum use of their own records to fight fraud such as procurement deception, council tax evasion and illegal council housing tenancy sub-lets.
44. The hub matches local authority data with records held throughout the capital to prevent fraud and identify losses for investigation and recovery.
45. The Chartered Institute of Public Finance and Accountancy (CIPFA) has been appointed to provide data analytics for the LCFH after a procurement originated and led by Ealing Council.
46. The hub has received a Department for Communities and Local Government grant and the contract with CIPFA will operate on a payment-by-results basis
47. Southwark is one of five authorities selected to take part in the initial pilot phase, which will include data matching for false claims for single persons discount, business rates and tenancy subletting.
48. This work should complement the NFI as it is planned to be run monthly.

Policy implications

49. This report is not considered to have direct policy implications.

Community impact statement

50. This report is not considered to have direct impact on local people and communities.

Resource implications

51. This report is not considered to have direct impact on resource implications.

Consultation

52. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

53. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Grant Thornton Annual audit letter year ended 31 March 2016

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Mike Pinder, Head of Anti-Fraud and Internal Audit	
Version	Final	
Dated	4 November 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Finance and Governance	No	No
Director of Law and Democracy	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	4 November 2016	

Item No. 13.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Appointment of local auditor	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee recommend to council assembly the option of opting in to the authorised national scheme for the appointment of external auditors through the sector-led body, Public Sector Audit Appointments (PSAA).

BACKGROUND INFORMATION

2. The council is currently audited by Grant Thornton under a contract let by the Audit Commission in 2012. Following closure of the Audit Commission under the Local Audit and Accountability Act 2014, transitional arrangements were put in place. These include the management of the current audit contract by Public Sector Audit Appointments Ltd (PSAA), an independent not for profit company limited by guarantee and established by the Local Government Association. These arrangements will come to an end on 31 March 2018.
3. Under the Local Audit and Accountability Act 2014, the council is required to have its accounts audited by an auditor appointed in accordance with the Act. The Act makes local authorities responsible for appointing their own local auditors.
4. The Local Audit (Appointing Person) Regulations 2015 require these appointments to have been made by 31 December in the year preceding the year of audit. As 2018-19 is the first year of the new arrangements, the council needs to have appointed an auditor by 31 December 2017.

KEY ISSUES FOR CONSIDERATION

5. The 2014 Act allows local authorities to either opt in to the appointing regime or to establish an auditor panel (either alone or with other local authorities) and conduct their own procurement exercise.
6. PSAA has been specified by the Secretary of State as an appointing person under the 2015 Regulations which means that they are able to make auditor appointments for audits of the accounts from 2018-19 for principal local authorities which choose to opt in to its arrangements.
7. PSAA are currently consulting on their procurement strategy but have confirmed that their key objective is to secure high quality audit services at the most competitive prices. Their approach is being informed by the lessons learned from

the procurements undertaken by the Audit Commission that resulted in the current contracts.

8. These contracts were negotiated nationally and covered both the NHS and local government bodies. Maximum economies of scale meant that significant reductions in fees were achieved. Although the PSAA's remit does not include the NHS, there are nonetheless over 490 principal local authorities that are eligible to opt in and it is therefore likely that PSAA is well placed to be able to maximise value for local authorities.
9. Firms wishing to undertake external audit must be registered one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB) and the quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register.
10. Authorities which do not opt in to the appointing person regime will need to carry out a procurement exercise, once they have established an auditor panel. Even if a number of authorities set up a joint auditor panel, the process is likely to be more resource intensive and the opportunity to bid for a series of smaller contracts may be less attractive to potential bidders.
11. Although it is not possible to quantify audit fees at this stage, it is highly unlikely that the council, whether acting alone or with a small number of partner authorities, would be able to achieve the economies of scale of a comparable level to those likely to be achieved through a large-scale procurement such as that which PSAA is able to undertake.
12. It is therefore recommended that the council opt in to the appointing person arrangements to be made by PSAA. Further information about PSAA and their proposed scheme is set out in their prospectus and Frequently Asked Questions document, attached at appendix 1 and 2. PSAA have advised councils that the closing date to give notice to PSAA of their acceptance of the invitation to opt in to the appointing regime is 9 March 2017.
13. The audit, governance and standards committee's terms of reference include "To have oversight over the appointment of the external auditor". However, as Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that the decision to opt in must be taken by the council assembly, the audit, governance and standards committee is asked to make the recommendation above to council assembly. The meeting of council assembly on 30 November 2016 is the last ordinary meeting of council assembly before the date by which notification has to be sent to PSAA.

Community impact statement

14. This report is not considered to have a direct impact on local people and communities.

Resource implications

15. There are no direct resource implications in this report. It is anticipated that fees in the future will be manageable within existing revenue resources, although this will be kept under review.

Consultation

16. There has been no public consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

17. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
PSAA prospectus	http://www.psaa.co.uk/wp-content/uploads/2016/08/PSAA-A5-web-portrait-August-2016.pdf	Jo Anson 020 7525 4308
PSAA – Appointing person: frequently asked questions	http://www.psaa.co.uk/wp-content/uploads/2016/11/Appointing-person-FAQs-updated-27-October-2016.pdf	Jo Anson 020 7525 4308

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officers	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jo Anson, Head of Financial and Information Governance	
Version	Final	
Dated	3 November 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	3 November 2016	

Item No. 14.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit Governance and Standards Committee
Report title:		Whistleblowing complaints and outcomes	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the audit, governance and standards committee notes the report.

BACKGROUND INFORMATION

2. This report provides details of the whistleblowing referrals received by the council between October 2015 and September 2016 and an update on the nature and outcomes of referrals received in the past. When considering the whistleblowing report for 2014-15 at its meeting on 11 November 2015, the committee requested that information regarding the approach of other local authorities when reporting on whistleblowing be included in a future report. This is considered below.
3. This report has taken a generic definition of whistleblowing to include not only those referrals from staff (and subject to the Public Interest Disclosure Act 1998 which provides protection for staff and others when making whistleblowing disclosures) but also from members of the public and councillors. The council also includes “whistleblowing” where the source is anonymous. An update of the council’s whistleblowing policy was commenced in 2015 with a revised policy being agreed in 2016. This updated policy is on the Source.
4. What constitutes a whistleblowing issue is defined in the policy:
 - That a crime has been committed, is being committed, or is likely to be committed
 - That a person has failed, is failing, or is likely to fail to comply with any legal obligation to which he is subject
 - That a miscarriage of justice has occurred, is occurring, or is likely to occur
 - That the health and safety of an individual has been, is being, or is likely to be endangered
 - That the environment has been, is being or likely to be damaged
 - That information tending to show any of the above matters has been concealed or is likely to be deliberately concealed.
5. Most local authorities receive a small number of referrals, and Southwark is no exception. Work undertaken a couple of years ago to increase awareness of the policy amongst staff has not resulted in a marked increase in referrals.

6. To maintain the credibility of the policy it is necessary to restrict the amount of information made available in this report. It is important for the council to avoid the possible identification of the whistleblower and/or jeopardising any ongoing investigations.

KEY ISSUES FOR CONSIDERATION

7. When cases are first received, they are assessed to see if they should be investigated as whistleblowing cases, or more properly dealt with under other procedures. These include:
- Cases which should be dealt with under the council's fraud response plan
 - Cases which are more properly HR matters
 - Cases which are not the council's responsibility and should be referred to external bodies.
8. The referrals received in each period and the results of the initial assessment are shown in the table below:

Period from	Period to	Total Referrals in period	Fraud response plan	HR	External bodies	Whistle-blowing
01/10/2011	30/09/2012	8	7	0	0	1
01/10/2012	30/09/2013	6	3	0	0	3
01/10/2013	30/09/2014	7	1	1	1	4
01/10/2014	30/09/2015	11	5	1	0	5
01/10/2015	30/09/2016	11	1	4	2	4

9. It can be seen that a total of 17 cases have been received since October 2011 which are properly considered 'whistleblowing' cases.
10. The referrals for these cases were received from the following sources:

Period from	Period to	In year cases	Employee	Member	Public	Anonymous
01/10/2011	30/09/2012	1	0	0	0	1
01/10/2012	30/09/2013	3	1	0	1	1
01/10/2013	30/09/2014	4	0	0	0	4
01/10/2014	30/09/2015	5	2	0	1	2
01/10/2015	30/09/2016	4	2	0	1	1

11. The referrals were in respect of the following services:

Period from	Period to	Children & Adults	CEx	E&L	F&CS	Housing	Voluntary Sector
01/10/2011	30/09/2012	1					
01/10/2012	30/09/2013	1	1		1		
01/10/2013	30/09/2014	1				2	1
01/10/2014	30/09/2015	2	1	2			
01/10/2015	30/09/2016	3		1			

12. The referrals related to the following themes:

Period from	Period to	Child Protection	Safe-guarding	Contracts	H&S	Other	Employment
01/10/2011	30/09/2012	1					
01/10/2012	30/09/2013		1	1			1
01/10/2013	30/09/2014		2	2			
01/10/2014	30/09/2015	1	1		1	1	1
01/10/2015	30/09/2016	1				3 ¹	

13. The outcomes of the investigations are shown in the table below:

Period from	Period to	Whistle-blowing cases	Nothing wrong	Dept. for action	Recategorised as a non-whistleblowing matter	Outstanding at the end of the period
01/10/2011	30/09/2012	1	0	1	0	0
01/10/2012	30/09/2013	3	3 ²	0	0	1
01/10/2013	30/09/2014	4	4 ³	0	0	1
01/10/2014	30/09/2015	5	2 ⁴	2 ⁵	1 ⁶	3
01/10/2015	30/09/2016	4	0	0	0	4

14. All the whistleblowing cases received this year continue to be investigated.

15. The investigations into the three cases that were outstanding at the end of September 2015 have now been completed. In one case the complainant subsequently requested that it be dealt with as an HR issue rather than under the whistleblowing policy. The conclusion of another was that no further formal action needed to be taken. In the third case, most of the complaints raised by the whistleblower were upheld by the investigator who recommended a range of actions including training and a revision of processes. The complaint was made by an agency social worker in relation to working practices in the child protection team in which she was engaged.

16. The committee will see that there are a small number of whistleblowing complaints each year and very few have resulted in further action being taken.

How other local authorities report whistleblowing

17. Following a review of the details of whistleblowing reporting processes in all inner London boroughs by looking at their websites, the following points have emerged:

- In all except two of the boroughs, monitoring of the whistleblowing policy is within the terms of reference of each council's audit committee (or equivalent name). In Wandsworth it is dealt with by the general purposes committee and in Lewisham by its standards committee.

¹ Two of these related to grant funding and one to a highways team.

² Including 1 outstanding as at 30/09/2013

³ Including 2 outstanding as at 30/09/2014

⁴ Including 1 outstanding as at 30/09/2015

⁵ Including 1 outstanding as at 30/09/2015

⁶ Outstanding as at 30/09/2015

- Two boroughs have regular reports to their audit committees that specifically relate to whistleblowing. Lewisham's most recent report was in May 2015 and this related to referrals since April 2013. In Islington the audit committee considers a report every six months which is dealt with in private as exempt information.
 - Seven boroughs include reference to whistleblowing complaints in other more broadly based reports to their audit committee or equivalent. The details are included in an annual anti-fraud report or in a regular audit update report.
 - In two boroughs there was no clear evidence of recent reports to any committee on whistleblowing complaints.
 - The amount of detail included in the reports varied considerably. Camden last reported on its whistleblowing complaints as part of the annual counter-fraud report considered by its audit and corporate governance committee in June this year. Each allegation was described and the outcome provided or details of the ongoing investigation. Hackney's annual anti-fraud report set out the nature of whistleblowing referrals made and which departments they related to, and additionally indicated the different routes by which referrals were made. The Lewisham report set out some details of the complaints, investigations and outcomes where matters had been completed. In Hammersmith and Fulham's report no details were provided of the one case reported.
 - The different reports also demonstrated a range of the numbers of whistleblowing referrals made. At one end of the spectrum two boroughs stated they had had no referrals at all in 2015-16. At the other end Camden received 17 referrals in the same period.
18. Having considered the way other boroughs present this information the monitoring officer does not consider there is any need to change the way these matters are reported.

Policy implications

19. As stated in its whistleblowing policy, the council is committed to achieving the highest possible standards of service and ethical standards in public life. The policy enables council employees and others to raise concerns about services, contracts or other matters and this report also refers to other avenues through which members of the public can raise issues.
20. The policy also supports the council's Fairer Future principles of treating residents as if they are a valued member of the family, being open, honest and accountable, and spending money as if it were from our own pocket.

Community impact statement

21. This report is not considered to contain proposals that would have a significant impact on any particular community or group.

Resource implications

22. There are no direct resource implications in this report.

Consultation

23. There has been no consultation on this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Whistle blowing policy http://www.southwark.gov.uk/info/100004/council_and_democracy/3327/whistleblowing	Legal Services, Southwark Council, 160 Tooley Street, London SE1 2QH	Norman Coombe 020 7525 7678 Allan Wells 020 7525 2130

APPENDICES

No.	Title
None.	

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy	
Report Author	Norman Coombe, Head of Corporate Team, Legal Services Allan Wells, Governance Lawyer, Legal Services	
Version	Final	
Dated	20 October 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		31 October 2016

Item No. 15.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Review of arrangements for dealing with standards allegations under the Localism Act 2011	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATIONS

1. That the committee note the issues outlined in this report.
2. That the committee agree the amendments to the arrangements for dealing with standards allegations under the Localism Act 2011 contained in Appendix A.

BACKGROUND INFORMATION

3. The Localism Act 2011 (“the Act”) provides the framework for dealing with allegations concerning the conduct of members.
4. The Act requires local authorities to have arrangements to investigate allegations and make decisions on them. The arrangements have been in place since 1 July 2012 and officers have regularly reviewed their working and consider minor amendments when required.
5. Following the meeting of the standards committee on 24 April 2013 further amendments were made to deal with concerns raised by members. These amendments were agreed by the standards committee on 11 June 2013.
6. With the formation of the audit, governance and standards committee has meant other changes are required.

KEY ISSUES FOR CONSIDERATION

7. The proposed changes are shown in Appendix A.
8. In addition officers are proposing no amendments to the code of conduct; however officers would value member’s comments particularly concerning interests other than disclosable pecuniary interests. The current code of conduct is shown in Appendix B.

Community impact statement

9. Clear arrangements concerning the accountability of members are very important promoting high standards of conduct. In addition it is important in aiding the decision-making process and helping to boost public confidence in the council. These arrangements ensure that members of the public are aware of the process in place to ensure that high standards of conduct are maintained within the council.

Resource implications

10. Maintaining a standards committee and undertaking investigations do have cost implications; however these can be maintained within current budgets. A report detailing the number of complaints for 2015/16 and the cost of investigating those complaints will be brought to the audit, governance and standards committee in February 2017.

Legal implications

11. The specific legal implications relating to this report have been included in the report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The Constitution http://www.southwark.gov.uk/YourCouncil/HowTheCouncilWorks/councilconstitution.html	Constitutional Team Southwark Council 2nd Floor, PO Box 64529, London SE1P 5LX	Constitutional Team 020 7525 5485
The Localism Act 2011	Legal Services Southwark Council 2nd Floor, PO Box 64529, London SE1P 5LX	Norman Coombe 020 7525 7678

APPENDICES

No.	Title
Appendix A	Proposed amendments to arrangements
Appendix B	Member code of conduct

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy	
Report Author	Norman Coombe, Head of Corporate Team	
Version	Final	
Dated	1 November 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team		28 October 2016

ARRANGEMENTS FOR DEALING WITH STANDARDS ALLEGATIONS UNDER THE LOCALISM ACT 2011

General rules

1. These arrangements set out how this authority will deal with a complaint that an elected or co-opted member of this authority has failed to comply with the authority's Code of Conduct.
2. Under section 26 of the Localism Act 2011, the authority must have in place arrangements under which allegation's that a member or co-opted member of the authority, or of a committee or sub-committee of the authority, has failed to comply with the authority's Code of Conduct can be investigated and decisions made on such allegations.

Code of Conduct

3. The authority has adopted a Code of Conduct for elected and co-opted members.

Role of the Monitoring Officer

4. The Monitoring Officer is the officer of the authority who has statutory responsibility for maintaining the register of members' interests and who is responsible for administering the system in respect of complaints of member misconduct.

Procedure for the Initial assessment

5. Complaints should be in writing and addressed to the Monitoring Officer. However, an oral complaint will be accepted where the complainant is unable to write due to a physical or mental disability or there is a language barrier. Where an oral complaint is received it will be transcribed and read back to the complainant ~~over the phone~~ and sent to them for their approval. Anonymous complaints will only be referred for assessment if they include documentary evidence or photographic evidence indicating an exceptionally serious or significant matter.
6. All complaints received will be logged and acknowledged, normally within 5 working days. The subject member will usually be informed that a complaint has been received against him/her unless this will not be in the public interest or it would prejudice the future investigation of the complaint.
7. The Monitoring Officer will review every complaint and, after consultation with the independent person and, where appropriate, the whips of the members groups, decide on what action to take.

8. Where the **mMonitoring eOfficer** requires additional information in order to come to a decision they may ask the person making the allegations for further information and may request information from the member who is the subject of the allegation and any other persons the **mMonitoring eOfficer** considers appropriate.

After the initial assessment

9. The **mMonitoring eOfficer** may decide that no further action with regard to the allegation is appropriate. The **mMonitoring eOfficer** will in this case send out a decision notice to the person making the allegation. The decision notice should summarise the allegation, give the decision of the **mMonitoring eOfficer** and the reasons for their decision. The **mMonitoring eOfficer** should aim to send out their decision notice within 10 working days of the allegation being received.
10. If the **mMonitoring eOfficer** decides that a complaint warrants formal investigation the **mMonitoring eOfficer** will appoint an investigating officer. The **mMonitoring eOfficer** will in this case send out a decision notice to the person making the allegations, the member who is the subject of the allegation and any other persons the **mMonitoring eOfficer** considers appropriate. The decision notice should summarise the allegation, give the decision of the **mMonitoring eOfficer** and the reasons for their decision. The **mMonitoring eOfficer** should aim to send out their decision notice within 10 working days of the allegation being received.
11. If the complaint identifies criminal conduct or breach of other regulations by any person, the **mMonitoring eOfficer** has the power to call in the **Ppolice** or other regulatory agencies.
12. In appropriate cases the **mMonitoring eOfficer** may seek to resolve the complaint informally, without the need **efor** formal investigation. Such informal resolution may involve the member accepting their conduct was unacceptable and offering an apology, or other remedial action by the authority. The **mMonitoring eOfficer** will in this case send out a decision notice to the person making the allegation(s), the member who is the subject of the allegation and any other persons the **mMonitoring eOfficer** considers appropriate. The decision notice should summarise the allegation, give the decision of the **mMonitoring eOfficer** and the reasons for their decision. The **mMonitoring eOfficer** should aim to send out their decision notice within 10 working days of the allegation being received.
13. If the **mMonitoring eOfficer** embarks on the course of informal resolution at this stage, it should be emphasised to the parties concerned that no finding has been made on whether the subject member has failed to comply with the Code of Conduct.
14. Other examples of alternatives to investigations are:
 - Arranging for the subject member to attend a training course.
 - Arranging for the subject member and complainant to engage in a process of conciliation.
 - Instituting changes to the procedures of the authority if they have given rise to the complaint.

How **formal** investigations will be conducted

15. The **m**Monitoring **e**Officer may appoint an investigating officer who could be:-
 - A senior officer of the authority
 - An officer from another local authority with a reciprocal agreement with Southwark Council to undertake each other's conduct investigations.
 - Any other senior person, who is not an elected or former member of this authority, with the relevant experience to conduct an investigation.
16. The **m**Monitoring **e**Officer shall inform the following persons below that the matter has been referred for investigation:
 - The member who is the subject of the allegation.
 - Any person who made the allegation that gave rise to the referral
 - Where appropriate, any other authority concerned.
17. The investigating officer can make enquires of any person and ask any person to give such information including documentary evidence or explanation as he or she thinks necessary.
18. The investigating officer can ask any other authority concerned to provide such advice and assistance as may reasonably **be** needed to assist in the investigation.
19. The investigating officer may ask any of the authorities concerned to afford reasonable access to such documents in the possession of that authority as appear to the investigation officer to be necessary for the purpose of conducting the investigation.
20. The investigating officer will give the subject member an opportunity to comment on the allegation.
21. The investigating officer will prepare a report, including their findings, **and this report produced** within 3 months of the complaint being initially assessed.

The report

22. The report should show appropriate input from relevant persons and clearly state whether the investigating officer considers that there has been a breach of the code and which obligations of the Code of Conduct **have** been breached.
23. The investigating officer will send, in confidence, a draft copy of the report to the member who was the subject of the allegation and to the person who made the allegation to give them both the opportunity to **identify** any matters within the report they disagree with or which they consider **requires** more consideration.
24. The investigating officer will receive any comments and having taken them into account produce the final report. The investigating officer will send their final report to the **m**Monitoring **e**Officer.

Where the investigating officer concludes there is no evidence of a failure to comply with the Code of Conduct

25. The **mMonitoring eOfficer** will review the investigating officer's report and if they are satisfied that the investigating officer's report is sufficient the **mMonitoring eOfficer** will notify the person making the allegation, the member who is the subject of the allegation and any other persons the **mMonitoring eOfficer** considers appropriate that they are satisfied that no further action is required.
26. If the **mMonitoring eOfficer** is not satisfied that the investigation has been conducted properly, they may ask the investigating officer to reconsider their report.

Where the investigating officer concludes there is evidence of a failure to comply with the Code of Conduct

27. The **mMonitoring eOfficer** will review the investigating officer's report and if they are satisfied that the investigating officer's report is sufficient the **mMonitoring eOfficer** will either send the matter for hearing before the conduct sub-committee of the **Aaudit, Ggovernance and Sstandards Ccommittee** ("the conduct sub-committee") or, after consulting with the independent person, seek local resolution.

Local Resolution

28. The **mMonitoring eOfficer** may consider that the matter can reasonably be resolved without the need for a hearing. In such a case they will consult with the independent person and also consult with the person making the allegation and seek to agree a fair resolution.
29. Such resolution may involve the member accepting their conduct was unacceptable and offering an apology, and/or other remedial actions by the authority.
30. Other examples of other remedial actions are:
 - Arranging for the subject member to attend a training course.
 - Arranging for the subject member and complainant to engage in a process of conciliation.
 - Instituting changes to the procedures of the authority if they have given rise to the complaint.
31. If the member complies with the suggested resolution, the **mMonitoring eOfficer** will report the matter to the conduct sub-committee for information, but will take no further action.

Hearing

32. If the **mMonitoring eOfficer** considers local resolution is not appropriate, or the member concerned is not prepared to undertake any proposed remedial action, the **mMonitoring eOfficer** will report the investigating officer's report to the conduct sub-committee which will conduct a hearing before deciding

whether the member has failed to comply with the Code of Conduct and if so, whether to take any action in respect of the member.

33. The [Monitoring Officer](#) will send a copy of the final report to the member who is the subject of the allegation, the person who made the allegation and any other persons the [Monitoring Officer](#) considers appropriate.
34. The hearing would normally be heard within three months of the date on which the investigating officer's report is completed but not less than 14 [DAYSdays](#) after the [Monitoring Officer](#) sends the report to the subject member.

Pre-hearing process

35. The [Monitoring Officer](#) will conduct a pre-hearing process, requiring the member who is the subject of the allegation(s) to give his/her response to the investigating officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the hearing; as well as what evidence is agreed and which witnesses are needed to give evidence.
36. The subject member may choose to present evidence and make representations either orally, or in writing and either personally or by counsel or solicitor or, with the consent of the conduct sub-committee, by any other representative.
37. In the event of any dispute, the chair of the conduct sub-committee will consider relevant representations and may issue directions as to the manner in which the hearing will be conducted.
38. The [Monitoring Officer](#) will produce a pre-hearing summary and will send a copy of [thispre-hearing-summary](#) to the member who is the subject of the allegation, the investigating officer and any other persons the [Monitoring Officer](#) considers appropriate.

The conduct sub-committee

39. The conduct sub-committee, will decide, on a balance of probabilities, whether the allegation(s) is or are upheld. It will do so by considering the investigating officer's report and any representations by investigating officer or their representative and the written or oral representations made by the subject member, any evidence given and any other relevant issues.
40. The conduct sub-committee meeting will be open to the public and the press. However, the public and press may be excluded for those parts of the meeting where confidential or exempt information under Schedule 12A of the Local Government Act 1972 as amended is disclosed.

Procedure at the Hearing

41. The initial order of business at the meeting will be as follows:
 - establishing whether the conduct sub-committee is quorate;
 - introductions;

- the chair will explain how the hearing will be conducted;
- If a member, having given notice of attendance, fails to attend the hearing, the conduct sub-committee may make a determination in their absence if satisfied that there is insufficient reason for such failure or adjourn to another date where there is sufficient reason to warrant an adjournment
- consideration of any procedural issues and, in particular, any representations from the Monitoring Officer and/or the subject member as to reasons why the conduct sub-committee should exclude the press and public for any part of the meeting and determination as to whether to exclude the press and public.

Presentation by the investigating officer

42. The investigating officer will present the evidence which is relevant to the matter and may call any witnesses, including the complainant to substantiate any matter(s) contained in the report.
43. The subject member or his/her representative may ask questions of the investigating officer and of any witnesses.
44. The conduct sub-committee may ask questions of the investigating officer and of any witnesses.

Presentation by the subject member

45. The subject member or his/her representative will then have the opportunity to make representations and to present the evidence which is relevant to the matter. The subject member or his/her representative may call any other witnesses to give evidence.
46. The investigating officer may ask questions of the subject member and of any witnesses.
47. The conduct sub-committee may ask questions of the subject member or any witness.

Views of Independent Person

48. The conduct sub-committee will ask for the views of the Independent Person.
49. The investigating officer may ask questions of the Independent Person.
50. The subject member or his/her representative may ask questions of the Independent Person.

Closing Statements

51. The investigating officer will be given the opportunity to sum up.
52. The subject member or his/her representative will be given the opportunity to sum up.

Consideration by the hearing committee/sub-committee

53. The conduct sub-committee may adjourn to consider in private all the evidence and its decision. The conduct sub-committee's legal adviser (who will be a different legal officer from the investigating officer) and committee clerk will retire with them to provide legal advice or advice regarding the evidence/submissions.
54. At any stage in the consideration of the matter the hearing sub-committee may return to ask further questions of the investigating officer or subject member or to seek further information.

Decision by the hearing committee/sub-committee

55. The chair of the conduct sub-committee will state the decision of the conduct sub-committee as to whether the subject member has failed to comply with the Code of Conduct.

Where the hearing sub-committee finds the subject member to be in breach

56. The investigating officer will be given the opportunity to comment on the most appropriate sanction.
57. The subject member or his/her representative will be given the opportunity to comment on the most appropriate sanction and put forward any mitigating circumstances.
58. The conduct sub-committee will ask for the views of the Independent Person on the most appropriate sanction.
59. The conduct sub-committee may adjourn to consider in private the appropriate sanction. The chair of the conduct sub-committee will state the decision of the conduct sub-committee as to any sanction.
60. Where the conduct sub-committee finds the subject member to be in breach of the Code of Conduct, the possible sanctions or a combination of sanctions available to it are as follows:
- a) censure or reprimand the member;
 - b) recommend that Ccouncil Aassembly censure or reprimand the member;
 - c) recommend to that the member's group leader that he/she be removed from any or all committees;
 - d) Rrecommending to the Leader of the Ccouncil that the member be removed from the Ccabinet, or removed from particular Pportfolio responsibilities;
 - e) Instructing the Monitoring Officer to arrange training for the member;
 - f) Rremovaling from all outside appointments to which he/she has been appointed or nominated by the authority
 - g) Withdrawing facilities provided to the member by the Ccouncil, such as a computer, website and/or email and Internet access; or

- h) ~~E~~excludeing the member from the ~~C~~council's offices or other premises, with the exception of meeting rooms as necessary for attending ~~C~~council, ~~C~~council and ~~S~~sub-~~C~~council meetings.

Notification of findings

61. The ~~m~~Monitoring ~~e~~Officer, in consultation with chair of the conduct sub-committee shall prepare a formal decision notice and send a copy to the following persons below that the matter has been referred for investigation:
- The member who is the subject of the allegation.
 - Any person who made the allegation that gave rise to the hearing
 - Where appropriate, any other authority concerned.
62. The ~~m~~Monitoring ~~e~~Officer, in consultation with chair of the conduct sub-committee will draw up a summary of the full written decision.
63. Where the conduct sub-committee determines that there has not been a breach of the Code of Conduct, the summary will state that the conduct sub-committee found that the subject member had not failed to comply with the Code of Conduct and will give its reasons for reaching that finding; and, providing the subject member agrees, will arrange for a summary of the full written decision to be published on the council's website and in at least one local newspaper.
64. Where the conduct sub-committee determines that there has been a failure to comply with the Code of Conduct but no action is required, the summary will:
- (i) state that the conduct sub- committee found that the subject member had failed to comply with the Code of Conduct but that no action needs to be taken in respect of that failure;
 - (ii) specify the details of the failure; and
 - (iii) give reasons for the decision reached.
65. Where the committee determines that there has been a failure to comply with the Code of Conduct and that a sanction should be imposed, the summary will:
- (i) state that the panel found that the ~~M~~member had failed to comply with the Code of Conduct;
 - (ii) specify the details of the failure;
 - (iii) give reasons for the decision reached, and
 - (iv) specify the sanction imposed.
66. Where the conduct sub-committee determines that there has been a failure to comply with the Code of Conduct the ~~m~~Monitoring ~~e~~Officer will arrange for a summary of the full written decision to be published on the council's website and in at least one local newspaper.

Multiple and vexatious complaints

Multiple complaints

67. Where a number of complaints from different complainants about the same matter are received the conduct sub-committee may consider the complaints at the same meeting.
68. If this is the case, the investigating officer should be asked to present one report and recommendation that draws together all the relevant information highlighting any differences or contradictions. It should be noted however, that the conduct sub-committee must reach a separate decision for each complaint and follow the notification procedure on each one.

Vexatious complaints

69. The authority must consider every complaint that they receive in relation to the Code of Conduct on its own merits. However, if the complaint is vexatious it will not be considered.
70. Vexatious and persistent complaints may be identified through the following patterns of behaviour:
 - repeated complaints making the same or broadly similar, complaints against the same member/s about the same alleged incident.
 - use or aggressive or repetitive language of an obsessive nature.
 - repeated complaints that disclose no potential breach of the Code.
 - where there seems to be an ulterior motive for the complaint/s.
 - where a complainant refuses to let the matter rest once the complaint process has been exhausted (including the review stage)

Confidentiality

77. Where a complainant wishes their identity to be withheld, the [assessmentconduct](#) sub committee can decide to do so. In reaching that decision it will need to have regard to the following:
 - whether there is a risk of physical harm to the complainant if their identity is disclosed
 - where the complainant works closely with the subject member and [is](#) afraid of the consequences to their employment
 - where the complainant suffers a serious health condition and there is a medical risk associated [with](#) the disclosure of their identity. In such cases the committee may wish to obtain medical evidence in respect of [this](#).

Complaints about members of more than one authority

78. If a complaint is made about a dual-hatted member the **m**Monitoring **e**Officer should check whether a similar allegation has been made to the other authority on which the member serves and a decision on which authority should deal with the particular matter must be taken by the conduct sub-committee following discussions.
79. The provisions of the **C**ouncil's Code of Conduct apply and members will need to declare any interests in respect of the complaint at any meeting. When members' availability is sought they will be provided with the name of the complainant and subject member and other relevant information to determine whether there are any interests. A reserve system will be used as backup.

CODE OF CONDUCT

Part 1

As a member or co-opted member of Southwark Council I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

The act further provides for registration and disclosure of interests and in Southwark Council this is outlined in Part 2 of this document.

Members are required to register these interests within 28 days of their election and keep the register up to date by notifying any changes within 28 days to the monitoring officer.

As a member of Southwark Council, my conduct will in particular address the statutory principles of the code of conduct by:

1. Championing the needs of residents – the whole community and in a special way my constituents, including those who did not vote for me - and putting their interests first.

2. Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
3. Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the Southwark Council or the good governance of the authority in a proper manner.
4. Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.
5. Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.
6. Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.
7. Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it
8. Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the authority's resources.
9. Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
10. Always treating people with respect, including the organisations and public I engage with and those I work alongside.
11. Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.
12. Assist in any investigation concerning possible breach of this code.

Part 2

Interests

This part explains the requirements of the act and of the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 in relation to disclosable pecuniary interests. These are enforced by criminal sanction and not by the standards committee.

Notification of disclosable pecuniary interests

Within 28 days of becoming a member or co-opted member, the member must notify the monitoring officer of any 'disclosable pecuniary interests'.

What is a 'disclosable pecuniary interest' is detailed in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

A 'disclosable pecuniary interest' is an interest of the member or their partner (which means spouse or civil partner, a person with whom the member is living as husband or wife, or a person with whom the member is living as if they are civil partners).

Register of interests

Any interests notified to the monitoring officer will be included in the register of interests. A copy of the register will be available for public inspection and will be published on the council's website.

Item No. 16.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Review of Member and Officer Protocol and Communications Protocol	
Ward(s) or groups affected:		All	
From:		Director of Law and Democracy	

RECOMMENDATION

1. That the committee note the report.

BACKGROUND INFORMATION

2. The member and officer protocol and communication protocol were introduced in May 2004.
3. The audit, governance and standards committee have a role of advising the council on the revision of these protocols. Any changes to the protocols will be further considered by the constitutional steering panel and agreed by council assembly.

KEY ISSUES FOR CONSIDERATION

Member and officer protocol

4. The member and officer protocol states, at paragraph 5, that the audit, governance and standards committee and the monitoring officer will jointly keep the protocol under review and make recommendations for changes as appropriate. Review will take place in time for an updated version to be circulated annually after annual council with the new constitution, to all members and officers.
5. The monitoring officer has considered the protocol and at this time is not recommending any changes.
6. A copy of the protocol is attached as Appendix A.

Communications protocol

7. Changes to this protocol concerning greater guidance for members on social media will be presented to council assembly on 30 November 2016. These changes were prompted by the last meeting of the former standards committee.
8. A copy of the communications protocol is attached as Appendix B.

Community impact statement

9. Good relationships between members and officers are very important in aiding the decision-making process and helping to boost public confidence in the council. A protocol that defines each party's responsibilities creates certainty, which in turn leads to better decision-making and a more satisfied customer.

Legal implications

10. There are no specific legal implications on this report.

Resource implications

11. Any resource implications will be contained within existing budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
The council's constitution	Constitutional Team 2nd floor, PO Box 64529 London SE1P 5LX	Victoria Foreman 020 7525 5485
Code of recommended practice on local authority publicity	Legal Services 2nd floor PO Box 64529 London SE1P 5LX	Norman Coombe 020 7525 7678

APPENDICES

No.	Title
Appendix A	Member and officer protocol
Appendix B	Communication protocol

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Democracy	
Report Author	Norman Coombe, Head of Corporate Team	
Version	Final	
Dated	13 October 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	13 October 2016	

MEMBER AND OFFICER PROTOCOL

Role and purpose

1. The purpose of this protocol is to set down principles and procedures, which have been jointly agreed by officers and members to guide their joint working in the public interest. The protocol supplements and interprets, but does not supplant:
 - statutory provisions, the code of conduct for members and other codes and guidance
 - the other provisions of the council's own adopted constitution and especially the rules of procedure
 - the disciplinary codes which regulate the conduct of officers, details of which can be found on the council's intranet at:
<http://thesource/SectionLandingPage.asp?id=2089>.
2. It contains interpretation and guidance on some of the issues which commonly arise. It cannot cover every matter which will arise in council life but it reflects an approach and sets standards which will serve as a guide to dealing with other issues. It is intended to guide new members and officers and explain to them what they can expect of each other. It also explains what to do when things go wrong.
3. This protocol also applies to voting non-elected members of committees and also to consultants and agency staff working for the council, to whom a copy should be supplied. With regard to associates from partnership organisations, where their organisation has no code of conduct, it is expected they will abide by the principles of Southwark's code and this protocol.
4. Members appointed to outside bodies or partnership organisations as representatives of Southwark Council need to be aware that the code of conduct for members will apply to these appointments. However, members are advised to be aware that other conduct arrangements of the outside body are likely to exist. In those circumstances, members should comply with both sets of conduct arrangements, unless the code of conduct for members conflicts with the lawful obligations of the outside body. Further assistance is given in the *guidance for councillors on membership of outside bodies* issued by the monitoring officer.

Review

5. The standards committee and the monitoring officer will jointly keep the protocol under review and make recommendations for changes as appropriate. Review will take place in time for an updated version to be circulated annually after annual council with the new constitution, to all members and officers.

Definition of the role of officers and members

6. Both councillors and officers are servants of the public and they are indispensable to one another but their responsibilities are distinct.

Members

7. Councillors are responsible to the electorate and serve only so long as their term of office lasts. All councillors have responsibilities to determine the policy of the council, monitor its performance, represent the council externally and act as advocates on behalf of their constituents. Cabinet members, chair and vice-chairs of scrutiny and other committees may also have additional responsibilities. However, all councillors have the same rights and obligations in their relationship with officers and should be treated equally.

Officers

8. Officers are responsible to the council. Their job is to give full and impartial advice to councillors and the council, and to carry out the council's work under the direction and control of the council, its cabinet, committees and sub-committees. Within these guidelines all officers should endeavour to give every assistance to members carrying out their various roles. Officers have a duty to keep members of all political groups fully informed about developments of significance in relation to council activities.

Member officer relations

9. One of the key issues addressed by the member and officer protocol is the question of member officer relations. Mutual trust and respect should be the key aim of both members and officers, as it is essential for good local government.

Obtaining or granting favours

10. The member code of conduct emphasises the need for members to avoid behaviour which could be viewed as conferring an advantage or disadvantage on an officer. Members should not seek personal favours from officers. Officers should not be tempted to give favours to please a councillor. An example of favour seeking would be asking whether a councillor's parking ticket could be withdrawn or whether an application for a service could be expedited. Similarly officers should not seek to circumvent agreed staff consultative procedures by lobbying councillors on matters which directly concern them as employees.

Member involvement in officer issues

11. Issues relating to the appointment, management and dismissal of most officers are reserved by law to the chief executive and officers appointed by him/her. Member involvement in employment issues generally, including where they relate to senior officers is set out in the Local Authorities (Standing Orders) (England) Regulations 2001 and within the council's constitution.
12. Where an employee is also a constituent it may be proper for the member to make written/oral representations to the relevant chief officer, or disciplinary hearing, but the member should not take a proactive part representing or in any

other way advocating on behalf of any such employee in any disciplinary procedures brought by the council against the employee.

Personal familiarity

13. Personal familiarity between members and officers can undermine public confidence in the council. It is acknowledged that some close relationships will inevitably develop, particularly when officers and cabinet members or chairs of committees work closely together. It is important that close relationships between members and officers are openly declared and should never be allowed to become so close, or appear to be so close as to bring into question the officer's ability to deal impartially with other members and other party groups, nor to undermine public trust and confidence in the council. Where possible members and officers who have close personal relationships should try to avoid coming into contact on projects and in the day-to-day business of the council.

Courtesy

14. Members and officers should be courteous to each other at all times even if they disagree strongly with each others' views.

Bullying

15. Members and officers must not bully any person. Bullying may be characterised as offensive, intimidating, malicious, insulting or humiliating behaviour. Such behaviour may happen once or be part of a pattern of behaviour directed at a weaker person or person whom the member or officer has some actual or perceived influence over.
16. Bad relations between members and officers can be equally destructive to good governance. Members may from time to time become frustrated by what they regard as unacceptable or incompetent officer behaviour. It is self-evident that sometimes these feelings may be entirely justified although sometimes there may be a legitimate reason why member expectations cannot be met, e.g. because of a council policy or a legal requirement such as confidentiality.
17. However, members should take up their concerns through the procedure described in this document (paragraph 82 onward), rather than through public criticism. They should bear in mind that officers are instructed not to "answer back" in public. Attacking an officer's conduct in public can constitute bullying, as can undue pressure brought by either officers or members in private.

Lines of contact between members and officers

18. It must be remembered that officers within a department are accountable to their chief officer. Chief officers through their senior management are responsible for the allocation of work to, and the prioritising of work by, their staff.
19. Members should direct enquiries to staff through senior management, or if the matter is routine at least keep a senior manager informed by copying the manager in on correspondence or emails.

20. Officers should not leave confidential or sensitive information visible on their workstation or in other areas and should lock them away if they have to leave that area for any reason.
21. Where members and officers share an office building particular care needs to be taken to maintain appropriate lines of contact. Members and officers are reminded that within an open plan environment office certain standards are expected to be maintained. In particular meetings should not be held at workstations, members and officers should use the meeting facilities provided and sensitive or confidential issues should not be discussed in the open plan environment. Further details of the standards can be found on the intranet.
22. Officers should always seek to assist members but in so doing they must not go beyond the bounds of whatever authority they have been given by their chief officer under the scheme of management.

Registration of disclosable pecuniary interests

Notification of disclosable pecuniary interests

23. Within 28 days of becoming a member or co-opted member, the member must notify the monitoring officer of any 'disclosable pecuniary interests'.
24. What is a 'disclosable pecuniary interest' is detailed in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. The monitoring officer has provided guidance and will give advice should members require it.
25. A 'disclosable pecuniary interest' is an interest of the member or their partner (which means spouse or civil partner, a person with whom the member is living as husband or wife, or a person with whom the member is living as if they are civil partners).

Register of interests

26. Any interests notified to the monitoring officer will be included in the register of interests. A copy of the register will be available for public inspection and will be published on the council's website.

Sensitive interests

27. Where the member considers that disclosure of the details of a disclosable pecuniary interest entered in the register could lead to the member, or a person connected with the member, being subject to violence or intimidation, and the monitoring officer agrees, then copies of the register that are made available for inspection and any published version of the register will not include details of the interest, but may state that the member has a disclosable pecuniary interest, the details of which are withheld under Section 32 of the Localism Act 2011.

Disclosable pecuniary interest in matters considered at meetings

28. If the member is present at a meeting of the council assembly, or any committee, sub-committee, joint committee or joint sub-committee of the council, or any meeting of the cabinet or a committee of the cabinet, and they

are aware they have a disclosable pecuniary interest in any matter to be considered or being considered at the meeting,

- They may not participate in any discussion of the matter at the meeting
 - They may not participate in any vote taken on the matter at the meeting
 - If the interest is not registered, the member must disclose the interest to the meeting
 - If the interest is not registered and is not the subject of a pending notification, the member must notify the monitoring officer of the interest within 28 days.
29. Members who have a disclosable pecuniary interest in any matter to be considered or being considered at any meeting or by an individual cabinet member must not seek improperly to influence a decision about that business.
30. Where a cabinet member may discharge a function alone and becomes aware of a disclosable pecuniary interest in a matter being dealt with or to be dealt with by her/him, the cabinet member must notify the monitoring officer of the interest within 28 days and must not take any steps or further steps in the matter.

Dispensations

31. The monitoring officer may grant any member a dispensation, but only in limited circumstances, to enable the member to participate and vote on a matter in which the member has a disclosable pecuniary interest.

Gifts and hospitality

32. Members should not compromise their position by accepting any gifts or hospitality which may give the impression that they might be, or might be thought by others to have been, influenced in making an important decision as a consequence.
33. Member must register any gifts or hospitality given to them or to their partner (as defined in paragraph 25) if given to them directly worth £50 or over. A copy of the register will be available for public inspection and will be published on the council's website.
34. Members must also register what the gift is, the donor (the person, company or body) of the gift or hospitality; the date of the gift, and the value. Members only have to register gifts that are received in connection with their official duties as a member. Members do not have to register other gifts and hospitality, such as birthday gifts from family.

Visits to offices by members

35. In relation to visits to front-line services by members, members (except when accessing services as a resident of the borough) should always advise the relevant chief officers in advance of such visits. If the visit is of a statutory inspection nature other procedures apply.

36. Making an agreed time to meet with an officer is a better way of working than arriving at an officer's desk. Managers will have agreed work priorities with staff.
37. Members are advised that they carry some personal responsibilities to ensure health and safety standards are maintained at all times while on council premises and also for their private guests. Members are advised that their private guests also have personal responsibilities regarding health and safety.

Reports

38. Officers' reports should contain clear, evidence-based advice as to why a course of action is being recommended. From time to time corporate advice is given to officers on report writing and they should take care to follow it. The report should lay out all relevant factors for the decision maker, and examine all alternatives in an even handed way. Officers should take care to include even unpopular options if they feel they are relevant.
39. Members can refuse to agree recommendations and table amendments to any recommendations. The member should be clear about the reasons for making alternative recommendations, and any amendments or recommendations proposed at a meeting should have a clear and rational basis, which is accessible to the public.
40. With cabinet reports the report writer should consult with the relevant cabinet member(s). That member is able to write his or her report in addition to the report submitted by the chief officer.
41. Where there is disagreement about the right course of action, it is always best practice for this to be open with both opinions available for discussion. Sometimes, in the course of preparing reports, these disagreements can be reconciled. However, it is always poor practice to bring pressure to bear on officers unwilling to amend their professional judgement, and in some cases this could be construed as bullying.
42. In relation to action between meetings, it is important to remember that the law only allows for decisions (relating to the discharge of any of the council's functions) to be taken by the cabinet, a cabinet member, a committee, a sub-committee or an officer. It is however both legal and good practice for cabinet members individually and as a whole, and chairs of committees to be briefed by officers in advance of meetings and also to meet to plan agendas for meetings.

Officer advice to party groups

43. There is a statutory recognition for party groups and it is common for such groups to give preliminary consideration to matters of council business in advance of such matters being considered by the relevant decision making body. The opposition groups may seek support to enable them to function as an effective opposition on the bodies on which they sit.
44. Officers may properly be called upon to support and contribute to such deliberations by party groups, provided they maintain a stance which is politically impartial. Officers should be required to give information and advice to political groups on matters relating to the council's functions only and not on matters which are primarily issues of party politics or political strategy. It is

important that the political neutrality of officers is preserved. When engaging council officers at group meetings, party members should seek to avoid involving them in any political debate. With the exception of political assistants, officers should not attend, or be invited to attend, any political group meeting which includes non-council members.

45. Attendance at group meetings should normally be restricted to chief officers. If other officers are required this should be organised by the chief officer.
46. These briefings are confidential, to allow the free expression of views, and officers must be careful to maintain confidentiality. However, any written report supplied to a party political group must be accessible to members of other parties.

Support services for members

47. The role of officers is to assist members in discharging their role as members of the council for council business and in their role as advocates for local communities. Officers should not be used in connection with party political campaigning or for private purposes, and this includes the support offered by political assistants.
48. Council resources (e.g. stationery and photocopying) may only be used for council business or when they are directly required for any office to which the member has been elected or appointed by the council.
49. Support to members is a resource, which is subject to the same budget pressures as any other. Given its importance to how effective members can be, it is essential that its allocation is agreed to be fair and in proportion to the duties of all groups of members.
50. Direct support and administrative help is provided by member services. Information technology support and training responsibilities are shared between a number of sections but are co-ordinated through the member services section. From time to time training and guidelines on the proper and effective use of council supplied IT resources will be issued. Requests for further assistance or clarification should be referred in the first instance to the proper constitutional officer.
51. Use of council resources includes the use of council owned facilities. Outside of council meetings, political groups represented on the council may use meeting rooms at 160 Tooley Street for private meetings of their group which will include ordinary group meetings and training sessions under the standard room booking arrangements. The council's offices at Queens Road are also available for these purposes. Other council owned function rooms can be hired under the council's normal conditions of charging for other types of meetings.
52. During the published normal business hours, elected members may also book meeting rooms at Tooley Street and Queens Road via member services for meetings with constituents. Any meeting outside of normal hours, or that attract special facilities or security requirements, will be chargeable. Members should discuss these matters in the first instance with member services. This facility is subject to availability and the normal booking constraints of rooms, including the priority given to official council and committee meetings and does not

extend to open and public meetings as these require risk assessment and proper arrangements to be in place.

53. Where an officer is present at a meeting involving members, the officer should always lead on making the room booking arrangements.

Member development programme

54. The council runs a member development scheme which is coordinated through the organisational development team. The scheme reflects the obligation on all parts of the council to ensure that all members are able to achieve their full potential in the position to which they have been elected. When this is achieved it benefits the council as a whole and the people of the borough but it also improves the mutual understanding of members and officers.
55. Further advice on support for members can be obtained from member services.

Use of Information Technology

56. Where a member is using or accessing the council's resources, s/he must act in accordance with the council's requirements and ensure such resources are not used for any unauthorised or political purpose. This includes information technology (IT) resources; the term 'IT', means computers and any systems used to create, store, print or exchange information electronically. Similarly 'computer' means an electronic device used for storing and processing information, such as desktop and notebook computers (laptops) and hand held devices (such as BlackBerrys).
57. Members must not use any computer equipment and systems supplied by the council to conduct any business activity other than for their role as a councillor.

Using and caring for equipment

58. Members have a personal responsibility for any IT equipment supplied to them by the council and should take all reasonable steps to ensure that this equipment is kept safe and in good working order. Members should report any loss/theft to member services, but should note that only one issue and one upgrade will be paid for by the council in any 4-year term of office. Members should report any technical problems, lack of service etc. to the council's contractor.
59. Members are advised to consider adding council issued equipment to their home insurance arrangements. Members will be able to claim any additional related premium from the council.
60. A restricted level of personal use of the equipment is permitted provided it does not constitute misuse as detailed in the communication protocol. Members will need to:
1. reimburse the council for any personal use of equipment that incurs a cost to the council or;
 2. confirm that all costs were associated with official council business.

Members will also be responsible for any use of equipment, authorised by them or not (unless reported lost or stolen), and hence any associated costs.

61. Members are reminded that details of expenses paid on their behalf are published on the Southwark website.
62. IT equipment supplied to members remains the property of the council and must be returned when their period of office ends. In addition, members may be asked to return the equipment for servicing.

Political assistants

63. The Local Government and Housing Act 1989 gives councils a power to appoint political assistants to qualifying political groups. Southwark Council currently employs political assistants to the two largest groups. Political assistants are council officers who are employed to assist members of a political group, "in the discharge of any of their functions as members of a relevant authority". Unlike other officer appointments, the political affiliations and preferences of the political group for whom the assistant is hired can be taken into account in the selection process. They provide a useful means of broadening the base of advice to members.
64. The act also restricts the work that political assistants can do. A political assistant's role is to provide assistance to members in carrying out their duties as members of the authority, and not in any additional political, or other, activity. For example, political assistants are not employed to work on election campaigns. Political assistants hold politically restricted posts under the Local Government and Housing Act 1989, and therefore also face restrictions on their personal political activity.

Members' access to information and council documents and data information

65. Members often require access to information to carry out their work in decision making, scrutiny, and representing their constituents. Officers should always process such requests promptly. They are required to ensure that the information required can be released. In some cases they will need to consult their managers or third parties who may hold the information, which may cause some delay.
66. The process for obtaining information is set out in the access to information rules in the council's constitution. Advice on the legal framework can be obtained from the monitoring officer.
67. The common law right of members is based on the principle that any member has a prima facie right to inspect council documents so far as his/her access to the documents is reasonably necessary to enable the member properly to perform their duties as a member of the council. This principle is commonly referred to as the "need to know" principle and it is well established that a member has no right to "a roving commission" to go and examine documents of the council. The crucial question is the determination of the "need to know" and this question must initially be determined by the particular chief officer whose department holds the document in question (with advice from the monitoring officer).
68. In some circumstances (e.g. a cabinet or scrutiny committee/sub-committee member wishing to inspect documents relating to the functions of their portfolio/committee/sub-committee) a member's "need to know" will normally be

presumed, and also where the member is representing a constituent within his ward, although in these cases there may be legal reasons restricting the information that can be produced. In other circumstances (e.g. a member wishing to inspect documents which contain personal information about third parties) a member will normally be expected to justify the request in specific terms in writing.

69. Guidance on holding and processing data to comply with the Data Protection Act can be found on the Source (the council's intranet). Registration is coordinated by member services, but members should be aware that they are personally responsible under the act, and should take care to follow any guidance issued.

Confidentiality

70. Sometimes information will be supplied in confidence and paragraph 4 of the Southwark Council's code of conduct for members makes it clear that such information should not be disclosed without the consent of a person authorised to give it, or unless he or she is required by law to do so.
71. Recent case law confirms that a member may benefit from the public interest defence in some specific circumstances. However, those circumstances are rare and any member considering leaking confidential information should take legal advice immediately where their actions may impact on them as individuals.
72. Members are also reminded that there is an agreed process for applying for the release of information contained in the Freedom of Information Act 2000. Further details of this are available on the council's website

Freedom of Information Act 2000

73. Under the Freedom of Information Act (FOI), councillors like other members of the public have a general right, subject to any applicable exemption, of access to information. Requests under the Freedom of Information Act must be in writing and contain sufficient information to enable the document to be identified. There is a requirement under the act that for the information to be disclosed within 20 working days.
74. There is no requirement under the act for the member to specify whether or not the information is requested under the Freedom of Information Act. Officers should therefore in all cases ascertain from the member whether or not the information is sought under the Freedom of Information Act and if so to advise the member that the request will be dealt with within the statutory time limit of 20 working days.
75. Where the request is for access to documents that are unrelated to any council meeting or where the member requesting the information is not the ward member, officers must inform the member that the request is being treated as a freedom of information request and that a response will be provided within 20 working days.

Operation of the overview & scrutiny committee and its sub-committees

76. The overview & scrutiny committee and its sub-committees may require officers and members to attend and provide any information required to answer questions. It is the duty of any officer or member to attend and answer questions (other than those which he or she would be entitled to refuse to answer in a court of law) if the overview & scrutiny committee and its sub-committees so request. The council may consider that chief officers and other senior managers as described in the departmental schemes of management and not more junior staff are the appropriate officers to attend scrutiny meetings and answer questions.
77. Members of the overview & scrutiny committee or one of its sub-committees should explain the role and operation of the committee/sub-committee, particularly in relation to future policy development, before asking questions of witnesses. Members should adopt an inquisitorial (information seeking) approach to questioning rather than a confrontational one. They may be firm and assertive, but adopting a facilitative and exploratory way of working should generate an atmosphere in which members and officers can explore issues openly and honestly. Under no circumstance should members adopt a rude or aggressive style.
78. Officers should provide all relevant information in their possession, and they should use their best efforts to make sure that they possess all relevant information. They should never seek to conceal or 'improve' inconvenient facts, and more senior officers, or other members should never attempt to persuade them to do so.
79. Reports of scrutiny committees, while drafted by officers, are the reports of the committees themselves and there is nothing improper in members of those committees asking for draft reports to be amended.

Ceremonial events

80. Civic ceremonial events will normally be led by the Mayor or the Deputy Mayor with the leaders of all political groups and other local members informed or invited as appropriate.

When things go wrong

Procedure for officers

81. It is always preferable to resolve matters informally, through an appropriate senior manager. Officers however do have recourse to the procedure for individual employee complaints (which can be found on the council's intranet), the protections laid down in the officer employment procedure rules (contained in part 4 of the constitution) or the council's monitoring officer. In appropriate cases they may wish to utilise the council's whistleblowing procedure (again contained on the Source). In the event of a complaint being upheld, the matter will be referred to the chief executive. A local solution may be found after discussion with the leader of the council and the leader and/or whip of the group concerned. The advice of the monitoring officer should be sought.

Procedure for councillors

82. Where a councillor is dissatisfied with the conduct of an officer, and they have been unable to resolve the issue, they should refer the matter to the officer's relevant chief officer, who will nominate an appropriate manager to carry out any investigation required. The manager should then make a preliminary investigation and consider whether the council's disciplinary and capability procedure is appropriate, and then follow the appropriate procedure. The manager should then report back to the member concerned that the appropriate procedures have been followed.
83. Where the complaint relates to a chief officer or monitoring officer, the complaint may be referred to the chief executive for an informal review, conciliation and resolution where possible. If the matter is not resolved at this preliminary stage or in cases of serious complaints, the chief executive, taking appropriate advice will consider whether any formal process under the council's employment procedures and as set out in the officer employment procedure rules, as appropriate.
84. Where a complaint relates to the chief executive both the member concerned and the chief executive should consider whether a meeting may resolve the situation and whether that could be facilitated by the whip or leader of the relevant political group, if any, attending. The chief executive will provide the member with a written response to their complaint.
85. If the member remains dissatisfied with the response of the chief executive he or she will notify the monitoring officer and the head of human resources in writing and they will prepare a report for consideration by the leader of the council. The leader of the council, taking advice as appropriate, will have regard as to whether a formal process, as set out in the Local Authorities (Standing Orders)(England) 2001 is appropriate.

Standards committee

86. The function of the standards committee is set out in the council's constitution. It has a role in offering guidance on the content and working of this protocol, although it will not arbitrate, except in considering cases relating to potential breaches of the code of conduct for members.

COMMUNICATION PROTOCOL

Scope of the protocol

1. This protocol applies to all publicity issued or produced and paid for out of the council's resources.
2. The protocol also applies to any other material issued by organisations that are either wholly or partly separate from the council but which use council's grants or other funding from the council to produce the publicity.

The legal framework

3. When publishing any material at any time, a local authority must comply with the provisions of the Local Government Act 1986 (the act) and the Code of Recommended Practice on Local Authority Publicity 2011 (the code) which was revised on 31 March 2011. Section 2 of the act states as follows:
 - (1) A local authority shall not publish (or assist others to publish) any material, which in whole or in part is designed to affect public support for a political party
 - (2) In determining whether material falls within the prohibition regard shall be had to the content and style of the material, the time and other circumstances of the publication and the likely effect on those to whom it is directed and in particular the following matters:
 - a) whether the material refers to a political party or to persons identified with a political party or promotes or opposes a point of view on a question of political controversy which is identifiable as the views of one political party and not of another
 - b) where the material is part of a campaign, the effect that the campaign appears to be designed to achieve.
4. Section 6 of the act defines publicity as "any communication in whatever form, addressed to the public at large or to a section of the public".
5. The key points to note from the above section and the code are that publicity by local authorities should:
 - (1) be lawful
 - (2) be cost-effective
 - Consideration needs to be given to achieving value for money and to what is the most appropriate publicity in each case.
 - The code requires that where central government publicity has been issued on a matter, local authorities should not incur expenditure on publicity on the same matter unless they consider additional value is added, i.e. by giving a local context to national issues.

- Local authorities should consider whether to take advice before embarking on a publicity campaign involving very large expenditure.
- (3) be objective
- Where publicity is used to comment on, or respond to the policies and proposals of central government, or other local councils, the comments or response should be balanced and factually accurate and should avoid anything likely to be perceived by readers as constituting a political statement.
 - Any publicity describing council policies and aims should be as objective as possible, concentrating on facts or explanations or both.
 - Local authorities should not use public funds to mount publicity campaigns whose primary purpose is to persuade the public to hold a particular view on a question of policy.
- (4) be even-handed
- Where local authority publicity addresses matters of political controversy it should seek to present the different positions in question in a fair manner.
 - Except where a period of heightened sensitivity exists (i.e. purdah), it is acceptable for local authorities to publicise the work done by individual members of the council, even if those views do not reflect the views of the local authority itself, although such publicity should make this fact clear.
 - It is acceptable for local authorities to host publicity prepared by third parties such as blogs and with links to external sites, although those may need to be disabled during a period of heightened sensitivity.
 - It is acceptable for publicity prepared by third parties and hosted by local authorities to include a logo associated with a political party or particular member of the authority such as the leader, but publicity material relating to a particular member must not seek to affect public support for that individual.
- (5) be appropriate
- Local authorities should not incur any expenditure in retaining the services of lobbyists in order to publish material designed to influence public officials, MPs or the government.
 - Publicity about local authorities and services should be freely available in accessible formats.
 - Local authority publicity should clearly identify itself as a product of the local authority.
- (6) have regard to equality and diversity
- Publicity may seek to influence attitudes on health, safety, crime prevention, equality, diversity and community issues.
- (7) be issued with care during periods of heightened sensitivity
- Particularly regard needs to be paid before elections and referendums, when the general rule is that no publicity should be issued which seeks to influence voters.
- (8) When deciding whether publicity may fall foul of the act and the code, the council should consider
- the content and style of the materials

- the timing and circumstances of the materials
- the likely effect on those to whom it is addressed
- whether it refers to a political party or politician
- whether it advocates a particular view that can be easily identified with a political party
- if it is part of a campaign, the effect that campaign is designed to achieve.

Publicity of individual councillors

6. Publicity about councillors may include their contact details, their political affiliation, the position they hold with the council and their responsibilities.
7. Publicity may include information about individual councillor's proposals, decisions and recommendations where this is relevant to their position and responsibilities within the council. Publicity of individual councillors should avoid personalisation of issues or personal image making.

Ward member of the council

8. Ward councillors will be invited to attend public meetings and events organised by the council to consider a local issue and will also be kept informed of consultative exercises on local issues. Some events will involve some members in formal roles, i.e. take part in photo opportunities, make presentations or officially address an audience and members will be advised of what those formal roles are and who is involved in those at the time of invitation.
9. Nothing in this protocol shall prevent the normal publication of the details of members' surgeries on-line, in hard copy or in advertisements.

Official visits by government and shadow ministers

10. It is open to government and shadow ministers to visit the borough at any time. However should the minister require assistance or access to any of the council's services or facilities, the visit will need to be arranged through official channels of the council. This will ensure that appropriate support is provided on the day.
11. To this end all such requests from government and shadow ministers must be referred to the head of communications who will promptly notify the chief executive of the request.
12. The head of communications will liaise with their counterpart at the relevant government department to ascertain the purpose of the visit. The head of communications in consultation with the chief executive and monitoring officer will authorise the visit if satisfied that the visit would assist the council in promoting one or more of its policies and or objectives or would be purely for fact finding.
13. Events which involve government ministers or other political figures and shadow ministers should usually be led by the leader or cabinet member with the Mayor informed or invited to lead as appropriate. Ward councillors and

leaders of all the political parties should be invited where possible and appropriate.

Visits by local and other Members of Parliament (MPs)

14. There may be instances where local and other MPs who are not ministers will have a special interest in attending an event that is taking place in the borough. In this instance the MP in question may either be formally invited or merely informed about the event. Where the MP has not been specifically invited to attend, he or she should not expect to be treated as an "official" invitee.

Promotional publicity

15. Local authorities are authorised under the Local Government Act 1972 to publicise information as to the services provided by them or other local authorities in their area. Publicity can also be used to explain or justify the council's policies either in general, such as in the annual report, or on specific topics, for example as a background to consultation. However, any such publicity should comply with the principles of the code.

Publicity of matters going before the cabinet, council assembly or any committee of the council

16. All matters going before the cabinet or committees for decision are publicised five clear working days before the meeting or seven clear working days in the case of council assembly unless the report contains exempt information (i.e. information that has been judged by the proper officer as confidential). Some matters will obviously generate more press interest than others. Where the press is interested in a matter that is to be the subject of a decision by the council, the head of communications in conjunction with the relevant chief officer and cabinet member may issue a press release explaining the reasons behind the recommendations. Any such press release must be factual and objective. Members may be asked by the media to comment on this press release but should remember that whilst criticism of ideas and opinion is part of the democratic process, a member must comply with the code of conduct.
17. Where there has been misinformation about any of the council's policies or objectives the head of communications is authorised to take any appropriate corrective measures.

Scrutiny

18. Publicity about scrutiny will concentrate on factual information about which scrutiny exercises the council is conducting, who is involved, the process they will follow and the decisions they take. Where scrutiny suggests a course of action that differs to or challenges one agreed by the cabinet or any other council decision making body, this would be made clear in publicity together with the process for resolving the difference.

Contact with press

19. As outlined in the code of conduct for employees, employees and other staff should not communicate with press and other media unless authorised by the appropriate manager to do so.

Press releases

20. All press releases from the council must be agreed and signed off by the communications unit and issued either electronically or on council headed paper. Press releases containing quotes from members must be agreed and signed off by the appropriate member.

Social media

21. It is acceptable for the council to host social media, such as a blog, which itself contains links to external sites where the content would not itself comply with the code. However care needs to be exercised in that such links do not:
 - contain content that may result in actions for libel, defamation or other claims for damages
 - be used to process personal data other than for the purpose stated at the time of capture
 - be used in an abusive, hateful or disrespectful manner.
22. However particular care must be taken during the period before elections and referendums to ensure that no breach of any legal restriction takes place. It may be necessary to suspend the hosting of material produced by third parties or public forums during such periods.
23. In addition, where members are present as voting members at any meeting where they are determining any application for any approval, consent, licence, permit or permission, they should not access the internet, send or receive emails, text, messages or tweets concerning the business of that committee.

Publicity during periods of heightened sensitivity

24. Candidates in an election or referendum should not be provided with any form of publicity during the period between the notice of an election and the election itself.
25. Any publicity should be objective, factual, not deal with controversial political issues and avoid personalisation of the issues or inappropriate personal image making.
26. The council should not produce publicity designed to influence the views of local people on petitions, referendums or specific proposals.

The role of the communications unit

27. The communications unit works on behalf of the council and not for any political party. The purpose of its work is to provide high quality information about the council, its policies and its services and to maintain public confidence and where appropriate to protect and to promote the council's reputation. It aims to encourage better relationships with the local community. It is important to remember that all publicity and press releases are directed through the communications unit so these goals can be achieved.
28. The head of communications can advise members on how to deal with press enquiries, and how to arrange publicity for events, which can be properly

publicised. Members have a remit to discover and make public inefficiency and poor public service; however, they should be careful where a matter they wish to make public relates to identifiable officers.

29. Publicity and information will cover areas such as why the council makes the decisions it does, and why other proposals are rejected. The communications unit will feature the decisions of the council, i.e. those decisions made by the council assembly, cabinet, scrutiny, planning or licensing committees or community councils, or those actions which have been taken within the broad policy framework already set by the council, subject to any call-in arrangements.

Obligations on officers in relation to documents being prepared for public consumption

30. Council staff and resources must not be used to arrange proactive events, such as photocalls, if they would provide politicians with a platform to communicate with the public that would not otherwise be available to them.
31. When considering whether a communication or publicity is safe to be put out officers should ask themselves whether the communication or publicity is objective, balanced, informative and accurate. If the answer is an unequivocal yes then the communication or publicity is safe to be put out.
32. Where officers are uncertain as to whether a communication or publicity is appropriate they should seek advice from the communications unit and the monitoring officer in those cases.
33. If something cannot go out as a member has suggested then officers can explain why and offer an alternative form of words. Again the communications unit or the monitoring officer can offer you guidance on what would be appropriate.

The role of the Mayor

34. The Mayor is the first citizen of the borough and as such is apolitical. He or she is responsible for promoting the council as a whole and representing the council in civic and ceremonial events.
35. The Mayor is also responsible for chairing meetings of the council assembly and interpreting the constitution as necessary. Where the Mayor is unable to act or the office is vacant, the Deputy Mayor will discharge all of the Mayor's duties except that the deputy may not chair meetings of the council assembly unless specifically appointed to do so.

Key spokespeople

36. The role of the spokesperson is to present facts about council decisions, the context in which they were taken, actions, and issues faced by the council. Members who are key council spokespeople are the leader and deputy leader and cabinet members within their portfolio, the chair of overview and scrutiny committee, planning chair, licensing chair, chair of the relevant community council, standards chair and chair of the audit and governance committee. They will be quoted or featured in publicity where it relates to their responsibilities on the council.

Correspondence

37. Generally correspondence from one member should not be copied to, or discussed with, another member without the member's consent subject to any rights of access arising from the Freedom of Information Act 2000 and the Data Protection Act 1998. If a member has sought advice from an officer and included a circulation list, it can be assumed that the officer's response can be circulated to those people on the circulation list for the original letter, even if that list includes other members.
38. This does not prevent officers copying letters to each other about casework across ward or interest boundaries in order to respond to a member inquiry. Points of general interest to all members may be converted into general advice, and circulated (within the limitations set down in the Data Protection Act). A chief officer is also able to advise a relevant cabinet member in general terms of an issue raised with the chief officer in correspondence, or otherwise, by another member.
39. Official letters from the council should normally be sent out in the name of the appropriate officer rather than a member. It may be appropriate for members to write in certain circumstances (e.g. representations to a government minister); however, this would be the exception rather than the norm. Letters which create obligations or give instructions should not be sent out in the name of a member.

Postage

40. Preparation and postage of correspondence are a significant part of the support given to members. The content and purpose of letters, leaflets, and other correspondence must relate to the member's role in the authority. The members' services manager will arrange for monitoring arrangements to be put in place, and refer doubtful cases to the monitoring officer.
41. The use of council resources in the preparation and postage of the following kinds of post are not permitted:
 - private mail including correspondence for other bodies
 - mailshots
 - letters sending out information (concerning planning application, refuse collection, etc) which is the responsibility of officers
 - letters which criticise other groups and their members or praise the writer or their political group
 - group publicity such as political party greetings cards.

For the avoidance of doubt, correspondence to residents about the location of surgeries by members who do not have a fixed location for their surgery shall not constitute a mailshot.

42. The question of what is a mailshot has proved problematic. Members are entitled to use council resources to respond to requests that their constituents have raised with them for action and explain what action has been taken, but not generally to publicise their work in the ward. Requests to send out large numbers of letters will have to show what demand is being responded to, and

that the letter is a proportionate response to that demand. In any event, member services do not have the resources to send out more than one batch of such letters a month for any member. Members are reminded that this is a finite resource, and member services may need to limit the use of this if excessive costs are incurred. Further advice is given by the monitoring officer's guidance 'Correspondence and Mailshots' issued 18 January 2013 (<http://moderngov.southwark.gov.uk/documents/s35152/Monitoring%20Officer%20Guidance%20on%20Mailshots.pdf>).

43. Where members are uncertain as to whether a communication or publicity is appropriate they should seek advice from the head of communications and the monitoring officer in those cases.

Emails

44. Email and internet access facilities are provided to members to support work on council related activities. The standards set out for officers in the use of emails apply equally to members. The key standards are that:
- any behaviour or comment that is not permitted in the spoken or paper environment is also not permitted in an email message
 - email messages should be inoffensive and should not be construed to harass
 - emails must not incite racial hatred or be pornographic in nature either in the body of the text or as an attachment
 - chain emails should not be forwarded on.
45. As a general rule, emails cannot be used for party political purposes but:
- emails organising the political group in relation to council business are allowed
 - the use of the email address in a party political leaflet to advertise a ward surgery or as a means of allowing residents to contact their ward members on non-party political matters is allowed
 - emails to newspapers as a means of commenting on council business from the political group's perspective are allowed.
46. Members should note the requirements for social media are given in paragraphs 21 and 22.
47. Members should remember that emails may be subject to disclosure if a request is made under the Freedom of Information Act 2000.
48. Any use of IT resources, including email and the internet, that contravenes any legislation (such as the Data Protection Act 1998; the Computer Misuse Act 1990; and the Copyrights, Designs and Patents Act 1988 (amended 2002)); or breaches the general obligations of the code of conduct for members; or breaches council policies on information security is considered to be unacceptable. Members are responsible for the content of any email sent from your username and in certain circumstances the council may also be found liable for the content of such email.
49. Emails and other personal information should be retained only for the minimum period necessary, in accordance with the Data Protection Act 1998. Further

details on the Data Protection Act in term of members' business use can be obtained from legal services.

50. It is important that members manage the information that they store to ensure its availability, confidentiality and integrity. Therefore members should regularly review all council information (including files and email messages) they hold and delete all redundant or irrelevant data.
51. Where a telephone number has been issued to a member or group of members it is expected that this number will be publicised except on political publicity material.

Item No. 17.	Classification: Open	Date: 16 November 2016	Meeting Name: Audit, Governance and Standards Committee
Report title:		Grant Thornton – Audit, Governance and Standards Committee Update November 2016	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee note Grant Thornton's audit, governance and standards committee update, as attached (appendix 1).

BACKGROUND INFORMATION

2. The purpose of the audit update report is to brief the audit, governance and standards committee on work currently being planned or undertaken by Grant Thornton and to highlight emerging national issues and developments which may be of interest to members of the committee.

KEY ISSUES FOR CONSIDERATION

3. The attached report at Appendix 1 provides an update on 2015-16 audit work and also draws members' attention to a publication from Grant Thornton on the earlier closing of accounts which will be required in respect of accounts for the 2017-18 financial year and beyond.

Policy implications

4. This report and the accompanying update report are not considered to have direct policy implications.

Community impact statement

5. This report and the accompanying update report are not considered to have direct impact on local people and communities.

Resource implications

6. This report and the accompanying update report are not considered to have direct impact on resource implications.

Consultation

7. Consultation has not been undertaken.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

8. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None.		

APPENDICES

No.	Title
Appendix 1	Grant Thornton - Audit, governance and standards committee update November 2016

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jo Anson, Head of Financial and Information Governance	
Version	Final	
Dated	3 November 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	3 November 2016	

Audit, Governance and Standards Committee Southwark Council

Progress Report and Update Year ended 31 March 2016

November 2016

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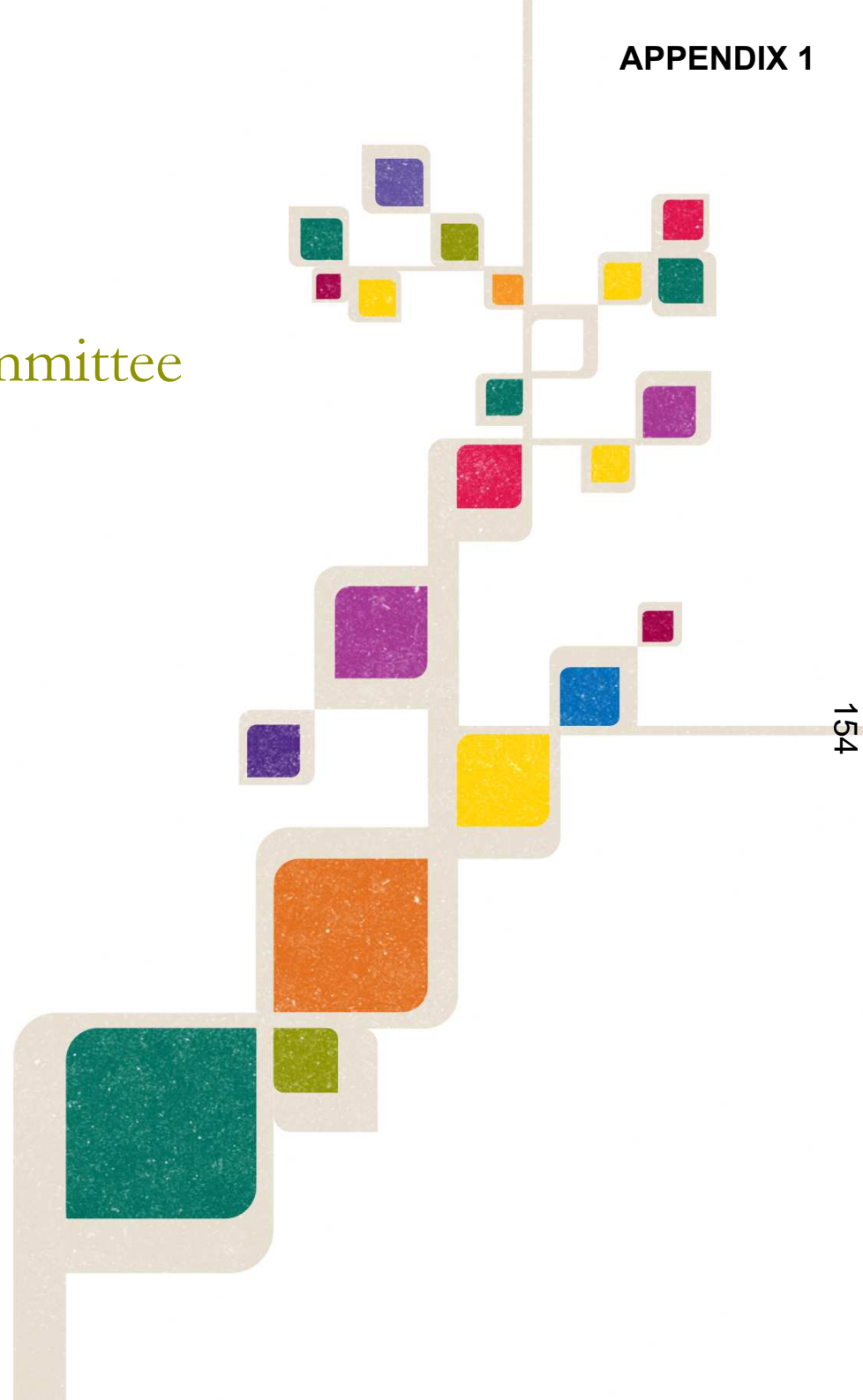
E nick.taylor@uk.gt.com

Stacy Lang

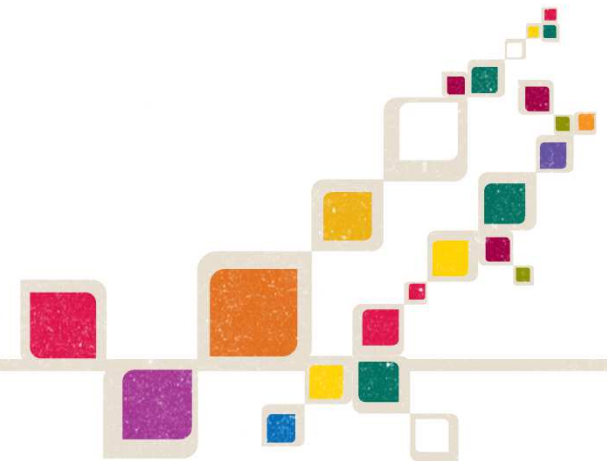
Audit In- Charge

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



Introduction

This paper provides the Audit, Governance and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit, Governance and Standards Committee can find further useful material on our website www.grantthornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

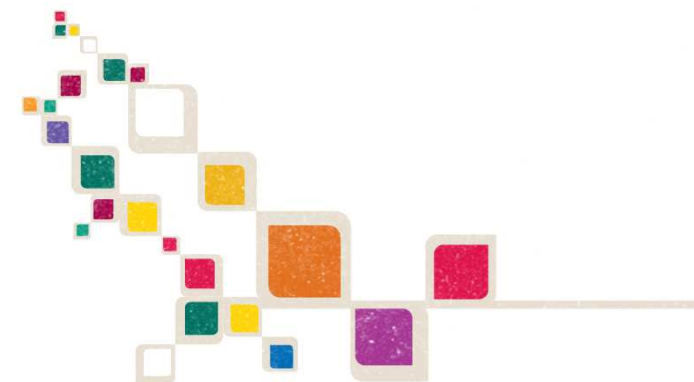
- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/
- Reforging local government: Summary findings of financial health checks and governance reviews (December 2015) <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>,

Members and officers may also be interested in our recent webinars:

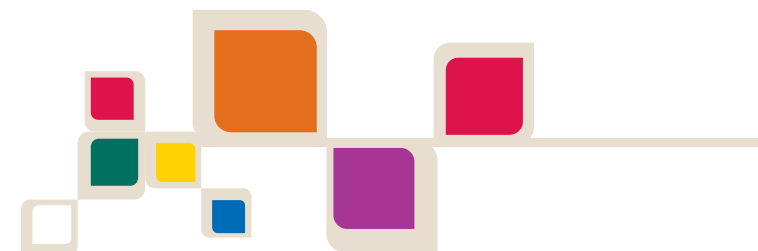
Alternative delivery models: Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

Cyber security in the public sector: Our short video outlines questions for public sector organisations to ask in defending against cyber crime <http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Paul Dossett or Nick Taylor.



Progress at August 2016



2015/16 work	Planned Date	Complete?	Comments
<p>Whole of Government Accounts We are required to complete a review of the Council's consolidation return in line with the guidance issued by the NAO.</p>	October 2016	No	The Council submitted its consolidation return for audit on 17 October 2016. This did not meet the deadline of 12 August for submission to HM Treasury. As a result of the late submission, we were unable to meet the deadline of 21 October for submission of the audited pack. At the time of writing, we are awaiting responses to audit queries that will enable us to complete our audit work and submit the final pack. We will verbally update the Committee at the November meeting.
<p>Housing Benefit certification We are required to carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.</p>	November 2016	No	Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit, Governance and Standards Committee in our Annual Certification Letter.

Grant Thornton Publications



Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.
- While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further details:
- Enabling sustainable change requires committed leadership underpinned by a culture for success
- Efficient and effective systems and processes are essential
- Auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



Advancing closure
Transforming the financial reporting of
local authority accounts



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>



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NOTE: Original held in Constitutional Team; all amendments/queries to Victoria Foreman, Constitutional Team on 0207 525 5485 or victoria.foreman@southwark.gov.uk

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