

APPENDIX 1

Annual Governance Statement 2017-18

Introduction and Acknowledgement of Responsibility

Southwark Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit Regulations (2015) require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The Principles of Good Governance

The CIPFA/SoLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out in Table 1 below

Table 1 – Core Principles of the CIPFA/SoLACE Framework



Annex 1 sets out in more detail how the council is meeting these seven requirements in practice.

Key Elements of the Council's Governance Framework

The governance framework at Southwark Council comprises the systems and processes, culture and values which the Council has adopted in order to deliver on the above principles. The governance framework incorporated into this AGS has been in place at Southwark Council for the year ended 31 March 2018 and up to the date of the approval for the statement of accounts.

Table 2 – Overview of the Councils Governance framework

<p>Council, Cabinet and Leader</p> <ul style="list-style-type: none"> ➤ Provide leadership, approve the budget, develop and set policy ➤ Approve the constitution which sets out how the council operates ➤ Agree Council Plan priorities, developed in consultation with residents and stakeholders 	<p>Scrutiny and review</p> <ul style="list-style-type: none"> ➤ Scrutiny committees review council policy and can challenge decisions ➤ Audit, Governance and Standards Committee reviews governance and promotes and maintains high standards of conduct by councillors
<p>Decision making</p> <ul style="list-style-type: none"> ➤ All decisions made in compliance with law and council constitution ➤ All meetings are held in public ➤ Decisions are recorded on the council website 	<p>Risk Management</p> <ul style="list-style-type: none"> ➤ Risk management strategy ensures proper management of risks ➤ Risk registers identify both strategic and operational risks
<p>Chief Officers Team</p> <ul style="list-style-type: none"> ➤ Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective chief officer team COT) ➤ The strategic director of finance and governance is the council's Section 151 officer and is responsible for safeguarding the council's financial position and ensuring value for money ➤ The director of law and democracy is the council's monitoring officer who, with the strategic director of finance and governance, is responsible for ensuring legality and promoting high standards of conduct in public life. 	

The council assembly is responsible for approving the budget, developing policies, making constitutional decisions and deciding local legislation. The council assembly elects the leader for a term of four years, and the leader appoints a cabinet of up to ten councillors (including him/herself), each holding a special portfolio of responsibility.

The council's constitution is updated throughout the year and sets out how the council operates. It states what matters are reserved for decision by the whole council, the responsibilities of the cabinet and the matters reserved for collective and individual decision, and the powers delegated to panels, committees and community councils. Decision-making powers not reserved for councillors are delegated to chief officers and heads of service. The monitoring officer ensures that all decisions

made are legal and supports the audit, governance and standards committee in promoting high standards of conduct amongst members.

The overview and scrutiny committee and its sub-committees scrutinise decisions made by the cabinet, and those delegated to officers, and review services provided by the council and its partners. The scrutiny officer promotes and supports the council's scrutiny functions.

The cabinet has developed a fairer future vision for Southwark, which is published on the council's website. It is reviewed and updated according to changing statutory requirements, the evolving social and economic situation, analyses of needs and the performance of the council against its priorities. The vision is underpinned by five principles and guides ten promises, made to help achieve the vision.

The overall budget and policy framework of the council is set by the council assembly and all decisions are made within this framework. The council's overall policy is represented through the council plan, which is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the fairer future vision will be delivered. Performance against the council plan is monitored throughout the year. Progress is reviewed quarterly by the leader, lead cabinet member for performance and respective cabinet members and is reported through an annual performance report at the end of each financial year. The council also monitors its performance through feedback from its residents and service users.

The council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, attendance at local meetings (e.g. community council meetings) or contact with a local ward councillor. Trades unions are consulted on issues that affect council staff.

The council plan is a key reference tool for Fairer Future medium term financial strategy and integrated efficiency plan (2017-18 to 2019-20) which enables the council to make best use of financial resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders. At the broadest level, the council also works with a number of key strategic partners.

From the council plan, service plans and business plans are developed and individual officer work plans are agreed, with performance targets agreed at every level. Detailed budgets are aligned to corresponding plans following a robust budget challenge process, which challenges managers to demonstrate efficiency and value for money, and performance is monitored and managed at every level on a regular basis.

The performance management process helps to identify learning and development needs, which are translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. The council provides a complete programme of learning and development to officers and members. Senior officers are also expected to keep abreast of developments in their profession.

The council also has a whistleblowing policy, which encourages staff and other concerned parties to report any instances of suspected unlawful conduct, financial malpractice, or actions that are dangerous to the public or environment.

The council expects the highest standards of conduct and personal behaviour from members and staff; and promotes and maintains high standards of conduct by both elected and co-opted members of the authority. These standards are defined and communicated through codes of conduct, protocols and other documents.

The council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The chief financial officer is the strategic director of finance and governance, who has statutory responsibility for the proper management of the council's finances and is a key member of the chief officer team. He formally devolves the management of the council's finances within departments to strategic directors through the Scheme of Delegation for Financial Authority and Accountability. Strategic directors further devolve decision making through departmental schemes of management. The strategic director of finance and governance also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

The council's assurance arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2010). The chief audit executive reports functionally to the audit, governance and standards committee, which approves the audit plan and strategy and receives reports throughout the year on audit and anti-fraud activity as well as the annual report and opinion on the internal control framework.

The council's risk management strategy ensures proper management of the risks to the achievement of the council's priorities and helps decision making. In the council's day-to-day operations, a framework of internal controls (e.g. authorisation, reconciliations, separation of duties, etc.) controls the risks of fraud or error, and this framework is reviewed by internal audit. The council has appropriate arrangements in place to deal with fraud and corruption risks and is committed to maintaining its vigilance to tackle fraud. Partnership working is governed by agreements, protocols or memoranda of understanding relevant to the type of work or relationship involved. The council's legal services and procurement teams ensure that all are fit for purpose and the council's interests are protected.

The audit, governance and standards committee is responsible for monitoring the effective development and operation of corporate governance in the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, oversight of the financial reporting process and scrutiny of the treasury management strategy and policies.

Review of Effectiveness

Southwark Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the chief audit executive's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The key elements of the review of effectiveness are:

- the council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys of awareness of corporate policies; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget challenge process
- An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year
- The annual report of the Chief Audit Executive provides an opinion to members on the adequacy and effectiveness of the internal control system and on the adequacy and effectiveness of the council's risk management, control and governance process
- The work of the Corporate Governance Panel (CGP) to ensure that the council continues to have appropriate and fit for purpose governance arrangements that are recognised and applied across the council
- The work of the audit, governance and standards committee which includes responsibility for monitoring the development and operation of corporate governance in the council

Assurance Statement

The review, as detailed above, provides good overall assurance of the council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework.

Governance Issues

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed or are included in action plans for the relevant managers. Focus will be placed on the following significant governance issues during 2018-19:

1. The nature of the council's business activities means that there are ongoing information governance risks, including cyber security risks and IT network security, which continue to require careful management, particularly in the context of new IT shared service arrangements.
2. The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by council departments becomes increasingly important. Implementation of the General Data Protection Regulation in May 2018 requires ongoing planning to ensure that the council can continue to meet statutory requirements.

3. The council has comprehensive and documented arrangements in place to ensure value for money from commissioning and procurement. The council's fairer future procurement strategy sets out how the council will use procurement to promote enhanced employment rights, to reduce inequality, to encourage ethical corporate behaviour and to provide an opportunity for added social value. We need to continue to ensure that expected practice is followed in all instances and objectives of the strategy are delivered.
4. In the wake of Grenfell, the council needs particularly to ensure that the highest standards of health and safety advice, support and guidance are provided consistently across all services.
5. The need to remain vigilant and ensure business continuity plans are robust in the event of contractor failure.

The council also faces a number of issues and areas of significant change that will require consideration and action as appropriate in 2018-19 and medium-term. Whilst the budget recovery work in Children's and Adults services undertaken during 2017-18 has been successful, there remains significant uncertainty with regard to financial planning, particularly in the period beyond 2019. Significant issues identified include:

- The increased dependency in funding on locally generated resources (e.g. council tax and business rates) as a proportion of total funding.
- Uncertainty over any transition to a new local government finance system based on business rate retention and a new funding formula will require careful attention to government's developing policy, and management of any potential loss to the council from changes to existing funding streams.
- The duration of the London devolution pilot beyond 2018-19 and the extent to which responsibilities may be transferred to the council.
- Children's and adults' social care budgets remain exposed to significant price and demand pressures and the council must remain alert to the possibility of provider failure.
- The dedicated schools grant is now in a deficit due to significant unfunded pressures on high needs. At the same time the number of schools going into deficit has increased due to reduced funding and falling rolls. This situation, which is common across many local authorities, will require close monitoring and, in partnership with schools, a strong focus on the development of a robust financial recovery strategy over the medium term.
- The council is increasingly dependent on shared arrangements with health partners, in order to meet the growing demand for services in the context of reduced council funding. This will require appropriate strategies and planning by all parties, especially the management of ring-fenced resources (e.g. the adult social care precept).
- The council continues to experience pressures, as a consequence of changes in the rented and private residential housing market across London. There are overriding budget pressures within the social rented sector combined with unaffordable rent levels and, as a result, a significant impact on temporary accommodation costs. These pressures are anticipated to continue through 2018-19 and beyond and will continue to need close monitoring and management.

- As with temporary accommodation, the council is experiencing significant demand increases in respect of the no recourse to public funds (NRPF) budget, which, despite robust management action, remains subject to significant pressure.
- Management of the transition to new operational arrangements for universal credit and of the potential impact of welfare reform on finance and client services.
- Funding of the capital programme, specifically in recognition of social regeneration and housing delivery aspirations and the scale of the council's housing stock.

Conclusion

The council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements, including the continual development of the council's risk management framework.

Signed on behalf of Southwark Council:

Eleanor Kelly
Chief Executive
Date:

Peter John
Leader of the Council
Date:

Annex 1 – The CIPFA/SoLACE framework

Priority 1 – Behaving with integrity, with commitment to ethical values, and respect for the rule of law

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as anti-fraud strategy, whistleblowing policy, complaints procedure, contract standing orders, equality and diversity policy, member and officer protocol. The monitoring officer and strategic director finance and governance have specific responsibilities to ensure that council decisions meet legal requirements

Priority 2 – Ensuring openness and comprehensive stakeholder engagement

The council engages with stakeholders and partners through joint working arrangements, partnership boards and representation on external bodies' governing boards. Meetings are held in public (unless good reasons for confidentiality) and decisions published on the website. Consultation arrangements are embedded and consultation engagement section on the website includes a consultation hub, forum section. Regular customer surveys are conducted. 3,000 people took part in the 'Southwark conversation', the results of which will be used to inform the council plan and priorities.

Priority 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits

The council's vision for the borough is set out in Fairer Futures. The council plan sets out how we will deliver the Fairer Futures vision and this is underpinned by departmental, service and business unit plans. During the year the council has refreshed its risk management policy statement and strategy to support the sustainability of the environment and minimise negative impacts, agreed an improved Air Quality Strategy and action plan

Priority 4 – Determining the intervention necessary to achieve intended outcomes

The council tracks performance against the fairer futures promises and council plan themes in the council plan performance schedules and produces an annual performance report. Senior management and members ensure the council remains focussed on delivering against agreed objectives and priorities set out in Fairer Futures and underpinned by fairer futures medium term financial strategy.

Priority 5 – Developing capacity, including the capability of leadership and individuals within the council

The Council's Fairer Future workforce strategy helps make sure that the council's staff can deliver the corporate plans and priorities for the borough. The council continues to invest in training through corporate learning and development programme including member training and development programme. The Southwark Manager toolkit aimed at improving individual and organisational performance.

Priority 6 – Managing risks and performance through strong internal control and financial management

During the year the council's risk management policy statement and strategy were refreshed. All departments and business units have risk registers which allocate a risk owner and are regularly reviewed. Internal audit arrangements and audit work programme designed to give assurance on the risk management and internal control processes. The audit, governance and standards committee provides independent assurance of the adequacy of the council's governance arrangements, including its risk management framework and the associated control environment. The council has robust financial management arrangements.

Priority 7 – implementing good practices in transparency, reporting and audit to deliver effective accountability

Minutes of meetings, key decisions, register of interests, gifts and hospitality and all items of expenditure over £500 are published on the council's website. The council produces an annual performance report, annual financial statements (including details of senior officer remuneration and member allowances) and an annual governance statement.