

Audit, Governance and Standards Committee

Monday 17 October 2022
7.00 pm
Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Membership

Councillor Barrie Hargrove (Chair) Councillor Graham Neale (Vice-Chair) Councillor Gavin Edwards Councillor Sarah King Councillor Andy Simmons Councillor Michael Situ

Reserves

Councillor John Batteson Councillor Laura Johnson Councillor Victoria Mills Councillor Cleo Soanes Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

Councillor Emily Tester

You have the right to request to inspect copies of minutes and reports on this agenda as well as the background documents used in the preparation of these reports.

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Contact

Virginia Wynn-Jones on 020 7525 7055 or email: virginia.wynn-jones@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Althea Loderick
Chief Executive

Date: 7 October 2022





Audit, Governance and Standards Committee

Monday 17 October 2022
7.00 pm
Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Order of Business

Item No. Title Page No.

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.

5. MINUTES 1 - 4

To approve as a correct record the minutes of the open section of the meeting held on 18 July 2022.

6. INSOURCING OF THE LEISURE CONTRACT

Verbal update from Toni Ainge, director of leisure.

7. GOVERNANCE CONVERSATION: DUNCAN WHITFIELD

Duncan Whitfield, strategic director of finance and governance, to discuss departmental governance.

8. GRANT THORNTON AUDIT UPDATE REPORT

Grant Thornton to share a verbal update on audit updates and statement of accounts audit.

9. INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT: 5 - 108 OCTOBER 2022

10. DRAFT 2021-22 STATEMENT OF ACCOUNTS FOR SOUTHWARK 109 - 251 COUNCIL

11. ANNUAL GOVERNANCE STATEMENT 2021-22 252 - 270

12. APPOINTMENT PROCESS FOR INDEPENDENT PERSONS 271 - 276

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."

PART B - CLOSED BUSINESS

Date: 7 October 2022



Audit, Governance and Standards Committee

MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Monday 18 July 2022 at 7.00 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Barrie Hargrove (Chair)

Councillor Andy Simmons

Councillor John Batteson (reserve)

OTHER MEMBERS

Councillor Gavin Edwards Councillor Graham Neale PRESENT:

Councillor Emily Tester

OFFICER Duncan Whitfield SUPPORT: Caroline Bruce

Doreen Forrester-Brown

Tim Jones

Geraldine Chadwick

Matt Dean, GT

Ciaran McLaughlin, GT Greg Rubins, BDO Angela Mason-Bell, BDO Virginia Wynn-Jones

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Sarah King.

Councillors Gavin Edwards, Graham Neale, Michael Situ and Emily Tester were in attendance virtually, due to the extreme weather warning; and were unable to take part in formal voting. The chair agreed that they took part in the debate.

2. **CONFIRMATION OF VOTING MEMBERS**

The members present in the room were confirmed as the voting members.

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

The chair agreed to accept:

- Item 8, 2021/22 External audit plan
- Item 9, Auditor's annual report on Southwark Council 2020/21

As late and urgent.

4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of the meetings on 17 March 2022 and 21 May 2022 were agreed as a correct record and signed by the chair.

6. GOVERNANCE CONVERSATION: CAROLINE BRUCE

Caroline Bruce, the strategic director of environment and leisure, presented to the committee.

Councillor Barrie Hargrove as the chair of the committee undertook to discuss the insourcing of the leisure contract with OSC to consider which committee is better placed to support the governance of this contract.

The committee thanked Caroline for her attendance.

7. INFORMING THE AUDIT RISK ASSESSMENT FOR LONDON BOROUGH OF SOUTHWARK AND PENSION FUND 2021/22

Officers updated the committee. Members had questions for the officers.

RESOLVED:

That the report be noted.

8. 2021-22 EXTERNAL AUDIT PLAN

Officers updated the committee. Members had questions for the officers.

RESOLVED:

That the report be noted.

9. AUDITOR'S ANNUAL REPORT ON SOUTHWARK COUNCIL 2020-21

Officers updated the committee. Members had questions for the officers.

Duncan Whitfield undertook to update the committee on when a more detailed report will be available.

RESOLVED:

That the report be noted.

10. INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE 2021-22

Officers updated the committee. Members had questions for the officers.

The internal auditors undertook to bring the updated report with management responses to the next meeting of the committee.

The internal auditors undertook to update red/amber/green codes to be clear in black and white printing.

RESOLVED:

That the report be noted.

11. DRAFT ANNUAL GOVERNANCE STATEMENT 2021-22

Officers updated the committee. Members had questions for the officers.

RESOLVED:

That the report be noted.

12. COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE

Officers updated the committee. Members had questions for the officers.

RESOLVED:

That the report be noted.

13. COVID-19 PANDEMIC: UPDATE JULY 2022

Officers updated the committee. Members had questions for the officers.

Members thanked Geraldine Chadwick for bringing this report throughout the pandemic

	lockdown period.	
	RESOLVED:	
	That the report be noted.	
14.	FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2022-23	
	RESOLVED:	
	That the memberships of the audit, governance and standards sub-committees b established as follows:	е
	Civic Awards sub-committee: Cllr Barrie Hargrove (Chair) Cllr Andy Simmons Cllr Sarah King Cllr Graham Neale	
	Conduct sub-committee: Cllr Michael Situ (Chair) Cllr Sarah King Cllr Graham Neale	
	Meeting ended at 8.30 pm	
	CHAIR:	
	DATED:	

Item No. 9.	Classification: Open	Date: 17 October 2022	Meeting Name: Audit, governance and standards committee			
Report titl	e:	Internal audit and anti-fraud progress report: October 2022				
Ward(s) o	r groups affected:	All				
From:		Strategic Director of Finance and Governance				

RECOMMENDATIONS

1. That the audit, governance and standards committee note the report, as attached at Appendix A.

BACKGROUND INFORMATION

2. This report informs the Audit, Governance and Standards Committee of progress against completion of the 2021-22 and 2022-23 internal audit plans.

Policy implications

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

Community, equalities (including socio-economic) and health impacts

Community impact statement

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

Equalities (including socio-economic) impact statement

This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

6. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

7. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

8. If there are direct resource implications in this report, such as the payment of fees, these will be met from existing budget provision.

Consultation

9. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	Internal audit and anti-fraud progress report: September 2022

AUDIT TRAIL

Lead Officer	Duncan Whitfie	Duncan Whitfield, Strategic Director of Finance and								
	Governance	Governance								
Report Author	Greg Rubins, A	ngela Mason-Bell; BD0	O							
Version	Final									
Dated	7 October 2022)								
Key Decision?	No	No								
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES /										
	CABINE	ET MEMBER								
Officer Title		Comments sought	Comments included							
Director of Law ar	nd Governance	No	N/A							
Strategic Direct	ctor of	No	N/A							
Finance and Gov	ernance									
Cabinet Member		No	No							
Date final report	Date final report sent to Constitutional Team 7 October 2022									

INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee 17 October 2022

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1. SUMMARY OF INTERNAL AUDIT WORK

Purpose of report

This report informs the Audit, Governance and Standards Committee of progress against completion of the 2021-22 and 2022-23 internal audit plans. It summarises the work we have undertaken, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards.

Internal audit methodology

We have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified. Our reporting methodology is based on four assurance levels in respect of our overall conclusions as to the design and operational effectiveness of controls within the system reviewed - substantial, moderate, limited or no assurance. The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system, we are required to make a judgement when making our overall assessment. The definitions for our assurance levels are set out in appendix 1 to this report.

Internal audit plans 2021-22 and 2022-23

All audit work relating to the 2021-22 has been completed, we are in the process of finalising two reports through further discussions with department senior management teams.

The status of the audits commenced to date for 2022-23 is outlined within section 3 of this report.

Where reports have been finalised, the executive summaries are included in section 4 of this report.

We are currently attending all department senior management teams to undertake a mid-year review of the 2022-23 plan and confirm additional audits to be completed to the end of the year. For completeness and approval, the full plan for 2022-23 will be presented to the November 2022 meeting of the Audit, Governance and Standards Committee.

Internal audit programme for schools 2022-23

We have agreed a work programme with the Director of Education that will meet the assurance needs of the Council, whilst recognising that schools have faced significant pressure during the year and have remained closed for significant periods of time.

We completed the first set of individual school audits during the period April 2022 to July 2022, and the assurance ratings are included in section 3.

An end of year report summarising the results and common themes arising from our school internal audit programme will be presented as part of our end of year reporting in June 2023.

Follow up

As part of finalising each audit report, we agree with management the actions that will be taken in response to each finding and recommendation. Within their response, management include the date by which the actions will be completed. Internal audit routinely follows up all high and medium recommendations made ahead of each Audit, Governance and Standards Committee. A full schedule of recommendations falling due in the period is issued to each Departmental Management Team.

The recommendation implementation rate has fallen marginally from 87% to 86% since our last progress report (reported in February 2022). The actual implementation rate may be higher than 86%, however we are awaiting updates and provision of evidence for several audits.

Other internal audit work

We completed a reasonable assurance engagement in connection with the EU project URBACT Thriving Streets by performing First Level Control (FLC) claims verification for the period 1 April 2021 to 7 August 2022. Our report was an independent assurance conclusion as to whether the subject matter is in agreement with the grant offer letter in all material respects with eligibility criteria for the costs taken into consideration. A separate letter of engagement has been agreed with the Council for this work. Phases 1 and 2 covering expenditure from 1 April 2021 to 30 September 2021 was audited in November 2021. An internal audit of phase 3 expenditure covering the period 1 April 2022 to 7 August 2022 is currently underway.

2. ANTI-FRAUD UPDATE

BDO has been engaged to provide management support and strategic advice to the anti-fraud team at the Council. The lead for this work is Nick Baker (FCCA, ACFS), an accredited counter fraud senior manager and forensic accountant within BDO forensic services.

Summary of investigations 2022-23 to date

2022-23	•	orate Fraud		using ng List	Right	to Buy	COVID-19 Referrals	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed
C/f	12		0		0		27	
April 2022	4	4	5	4	5	0	0	0
May 2022	11	10	7	3	4	1	0	0
June 2022	4	2	2	5	2	5	0	0
July 2022	9	8	9	3	0	1	0	2
August 2022	17	14	9	11	5	2	0	19
September 2022	10	9	2	5	3	5	0	4
Total	67	47	34	31	19	18	27	25

The figures represent investigations from 1 April 2022 to 30 September 2022.

Reactive Anti-Fraud investigations

There are currently 41 active Corporate Anti-fraud Team investigations. These can briefly be summarised as follows:

Chief Executive's Department 3 cases
Children & Adult Services 9 cases
Environment & Leisure 1 case
Housing & Modernisation 5 cases
Finance & Governance 6 cases

• Blue Badges 15 cases (This is an Environment and Leisure initiative)

COVID-19

Business Grants 0 cases (all now referred to BEIS for recovery)

Community Grants 2 cases (consolidated from 7 cases)

An Assignment Agreement has been signed off with BEIS. All RHL and SBG Covid-19 Cases will be referred to BEIS in August 2022 for recovery, along with Covid-19 non-fraud related recovery cases, by the Business Rates Team. Several Covid-19 community Grant cases remain with CAFT. The applicants have been invited to attend interviews but so far have not responded.

Training

Corporate Anti-Fraud Team are working with Southwark learning to identify a new suite of eLearning to raise awareness across the council to combat fraud, bribery, and corruption.

Document Scanners

We have commenced the roll-out of the replacement ID Scanners for the primary users, including Housing, The Registrar's Office, Peckham Library and HR. The installations and user training will be completed by the end of October 2022.

Fraud and Verification

Corporate Anti-Fraud Team conducts reviews of housing waiting list and Homelessness applications which have an identified cause for concern. A test of the veracity of the application enables housing management to make an informed decision on the applicant's eligibility to remain on the housing register.

Between 1 April and 30 September 2022, we have received 34 referrals: eight have been denied, 13 have been recommended to be maintained, three are waiting for further information from the applicant, two have been transferred out for review by another team, six have no further action and two have been withdrawn by the applicant.

Right to Buy

The Council introduced forms to check the veracity of the sources of funds used for the purchase of properties under the right to buy scheme. Referrals are raised when the cash element of the purchase exceeds HMRC guidelines. For the referrals we review the source of cash funding and make a recommendation to the RTB team. Between 1 April and 30 September 2022 there have been 19 referrals: two have been denied, 15 have been approved, one was withdrawn, and one case has been suspended pending investigation.

National Fraud Initiative

We continue to investigate matches identified by The Cabinet Office National Fraud Initiative risk assessment focussing on reports that have been identified as high-risk reports. The NFI 2022/23 exercise is about to start with the data uploading to commence from September and the review will commence early next year with the final outcomes reported in 2024.

The following represents the outcomes for the National Fraud Initiative 20220/21 Exercise.

Processed matches 4,669 of high-quality data.

Investigated 256
Cleared 4,463
Fraud matches 65
Error matches 141

Total Outcomes £241,330.15

Total Estimated Savings £881,243.55

The results would not be achieved without the significant support from colleagues in Exchequer Services, Housing & Modernisation and Finance & Governance.

The NFI annual Council Tax Exercise for 2021-22 identified 30,306 reports.

Processes 24,433 Investigated 11,114

This identified 594 frauds and 253 error reports.

Total Outcomes £340,049.20

Total Estimated Savings £530,067.62

Total Overall Outcomes £870,116.82

These results could not be achieved without the support from colleagues in Exchequer Services. The ER/SPD 2022-23 exercise commences with the data upload in January 2023.

Fraud Response Plan

The Council's Fraud Response Plan sets out in detail the Council's approach to identifying and dealing with potential fraud, the responsibilities of staff and the public in reporting suspicions of fraud, the approach the Council is committed to in investigating allegations of fraud, and the possible sanctions open to the Council when fraud is proven to have taken place. Continued changes to the team staffing levels and the adjustments due to the various lockdowns it has been difficult to finalise the fraud response plan. With the proposed return to work from 3 October 2022 this will allow us to plan for the future. As such a Fraud Response Plan will be prepared to cover the period from January 2023 to March 2024.

Recruitment

In March 2022 The Trainee Fraud Investigator resigned. We carried out an internal recruitment for a secondment to the Corporate Anti-Fraud team for a period of 12 months. The post was filled on 25 July 2022.

3. SUMMARY OF WORK IN PROGRESS

INTERNAL AUDIT PLAN 2021-22

The table below includes only those audits where the executive summaries have not been presented to the Audit, Governance and Standards Committee previously.

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Accounts Payable	Director of Exchequer Services	15	~	>	✓ Final	Substantial	Moderate
All Age Disabilities Service	Director of Adult Social Care	25	~	>	✓ Final	Moderate	Moderate
Continuing Healthcare	Director of Adult Social Care	15	~	>	✓ Final	Moderate	Moderate
Contract Mobilisation	Director of Commissioning	20	~	~	✓ Final	Moderate	Moderate
Council Tax	Director of Exchequer Services	15	~	>	✓ Final	Substantial	Moderate
Customer Access Strategy	Director of Customer Experience / Director of Exchequer Services	15	~	~	✓ Final	NA Advisory	NA Advisory
Electoral Register and Elections	Director of Law and Governance	15	~	~	✓ Final	Moderate	Substantial
Emergency Planning	Director of Strategy and Economy	15	~	~	✓ Final	Substantial	Moderate
Facilities Management	Director of Asset Management	20	~	~	✓ Final	Substantial	Moderate

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Financial planning and budget monitoring	Strategic Director of Finance and Governance	25	•	>	✓ Final	Substantial	Moderate
Highways Maintenance	Director of Environment	15	~	>	✓ Final	Substantial	Substantial
Housing Benefits	Director of Exchequer Services	15	~	>	✓ Final	Moderate	Moderate
Housing Revenue Account	Director of Finance	15	~	>	✓ Final	Substantial	Substantial
Housing Tenancy Management (Successions)	Director of Resident Services	15	~	>	✓ Final	Moderate	Moderate
Insurance	Director of Finance	15	~	>	✓ Final	Substantial	Moderate
IT Disaster Recovery	Director of Customer Experience	20	~	>	✓ Final	Limited	Limited
Leisure Services	Director of Environment	15	~	>	✓ Final	Substantial	Moderate
Library Services	Director of Leisure	15	~	~	✓ Final	Moderate	Moderate
Licensing	Director of Environment	15	~	~	✓ Final	Moderate	Moderate
Major Works	Director of Asset Management	15	~	>	✓ Final	Limited	Moderate
NNDR	Director of Exchequer Services	15	~	>	✓ Final	Moderate	Substantial
Objection Review	Strategic Director of Finance and Governance	10	~	>	✓	NA Advisory	NA Advisory

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
					Final		
Older Peoples Services	Director of Adult Social Care	15	*	>	✓ Final	Substantial	Substantial
Payroll and HR	Director of Exchequer Services	20	*	>	✓ Final	Substantial	Moderate
Pensions Administration	Pensions Manager	15	>	>	✓ Final	Substantial	Moderate
Risk Management	Director of Finance	25	*	>	✓ Final	NA - Advisory	NA - Advisory
Southwark Building Services	Director of Asset Management	20	*	>	✓ Final	Moderate	Limited
Suspense Account Management	Director of Exchequer Services	15	*	>	✓ Final	Substantial	Moderate
Contracts Register	Director of Law and Democracy	25	*	>	The findings arising from these two reviews have been agreed, Internal	Moderate	Limited
Fairer Future Procurement Framework	Director of Law & Governance	25	•	>	Audit is working with Departmental Senior Management teams to identify solutions to the issues raised.	Moderate	Limited

INTERNAL AUDIT PLAN 2022-23

The table below includes the status of audits commenced to date. For those audits shaded in grey, the executive summaries are included in section 4.

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness		
Supporting Families Grant	Director of Children and Families	20		Audits completed on a sample of 10% of claims on a quarterly basis.			For the period to 1 April to September 2022 no exceptions were identified for the sample of claims reviewed.		
Protect and Vaccinate Funding	Director of Finance	6	~	~	✓ Final	NA Advisory	NA Advisory		
Adult Learning Services	Director of Education	15	~	~	✓ Final	Moderate	Substantial		
Buyback of Properties	Director of Customer Experience	15	•	~	✓ Draft Report				
General Ledger	Director of Exchequer Services	15	~	~	✓ Draft Report				
Special Education Needs (SEN)	Director of Education	20	~	~	✓ Draft Report				
TMOs - Use of Reserves	Director of Communities	20	•	~	✓ Draft Report				
Covid-19 pandemic related expenditure	Director of Adult Social Care	14	•	Closing meeting held					
APEX Asset Management	Director of Asset Management	15	~	~					
Building Control	Director of Planning and Growth	15	~	~					

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Children's Quality Assurance Unit	Director of Children and Families	15	~	~			
Complaints	Director of Customer Experience	20	>	~			
EU project URBACT Thriving Streets - Grant - Phase 3	Director of Environment	6	•	~			
Hospitality and gifts register, register of interests	Director of Law and Governance	25	•	~			
Member Office Protocol	Director of Law and Governance	15	~	~			
Mental Health Services	Director of Adult Social Care	15	~	~			
Pensions Administration	Pensions Manager	15	~	~			
Pupil Registry Systems	Director of Education	15	~	~			
Private Sector Licensing	Strategic Director of Finance and Governance	30	~	~			
Safeguarding - adults	Director of Adult Social Care	20	~	~			
Solace Womens Aid - Contract Management	Director of Environment and Leisure	20	~	~			
Software licence management	Head of IT and Digital Services	20	~	~			
Building Safety	Director of Asset Management	25	~				
Markets	Director of Environment	20	~				

Audit	Director / Audit Sponsor	Days	ToR issued	Fieldwork	QA / Reporting	Design	Operational Effectiveness
Voids	Director of Resident Services	20	>				

Schools internal audit plan 2022-23

The table below includes the status of audits commenced to date. A summary schools report will be prepared as part of the internal audit year end reporting, and presented to the Audit, Governance and Standards Committee in June 2023.

School	Status	Design	Operational Effectiveness
Southwark Inclusive Learning Service	Final Report	Moderate	Moderate
Charlotte Sharman Primary	Draft Report	Moderate	Limited
St Saviour's and St Olave's Church of England School	Draft Report		
St Mary Magdalene Church of England Primary School	Draft Report		
Peter Hills with St Mary's & St Paul's Church of England Primary School	Draft Report		
Dulwich Wood Primary School	QA		

4. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS			
	Docian	Operational	High			
_	Jesigii	effectiveness	Medium	2		
Sut	ostantial	Moderate	Low	2		
Added value:	We conducted data analytics and identified the following: • Our review of the SAP payments for the financial year 2021/22 (till Jan-22), identified the were no transactions processed without a vendor. • 25 vendors were identified as having duplicate names and two vendors had the same namand address with different bank details; we have not been able to verify the reason for this. • 79 duplications in vendor standing data, with the same bank account details being shared across several vendors. This has been investigated and any actual duplicates have been marfor deletion. • The average number of days from the Invoice date to clearing date is 48 days to be paid. • We identified that there were 56 out of 60,196 payments where the invoice date was late than the payment date, due to recording errors.					
	Sut	Added value: We conducted out of the address value: We conducted out of the address value: Our review were no transfer and address value: 79 duplication across several for deletion. The average out of the address value in the payr. None of the address value in the payr.	Design Operational effectiveness Substantial Moderate We conducted data analytics and ider of the SAP payments for were no transactions processed without and address with different bank detained across several vendors. This has been for deletion. The average number of days from the owner of the above results warranted a however the results of the data analy	Design Operational effectiveness Medium Substantial Moderate Low We conducted data analytics and identified the following: Our review of the SAP payments for the financial year 2021/22 were no transactions processed without a vendor. 25 vendors were identified as having duplicate names and two and address with different bank details; we have not been able to 79 duplications in vendor standing data, with the same bank ac across several vendors. This has been investigated and any actual for deletion. The average number of days from the Invoice date to clearing on the investigated and any actual for deletion. We identified that there were 56 out of 60,196 payments where than the payment date, due to recording errors. None of the above results warranted a formal finding and recommendates are results of the data analytics have been shared with		

Background:

The Council's main financial system is SAP which records accounts payable transactions. SAP allows invoices to be scanned onto the system and electronic purchase ordering /invoice approval is linked to the Council's scheme of management. The Financial Control and Processing (FC&P) Team within Exchequer Services supports the processing of transactions. Departments are expected to raise purchase orders electronically through SAP, these are work-flowed to relevant individuals or via email, which are the sources of evidence and sign off for the FC&P Team to raise orders electronically. The process requires them to send an email to the FC&P Team confirming the receipt of goods. Once the purchase order, invoice and goods receipted are completed using a three-way matching system, the invoice is processed for payment. Non-purchase orders (direct entry) are raised by the departments via email using Excel spreadsheets which detail the requisition and contain the appropriate authorisation, which is in line with the

departmental Scheme of Management. Invoices raised by suppliers are issued to the departments who are responsible for carrying out the relevant checks before providing them to the FC&P Team to ensure all details such as the supplier details and payment amount are correct. The FC&P Team is not responsible for assessing the accuracy, completeness and validity of the invoices received, ownership is with the relevant budget holder to ensure the information is accurate. The FC&P Team undertakes payment runs every day, processes include checking for duplicate payments and allocating the payment method. The transactions that are flagged as duplicates or unusual are not processed for payment.

Good Practice:

- Monthly reports are run to identify departments who consistently raise purchase orders after the invoice
- A vendor amendment form is in place to allow for appropriate approval and segregation of duties when changes are required, including changes to vendor bank accounts
- · A vendor amendment form was completed in full for all vendor changes selected in our sample, with appropriate authority
- All vendor changes were approved by the relevant staff members within the FC&P team
- All winshuttle payments were processed by the correct staff member within the FC&P team.
- For a sample of 20 vendor payment transactions from April 2021, the FC&P Team met their five-day processing target on all cases.

Key Findings:

For a sample of 20 vendor payment transactions where a Purchase Order, we found the following exceptions:

- On five occasions, the purchase order was raised after the invoice was received.
- On one occasion, the invoice was not attached against the transaction on SAP.
- On six occasions, payments were not made within the required 30 days.
- On three occasions, the authoriser of the purchase orders (input on SAP) was not listed in the Council's scheme of management.

CAS04		LEVEL OF	LEVEL OF ASSURANCE SUMMARY (OF RECOMMENDATIONS	
All Age Disability May 2022		Design	Operational effectiveness	High Medium	- 3	
		Moderate	Moderate	Low	1	
Purpose	To help ensure that an effective risk management culture becomes embedded across the Council, by highlighting areas where processes					

Purpose of audit:

To help ensure that an effective risk management culture becomes embedded across the Council, by highlighting areas where processe could be improved.

Background:

The All-Age Disability Team is a social work team that provides support and services in the borough of Southwark for children and young people with eligible care and support needs. The services include activities, short breaks, care arrangements, care packages or a personal budget. Children and young people with a disability aged 0 to 25 and who live in Southwark are eligible for this service. The service is funded by the Council and is a statutory service. A child or a young person with a disability is referred to the service by other agencies such as Children's Social Care - Assessment and Intervention Service and Family Early Help. A social worker then contacts the parent/carer to discuss the child's disability and seeks their permission to obtain information from other professionals such as the child's GP, teacher, or physiotherapist. The criteria for disability registration with the service is that a child or young person has a severe to profound and permanent disability of one, or a combination of learning disability, communication difficulties, physical disability, visual or hearing impairment or complex health needs. If the child is eligible for a service, the team carries out an assessment of the child's needs. The assessment focuses on the child's developmental needs, a parent or carer's capacity to meet those needs and the environment in which the family lives. After the assessment, if eligible, the team agrees a care plan for the child recording what help would be available to meet the child's needs.

Good Practice:

- An appropriate officer is completing the initial assessments for ensuring that only eligible children and young people are assigned a care plan across all ages
- All ages from 0 under 18 were appropriately referred from Multi Agency Safeguarding Hubs (MASH)
- From a sample of ten care plans across the ages 0-25 which are subject to an annual review we confirmed that they had all been reviewed within 12 months
- Value for money when assigning care packages to individuals is considered and discussed when allocating care plans.

Key Findings:

- For a sample of 10 payments made to care providers for the ages 18 25 we found that:
 - On one occasion, the funding form required to be approved at Panel was not present.

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- On two occasions, the weekly value agreed at panel was above the £1500 threshold permitted on the scheme of management (£2402.1 and £2093.61). This was explained to be due to a significant saving for the Council potentially being gained so there is a verbal understanding within the team that the Head of Service can approve values greater than £1500 in these circumstances.
- On one occasion, the Learning Development funding form dated 15/01/2020 indicated that the package should be reduced to £372 per week. This has not been updated and payments are currently at the original agreed amount of £440 per week.
- For the ages 0 under 18, from a sample of ten care packages we found that on one occasion, the initial assessment for ensuring that only eligible children and young people are assigned a care plan was not completed within the required 45-day period.
- For 18-25, from a sample of five care packages we found that on one occasion, the initial assessment was not completed within the required deadline of 28 days.
- From a sample of ten care plans across the ages 0-25 that have been in place for longer than 12 months, we found that on two occasions, the care package had been adjusted following a review, but this did not go to panel for approval.

CAS12	LEVEL OF ASSURANCE		SUMMARY OF R	RECOMMENDATIONS
Continuing Healthcare March 2022	Design	Operational effectiveness	High Medium	- 3
	Moderate	Moderate	Low	-

Purpose of audit:

To provide assurance that the Council's adult support governance arrangements align with its responsibilities under the national framework for NHS continuing healthcare (CHC) and NHS funded Nursing Care (FNC).

We also analysed whether the Council has worked collaboratively with the CCGs when reviewing applications and related processes, verifying that robust quality and monitoring mechanisms were in place. Our review included an evaluation on performance management, risk escalation, quality, and monitoring mechanisms.

In addition, we reviewed the framework that supports relationship management and collaboration between the Council and CCGs

Background:

NHS Continuing Healthcare (CHC) is a package of care for people who are assessed as having a 'primary health need' to be funded by the NHS. There are two parts to the funding: (1) if people receive care in their own home, the NHS covers the cost of care and support, which includes personal care such as help with washing and getting dressed; and (2) if people receive NHS CHC in a care home, the NHS pays for the person's care home fees. NHS CHC funding is available to adults living in England who have particularly intense, complex, or unpredictable care needs.

The Care Act 2014 states the core purpose of adult care and support is to help people to achieve the outcomes that matter to them in their life. Local authorities must promote wellbeing when carrying out any of their care and support functions in respect of a person.

Good Practice:

- Defined governance processes are in place to support CHC and FNC applications which fully align to the national NHS framework.
- Consistent engagement forums are in place between the Council and the CCG to discuss CHC applications and dispute appeals.
- We reviewed the levels of oversight and healthcare knowledge available to support the CHC application processes and understanding the multiple types of health conditions related to requests. Service Managers are in place with key knowledge of their applicant's specified case needs and can provide appropriate context to the Healthcare Panel and CCG.

Key Findings:

- There were nine fire safety actions from the most recent fire risk assessments across the six blocks we tested that had not been completed. Of these actions, seven were medium priority (two are low priority) and implementation targets dated back to August 2020.
- The Council's record of CHC and FNC applications does not consistently retain a final decision rationale, line manager Decision Support Tool (DST)

- approval or key milestone dates within the process.
- Defined monitoring mechanisms are not in place to verify that the CHC and FNC application lifecycle aligns to the prescribed processing timelines within the Council's official policy
- The CCG does not consistently share Healthcare panel minutes with the Council and circulate the CHC applications scheduled in advance of joint meetings.
- The Council does not systematically perform periodic quality assurance checks on negative checklists, DSTs, and Healthcare Panel decisions.
- The Council does not have an official local CHC Dispute resolution policy in place.
- The length of time case disputes remain open and progress updates are not reviewed systematically to ensure they are completed within specified timescales. As also stated above, there is inconsistency regarding milestone date records such as the commencement of a disputed case prevents us from quantifying the average time of delays.

CAS34	LEVEL OF	ASSURANCE	SUMMARY OF RECOMMENDATIONS	
Contract Management: Mobilisation	Design	Design Operational		-
February 2022	200.g.,	effectiveness	Medium	4
	Moderate	Moderate	Low	-

Purpose of audit:

To provide assurance over the adequacy of the design and operational effectiveness of the mobilisation process regarding contract management for contracts within Children's and Adults' Services (CAS).

This included whether an effective transition process from the contract award stage to business as usual was in place. To complete this review, our testing focused on the Care at Home, Ageing Well, 16+ Accommodation and Adults Advocacy contracts.

We also considered if the recently published contract management handbook and, where necessary, operational procedures incorporate lessons learned from previous mobilisation.

Background:

The Care Act 2014 made local authorities responsible for the provision of effective wellbeing services across all areas of the Council. The legislation requires the provision of advice, market shaping and commissioning of adult care and support. The Council must assess the needs of its local population for care and support services, determining those services that need to be arranged, then designing, delivering, monitoring, and evaluating those services to ensure appropriate outcomes are achieved. The Council's commissioning of care and support services involves acquiring services through third party resources, which can often include the process of putting a service out to tender. The Procurement Team can use alternative ways to engage and pay organisations for the work they do, like through grants and agreements for the organisation to do certain types of work or provide a certain type of service.

Mobilisation refers to the stage of contract management carried out after the Council has selected their supplier, at the transition from the procurement stage to the commencement of services. This is an essential part of contract management to ensure that the planned benefits and outputs required translate to the expected business as usual operations. We were informed that the current process requires review as there are lessons to be learnt from previous contract mobilisations which will be critical to understand due to the number of large procurements and re-procurements currently in train. Since March 2020, several contracts have had delays in both mobilisation and the delivery of expected outputs due to the impact of Covid. Key defined governance steps within the mobilisation process need to be in place and communicated to stakeholders. The Care at Home, Ageing Well, 16+ Accommodation and Adults Advocacy have been cited as four commissioned projects which were impacted by issues at the mobilisation phase.

The Corporate Procurement Team offer strategic support in an advisory capacity to Council services and key stakeholders who are commissioning the services, as part of a transparent governance framework.

Good Practice:

• The Council's Children's and Adults' Services (CAS) has policies and procedures in place which promote effective management of procurement and contract management activities, these are documented in the Commissioning Handbook.

• CAS has dedicated boards and forums across each of its projects which discuss implementation and mobilisation specifically.

Key Findings:

- While there are overall effective procurement policies and procedures in place, there are no documented governance protocols underpinning the processes related specifically to the mobilisation stage.
- There is no defined or documented decision tree or workflow illustrating the mobilisation procedures or related responsibilities that should be followed in various scenarios.
- There is not a standardised set of mobilisation monitoring requirements across each project.
- There is not a defined list of key stakeholders or senior managers who should be included in the mobilisation stage to approve changes or assist with decision making.
- There is an inconsistency in the level of engagement between external and internal stakeholders during the mobilisation phase.
- Standardised change control and contract variation documentation was not used within the mobilisation stage of the Adult Advocacy contract.
- Key Performance Indicators focused on the mobilisation stage are not utilised to ensure the process remains on schedule or progresses in an effective manner.

KFC01	LEVEL OF A	LEVEL OF ASSURANCE		RECOMMENDATIONS		
Council Tax July 2022		Operational	High			
July 2022	Design	effectiveness	Medium	1		
	Substantial	Moderate	Low	2		
Purpose To provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in						

Purpose of audit:

To provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of Council Tax.

Background:

Council Tax is charged on residential properties within the London Borough of Southwark, based upon a fixed percentage, which has been raised by 3.99% since 2020/21. Approximately £123m is collected annually. Residents may pay their Council Tax in several ways, including via telephone, online payments, bank transfers and direct debit and payment may be made in either fixed instalments or an annual lump sum. The enforcement team are responsible for the recovery of uncollected debts. Residents may also be entitled to a number of exemptions or discounts depending on personal circumstances, including single person discount, student discount, and disabled person discount. Sufficient evidence must be supplied to the Council prior to the discount being awarded, and where appropriate, will be reviewed annually for any changes. Whilst recovery of arrears was paused for 18 months during the pandemic, in April 2021 the Council commenced sending reminder letters and are continuing to take recovery action.

Good Practice:

We identified the following areas of good practice:

- Comprehensive work notes and screenshots are in place and set out how to process Council Tax, refunds, discounts, write offs and adjustments.
- New properties are added to Northgate in a timely manner.
- Regular fortnightly reconciliations of properties are conducted and authorised in a timely manner by the Revenues Officer.
- Refunds are issued in line with the Council's policies, and we found sufficient evidence to demonstrate clear segregation of duties.
- Members of the Council Tax Team conduct random spot checks on refunds, discounts and write offs, to verify that applications have been correctly processed, and correctly recorded in Northgate.
- Reconciliations between SAP, AIM and Northgate are undertaken regularly, and appropriately authorised.

Key Findings:

Our review also highlights some areas for improvement:

- 34 out of 35 work instructions were last reviewed more than 3 years ago and some current practice is not reflected in the policies
- Future review dates were missing from Northgate across 12/15 sampled discounts applications.
- 7 out of 10 write offs did not have all recommended checks in place attached on Northgate

FG01		LEVEL OF	LEVEL OF ASSURANCE		RECOMMENDATIONS		
Electoral Register and Elections July 2022		Design	Operational effectiveness	High Medium	- 2		
		Moderate	Substantial	Low	1		
Purpose of audit:							

Background:

Under the Electoral Registration and Administration Act 2013, there is statutory guidance on the maintenance of the electoral register and the administration and conduct of elections which guides the processes undertaken by the electoral services team. The Council makes use of a Geographic Information System (GIS) across several departments, including council tax and Non-National Domestic Rates (NNDR), to monitor any additional properties within the borough and allocates a unique property reference number, which allow greater scrutiny of individuals and their residents across the Council. The Head of Electoral Services is responsible for compiling and maintaining an accurate register of all properties within the Borough, providing a Unique Property Reference Number (UPRN) to all properties, as well as providing categories and classifications. The UPRN is critical for data matching purposes, an essential aspect of electoral registration work.

The Council's Strategic Director of Finance and Governance is the Returning Officer (RO) and is personally responsible for the conduct of the elections and the register of electors. This means that as RO he is not responsible to the Council but is directly accountable to the courts as an independent statutory office holder and is personally liable for the conduct of the polls.

Following an election, the Council can submit a return to central government requesting reimbursement of the funds used in administering an election. This audit covered the period for elections held in 2021 (the GLA elections). Since completion of the fieldwork, the Council has held local elections in May 2022.

Good Practice:

- The Election Project Board hold regular meetings prior to each election and discuss all operational matters such as recruitment of volunteers for poll day and counting, venues for polling stations, materials required, risk assessments and contingency planning
- The elections team take sufficient measures to ensure their canvassing efforts enable the electoral register to be an accurate representation of the voting population of the Borough this includes using a checklist to ensure the register is checked to identify duplicates, correct properties and address are logged and emails and texts are sent to those who have not registered to vote
- From a review of 20 eligible voters on the electoral we confirmed that all voters provided the required supporting evidence, with their personal details matching correctly to the details uploaded onto the Council's elections system Xpress
- From a review of a sample of 20 postal voters we were able to confirm that all applications were processed in line with statutory guidelines and the required supporting information was retained on Xpress
- From a review of 20 overseas voters, the Council provided a robust audit trail and approval process for us to confirm that voters' details were

correctly processed on Xpress • The Electoral Services team review applications processed on Xpress at least once a week to ensure that applications have been manually entered accurately, with all supporting evidence provided by the voters uploaded and saved onto Xpress.

Key Findings:

- A project plan was not in place for the elections carried out in 2021 outlining specific actions with timelines to ensure all actions were complete and reviewed prior to the election taking place
- Procedure notes on processing applications and canvassing for the electoral services have not been reviewed since 2020. In addition, a succession plan is not in place to reduce the dependency on the Head of Service
- Support from the finance team is not offered to members of the Electoral Service Teams when submitting election claims for reimbursement of allowable election expenses therefore the claims are being completed by an office that has no Finance experience, leading to potentially lower claims.

Commentary:

For the elections undertaken in 2021, the Council did not have a process in place to ensure all actions required, roles and responsibilities for those actions and deadlines are documented and approved prior to an election. Therefore, we concluded a moderate assurance rating for control design to feed into our annual report for 2021-22. As part of the management response, we have been provided with additional information and documentation uses in the local elections in May 2022. These included a Project Initiation Document and Daily Timetable, and a Risk Register and Updated Integrity Document. As these documents did not relate to the period under review, our audit opinions remain unchanged. However, we acknowledge that they represent further improvements to the processes already in place.

CX01		LEVEL OF A	ASSURANCE	SUMMARY OF RECOMMENDATIONS		
Emergency Planning June 2022		Design	Operational	High		
		Design	effectiveness	Medium	2	
		Substantial	Moderate	Low	2	
Purpose T	To provide assurance over the design and operational effectiveness of the controls relating to the emergency planning response and					

of audit:

To provide assurance over the design and operational effectiveness of the controls relating to the emergency planning response and arrangements at the Council. The audit included a review of whether roles and responsibilities are clear across the Council and with other agencies, along with the impact of the response to Covid-19 on working practices and resilience.

Background:

The Generic Emergency Plan details how the Council complies with the Civil Contingencies Act 2004 (CCA) and sets the Council's strategy for dealing with a broad range of incidents. This was first published in September 2005.

The Council has clear legal and moral obligations to provide effective, robust, and demonstrable emergency arrangements to mobilise its resources at a short notice, to deal with a broad range of incidents. This may be on a localised departmental level, where a simple out-of-hours activity is required, or on a much larger scale, where a multi-function response requires dedicated coordination, liaison, and communication.

Under the CCA, the core responders consist of the emergency services, Environment Agency, Local Authorities and Port Authority. As a Category 1 responder, the Council has the following responsibilities:

- Assess the risk of emergencies occurring and use this to inform contingency planning Put in place emergency plans
- Put in place business continuity management arrangements
- Put in place arrangements to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public
- Share information with other local responders to enhance coordination Cooperate with other local responders to enhance coordination and efficiency.

The Council's Corporate Business Continuity Plan serves as a strategic plan to which department plans align. Each department holds their own specific service area business continuity plan which feeds into this plan. This plan serves to ensure that all service areas are involved in the preparation of business continuity plans so that there is an effective and consistent response to service continuity.

The Business Continuity Steering Group coordinates the strategic decision-making process for business continuity, ensures that the business continuity plans are signed off at the appropriate level and that there is adequate ownership and resourcing of business continuity arrangements.

In March 2020, the Council set up a borough emergency control centre to address the risks arising from the Covid-19 pandemic.

Good Practice:

• In accordance with the routine annual review cycle, the Southwark Council Generic Emergency Plan was last reviewed in January 2021. The plan was updated again in June 2021 ahead of a Cabinet meeting where it was presented to encourage better participation from Councillors in the emergency

responses taken.

- The plan includes all relevant areas such as the Council's role, links to risk registers, business continuing planning, procedures, and triggers for activation of the plan and key roles and responsibilities of staff involved in responses such as Local Authority Liaison Officers (LALOs). The plan is accessible to all staff and members of the public as it is published on the Council's website.
- There are ten supporting handbooks that provide in-depth guidance to all key personnel involved in the process and for all key stages such as setting up and running a Borough Emergency Control Centre (BECC) and recovery after the incident. All handbooks have been subject to regular review and approved appropriately.
- Incidents are recorded and maintained in line with the requirements of the Generic Emergency Plan in a spreadsheet, which is maintained by the Emergency Planning team and stored to the team's shared drive. The spreadsheet details the type of incident, location, date, level as per the Generic Emergency Plan, whether LALO attended and whether a Borough Emergency Coordination Centre (BECC) was set up. The Generic Emergency Plan clearly states when the plan should be invoked and by whom before explaining the procedures, roles and responsibilities, types of incidences and how to establish a BECC.
- From our review of all mock exercise summaries completed in the last 12 months, we confirmed that they had been planned, undertaken in line with the generic Emergency Plan and recorded to assess the outcome. Summary reports are produced of all mock incidents to be shared for learning purposes. One multi-agency live play incident and one Pan-London incident hosted by London Resilience is conducted annually as well as several internally planned mock incidents. Reports show that incidents were dealt with in line with the Emergency Plan.
- The Emergency Planning and Resilience Team have maintained good relationships with the Category 1 and 2 responders that they work with. To build and maintain good relationships with the external parties, the Emergency Planning and Resilience Manager attends the London, Central Subregional and National resilience forum, which is also attended by the Category 1 and 2 responders.
- The Emergency Planning and Resilience Manager, being the former Commander of Southwark's Fire Department, has the knowledge and network to help the Borough in maintaining good relationships. He also chairs a Borough Resilience Forum, which takes place quarterly and has consistently taken place through the pandemic remotely. The meeting is attended by all Category 1 responders and frequently Category 2 responders also attend. The Borough Risk Register is discussed to ensure everyone is aware of their responsibilities if an emergency is presented.

Key Findings:

- Departmental business continuity plans are not prepared in a consistent manner, with some departments not including key contacts in their plan, some having contacts that are not current employees of the Council and others that have not been reviewed regularly.
- Business Continuity Steering Group meetings understandably took on a different role through the Pandemic. Minutes were also not prepared in the regular template, which did not include a list on attendees, a section for actions and action owners. There should now be a return to business as usual.

HM51		LEVEL OF A	LEVEL OF ASSURANCE		RECOMMENDATIONS	
Facilities Management July 2022		Design	Operational effectiveness	High Medium	- 2	
		Substantial	Moderate	Low		
Purnose	To provide assurance over the adequacy and effectiveness of the monitoring processes the Council has in place relating to their facilities					

Purpose of audit:

To provide assurance over the adequacy and effectiveness of the monitoring processes the Council has in place relating to their facilities management (FM) Contract. The audit considered the extent to which the contract objectives, deliverables and key performance indicators are being met.

Background:

The Council has a contract for the provision of consolidated repairs and maintenance services across the operational estate. This began on 1 February 2013 and was expected to end on 31 March 2020. The contract has been extended by virtue of four deeds of variation (2017, 2018, a further deed in 2020 to transfer a further 55 sites to the contract for hard FM services from Kier FM in 2020). Finally in April 2020, the contract was extended for an additional 18 months with an approximate value of £10 million and an end date of 30 September 2022. The contract was awarded using the EU procurement process followed through a Crown Commercial Service (CCS) Framework Agreement. The contract is valued at c. £8 million per year; of this value, approximately £7m is for specific building improvements and accommodation rationalisation projects across the Council.

The contract covers a full range of planned and reactive maintenance and compliance services across the borough, as well as minor works. This incorporates 55 sites across the Borough of Southwark, including corporate buildings, care homes, day centres, and 13 libraries. Provisions include compliance services to properties across the estate, such as fire and water risk assessments, electrical installation and condition reports, display energy certificates, F-Gas regulations, and asbestos duty holder re-inspections.

The Council's corporate facilities management team (CFMT) manages the contract. The Contractor's performance is measured against a series of KPIs set out in the tender documentation, and the payment mechanisms are linked to performance. The Head of Facilities Management receives an annual service improvement plan that captures the previous year's performance and agree targets for innovation and service improvement for the following year. This process is supported by half yearly service reviews. In addition to the half yearly reviews, monthly contract management meetings are held and where significant projects are being undertaken, fortnightly project meetings are held.

The Council has recently conducted a procurement exercise to replace this contract and move to a single Facilities Management contract and provider across the whole of the Council's estate. The tenders were evaluated, and a proposed new Contractor has been selected. The contract is due to be awarded on 16 June 2022. The contract is for an initial period of four years with an option to extend for a further two years. A decision is to be made during this time on whether to continue with a contracted external provider or bring the facilities management function in-house.

Good Practice:

- KPIs are in place to manage performance of the FM Contract are based on the key service areas. These are measurable and provide the CFMT a detailed view as to how the contractor is performing against their remit. These KPIs have been in place since 2013 and have been revised during the life of the contract. They will be further updated in the new FM Contract to ensure they meet the full coverage the new FM Contractor's services.
- The KPI targets are consistently monitored through each month/ period and cover the full service. We have analysed the KPI Log spreadsheet which

- contains the Contractor's KPI target performance from 2017 to February 2022. Each year is broken down by month with the actual performance against target listed along with the KPI trend vs that of the previous period.
- There are consistent performance checks between the Council and the FM Contractor. We analysed meeting minutes, monthly performance reports and e-mail correspondence between CFMT and the contractor. Where actions are required, these are consistently followed up.
- Service delivery and KPI performance are critically analysed which we have evidenced through analysis of meeting minutes between December 2021 and February 2022. Due to inconsistent performance over the last two years, scrutiny is thorough. Senior management from both the Contractor and Council attend meetings which allows issues to be escalated immediately when required.
- Annual reviews of the FM Contractor are taking place, key areas of performance are covered and progress against KPIs are captured. Issues arising over the year are flagged and mitigations to manage these going forward are highlighted. We note that the two annual reviews seen (2017-18 and 2020-2021) were under two different Contractors. Both highlighted issues with the provider's level of service, however CFMT effectively challenges and follow up these issues. This was evidenced through analysis of the open job reports and action plans discussed in the monthly meetings.
- Communication protocols are working efficiently, problems with performance lay with contractor infrastructure and supply chain issues. We have seen evidence of consistent communication over the last three months. A collaborative tone between the two parties is evident, along with progress on improving the areas of poor performance.

Key Findings:

- Due to performance issues, over the lifecycle of the contract, end users have an overall negative view of the provider. This is evidenced by a consistent KPI failure during the pandemic for 11 months from April 2021 to February 2022 and related to the Contractor struggling to respond to customer complaints within five business days. CFM management recognised the impact the pandemic was having on the contractor to ensure that offices and buildings remained open and serviced, therefore financial penalties were not levied, however the Council has issued noncritical default notices where necessary, which have resulted in action plans to remedy performance issues identified.
- Risks related to overall FM Contractor failure are captured in the risk register. Whilst mitigating controls and actions are in place, they are currently vague and do not include detailed measures and tasks which are required be taken in each event.

Commentary:

The Corporate Facilities Management team has demonstrated routine oversight and monitoring of provider performance. KPIs are consistently being reported on and reviewed and collaboration related to ongoing delivery issues is prompt. Senior managers are actively engaged in performance discussions and the last three months have demonstrated a decrease in work jobs which remain open. The FM Contractor has not performed at a consistent standard over the last five years. This can be attributed to several issues, including internal restructuring, the impact of the Covid19 pandemic on the ability to mobilise, supply chain issues and Brexit. However, the design of the Council's control framework was strong and is generally being adhered to. We therefore provided an opinion of substantial assurance in respect of the design. Given the ongoing performance of the contractor and that KPIs have routinely not been met, we provided moderate assurance over the operational effectiveness of the controls in place in respect of the Council's management of the FM Contract.

TR07 Financial Monitoring and Reporting		LEVEL OF A	LEVEL OF ASSURANCE		RECOMMENDATIONS
		Design	Operational effectiveness	High	-
July 2022	2	Substantial	Moderate	Medium Low	2
Purpose of audit:	To review the monitoring and reboth the 2020-21 and 2021-22 fir		ne and savings and the e	extent to which they will be	realised. This audit covered

On an annual basis, a budget proposal including efficiency and savings proposals is submitted to Cabinet in advance of the next financial year. Once approved by Council Assembly, the savings targets are built into the annual budgets for each department. Strategic Directors take responsibility for the budgets of their area. As the Strategic Directors are responsible for the annual budgets, they also set the local monitoring regime they require to enable them to effectively monitor this. In practice, this differs by Strategic Director, with budget forecasts being submitted monthly or less frequently by the Departmental Finance Managers into SAP. Reporting is also made to the Senior Management Team, then reports are made to Cabinet every four months in accordance with the Revenue Monitoring Timetable.

Due to the COVID-19 pandemic the reporting due in July (the fourth month) of 2020-21 was delayed to August 2020, and subsequently reported to Cabinet in October 2020. To manage the capacity of the four Departmental Finance Managers, reports submitted via SAP are made based on risk, and as requested by the Strategic Director.

Good Practice:

- The budget proposals for the 2021-22 financial year were submitted and recommended by Cabinet for approval, and subsequently approved by Council Assembly in February 2021, prior to the financial year and in accordance with the expected timetable.
- The budgeted figures for both income and savings that were approved by both Council Assembly and Cabinet were entered into SAP at the start of the financial year and the figures matched those approved.
- Regular reporting was made to Cabinet on both income and savings achieved. For reporting made in 2020-21 this was supported by monthly reports to the Audit, Governance and Standards Committee on the impact of covid. For the 2021-22 financial year standard reporting was completed. For both years this included where the targets would not be achieved. Reasons for this were documented and alternatives sought where necessary.
- Forecasting was completed in accordance with the corporate timetable and reported to Cabinet. In between this reporting, further forecasting was completed based on Strategic Director and Chief Officer Team agreements with Finance taking on a risk-based approach. This includes the setting up of a budget recovery board for particularly at-risk areas; currently a board is in place for temporary accommodation.

Key Findings:

Where budget monitoring was completed, we noted that for finance and governance the Month 8 adjusted figures reported to Cabinet were not recorded on SAP based on any changes made.

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Commentary:

For both the 2020-21 and 2021-22 financial years, budgets were submitted and approved by both Cabinet and Council Assembly in the February prior to each financial year commencing in accordance with the Corporate Timetable. In between the Cabinet reporting, forecasting was completed within departments based on Strategic Director and Chief Officer Team requirements. This was based on a risk-based approach and monthly reporting was completed on higher risk areas. Budgets were subject to the Council's monthly budgetary control process and areas of pressure identified through the year. This included the establishment of a Budget Recovery Board for Temporary Accommodation.

For the financial year 2021-22, the overall original budget was exceeded by £8m, with housing and modernisation being the largest overspend area of £8m, alongside chief executives and finance and governance both overspending by £3m each, however this was balanced by underspends in adult social care and strategic finance of almost £2m, and environment and leisure of almost £5m. Further planned movements in reserves were completed resulting in an overspend of £12.9, Covid-19 funding support was also received and used to mitigate against some of this overspend and our internal audit of Covid-19 expenditure confirmed that related costs were being identified, recorded, and reported to Government on a timely basis. However, there was still an overall overspend of £1.9m. The Council has unallocated general fund reserves of £21m and net earmarked reserves of £205m.

Due to the overall overspend and the need for the Council to use reserves, we have provided an internal audit opinion of moderate assurance for the operational effectiveness of controls.

EL01 Highway Maintenance (Minor Works)		LEVEL OF A	LEVEL OF ASSURANCE SUMMARY O		F RECOMMENDATIONS	
		Design	Operational	High		
May 202		Design	effectiveness	Medium	1	
		Substantial	Substantial	Low	1	
Purpose of audit: To provide assurance over the adequacy and effectiveness of the controls and processes the Council has in place for its Highways Maintenance Services (minor works).						

The Council repairs and maintains 332 kilometres of public roads and footpaths and over 60 grass verges in Southwark. The service is managed by the Council's highways maintenance team who are responsible for ensuring the Council adheres to the Highways Act 1980 and all other relevant legislation. The service covers the management of the physical state of the borough, as well as reactive maintenance, flood, and winter service provisions, and maintaining the highways cyclical programmes. A six-year contract (with an option to extend for a further 2 years) for the provision of highways maintenance and project delivery was awarded on 1 July 2020. The contract comprises two Lots (A & B) with Lot A for the provision of Minor Works and Lot B for the provision of Planned/Major Works. This audit is for the Lot A element of the contract which covers minor maintenance of the borough's highway infrastructure and undertaking minor improvements to the network. The Contract is valued at £1,345,292 per annum for the provision of reactive maintenance including some planned maintenance, repairs to gullies, structures work and the Council's winter maintenance services. The contract excludes the delivery of post inspections, spot check audits, gulley cleansing, and the raising of works orders. These services are managed by the Council's in house highways maintenance team and the cleansing team for gulley works. The team structure comprises a highways maintenance manager, supported by three managers, two engineers, four technicians, and three highways' inspectors. Five apprentice engineers report into the Asset and Technical Manager.

The service is underpinned by a suite of strategic and operational policies and procedures, which define the governance and contract management framework for the Council's Highways Maintenance Services. The team are responsible for ensuring the service delivered is in line with the terms of the contract and the Council's Asset Management Strategy.

The findings for this review relate to Lot A Minor Works. These consist of emergency and planned works across the borough of Southwark ranging between 2 hours and 28-day completion targets.

- Policies and procedural documentation are in place which contains clear references to the 1980s Highways Acts and applicable legislation.
- We reviewed the KPIs that the Council's contractor FM Conway must adhere to; they are clearly defined and ensure conditions of contract are being effectively operated in line with expectations.
- Our analysis of work jobs undertaken within the last 12 months verified that tasks are completed within the agreed time scales.
- We selected a sample of 20 jobs raised within the last 12 months, to assess the consistency of repair requests being recorded and communicated to the contractor. Our review found that work orders and associated actions are recorded on the Confirm system and communication between the

- Highways Division and FM Conway is consistent and clear.
- We obtained a sample of 20 work job invoices from April 2021 to date of audit. We utilised the invoices to assess whether the invoice cost amounts consistently reconcile with the Council's Commitment reports, and to verify that the management sign off protocols effectively mitigate the risk of false/ duplicate invoices.
- Our analysis of five months' budget reports (August December 2021) demonstrated that spend is effectively monitored and overseen by the Highways Maintenance Manager. We found that variances are minimal and where identified, there is a formal process in place to address issues which includes reporting to the Finance Team, Head of Highways and if necessary, the Strategic Director of Environment and Leisure, to ensure oversight and alignment with forecasts going forward.
- Performance against the target KPIs has been consistently surpassed. This was evident from our examination of the team's performance reports for months August 2021, November 2021, and January 2022. Contractor responses to jobs are optimal and lapses in service quality are reviewed by the Council's Highways Division to implement controls and verify any mitigating circumstances.
- The contract management arrangement between the Council and FM Conway is operating effectively. Performance is formally discussed and reported on a consistent basis. We reviewed documentation from the March 2021 Annual Contract Report, and the 24 November 2021 progress meeting, which demonstrated that performance is formally discussed and reported on a consistent basis. We also noted from testing data that the Highways Division will challenge poor workmanship where identified.

- There is no systematic percentage of Lot A jobs which should be audited each month, impacting the consistency of KPI data comparison throughout the year.
- Operational policies do not contain standardised guidance stating the exact requirements and reporting parameters for the K2 audits.
- Operational policies do not contain defined guidance clarifying the circumstances when an on-site K2 audit should take place

KFC09 Housing Benefits March 2022			LEVEL OF	ASSURANCE	SUMMARY OF	RECOMMENDATIONS
		De	esign	Operational effectiveness	High Medium	- 1
			derate	Moderate	Low	2
Purpose of audit:	March 2022 Purpose of To provide assurance on the con		Added value:	found that the Council listing which is generat monthly. In relation to the claim address, National Insurtesting has not identific We tested to see if the error and had initially in The Exchequer Team weach sample which con In addition, we reviewed provided by the Senior	has sufficient controls in pled by the Northgate systemant records we confirmed ance number and date of led any missing records of a Council have made multipled various overlaps were able to provide the Crafirmed that there were noted the bank details of claims	that all details including name, birth have been recorded. The information. The ble housing benefit payments in in housing benefit payments. The ditors Payment Report for multiple payments. The mants through latest data file officer. The testing did not

Housing Benefit and Local Council Tax Support is a key financial system, through which significant sums of public funds are processed. The approximate figures for 2021/22 are: Housing benefit subsidy - £140m arising from 19,100 claims / Council tax reduction support - approximately 26,000 claims.

The migration process from local government to DWP continues. The Council was one of the first local authorities to go live with Universal Credit implementation in November 2016 and since then, the Council's Housing Benefit caseload has decreased by nearly 40%. The requirement of checking supporting documentation has continued.

As a result of the pandemic, the DWP introduced a 'trust and protect' policy to allow for the processing of housing benefits claims quickly without face-to-face contact with an emphasis on trusting the customer when assessing documentation to ensure payments were made as soon as possible. There has been a particular increase in housing benefits paid towards temporary accommodation, which require quick turnaround to support the most vulnerable applicants. Recovery action on overpayments has been paused since April 2020. Since April 2021, chaser letters are being issued to clients, but follow up recovery action has been limited.

Good Practice:

- The Council has a Council Tax Reduction Scheme Policy in place, updated in March 2021, which provides guidance on the treatment of housing benefit claims, including the assessment process and calculations. The Policy is supported by the Minimum Evidence Requirements Policy which explains the minimum acceptable evidence required per the claim type. The evidence requirements have been relaxed due to the impacts of Covid19; hence the Council has generated the Covid-19 Reduced Evidence Guidance to reflect the changes in requirements.
- The current parameters within the Northgate system have been updated correctly in line with the latest DWP guidance. We inspected screenshots of the live test and recompilation of the system which was undertaken following the update of the system parameters and reviewed to ensure it was correct.
- From a review of the 15 housing benefits applications received since April 2021 we confirmed that the application details provided reconciled to information recorded on the Northgate system. We confirm that for all samples, sufficient documentation had been retained and used to assess the applications, in line with the Covid-19 Reduced Evidence Guidance.
- For a sample of 10 changes in circumstances to housing benefit claims, we confirmed there were appropriate verification processes in place, and evidence was retained to confirm the validity of the information provided by claimants for Housing Benefit purposes.
- There were sufficient processes to ensure any changes of a claimant's payment details were only made by staff with the appropriate authorisation. Pre-determined access had been provided to staff members who are able to make amendments to bank details, supporting documentation had been retained and verified to complete the amendment. We confirm in all instances, there was sufficient documentation in place to support the change and the amendment had been processed correctly on the Northgate system.
- Housing benefits claims were cancelled, reassessed, and updated on the Northgate system appropriately for a sample of 10 claims, where individuals had been set up by Department for Work and Pensions (DWP) to receive universal credit payment.
- For manual adjustments relating to over/under payments of housing benefits, a proforma was completed by the requesting officer and approved prior to being actioned on Northgate. From our review of 10 manual adjustments, in all cases supporting documentation was retained on info@work and the adjustments were recorded on a spreadsheet by the Team Leader for monitoring purposes.

- We reviewed a sample of users with access to the Northgate system to ensure the level of access provided is appropriate to their role. However, the testing identified one user, who had access to manually adjust housing benefits claims, was incorrectly set-up as a 'Pupil Tracking and Licensing Manager' where it should have been 'Benefits Officer'.
- We reviewed a sample of 10 write-offs to ensure that the reason for the write off had been documented, a proforma was completed and authorised as per the Council's Write off Policy. The testing identified that a debt of £7585.31 had not been written-off in line with the scheme of management. Management advised that all debts above £5,000 should be checked by the Team Leader, reviewed by the Operations Manager, and then reported as part of the Individual Decision-Making report for sign off by the Lead Member. The Operations Manager has overall responsibility of writing-off transactions over £5,000. However, in this instance, the debt was erroneously written off along with the under £5,000 batch.
- We reviewed the August, September and October monthly reconciliations between the AIM, SAP, and Northgate systems to ensure that they were completed in a timely manner, variances were investigated, and segregation of duties were maintained. Our testing identified that the reconciliation files were not signed or dated when performed.

FG11		LEVEL OF A	LEVEL OF ASSURANCE		ECOMMENDATIONS		
Housing Revenue Account July 2022			Operational	High			
July 202		Design	effectiveness	Medium	1		
		Substantial	Substantial	Low			
Purpose of audit:							

The Council's Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents and service charges, homeowner service charges and other income. Up until 2012, government provided direct support via Housing Subsidy. In 2012 the "self-financing" arrangements for HRA into place in England. The Fire Safety Act 2021 and Building Safety Act 2022 introduced additional responsibilities and costs for the Council relating to their housing stock. The HRA is managed by the Housing and Modernisation Department Finance Team and the operational responsibility falls under the Acting Finance Director. The Strategic Director of Finance and Governance and the Strategic Director of Housing and Modernisation have overall responsibility for the area. The Acting Finance Director is supported by a team of four finance managers with responsibility for different elements that relate to HRA e.g., Asset Management, New Homes, and the wider Housing Capital Programme (HIP) and Resident Services/Customer Experience. The Housing and Modernisation Finance Team coordinate and consolidate HRA reporting. The team reports three times a year to Cabinet on the HRA in addition to the budget setting reporting (December 2021 and January 2022), with the latest capital expenditure reported to Cabinet in February 2022 and revenue monitoring in March 2022. Exchequer Services sits within the Finance and Governance Department and has responsibility for the collection of rent and tenant service charges and the billing and collection of leasehold service charges and major works.

The HRA budget setting process commences with an indicative report to Cabinet in early December each year setting out the proposed budget commitments, changes to rents and service charges and savings required to enable a balanced budget to be set as required by law. This is followed by stakeholder consultation and then final approval by Cabinet in late January. The indicative HRA budget for 2022/2023 is £287.3m (2021/2022 - £274.4m). This is underpinned by income generated from rents, heating/hot water charges, tenant service charges, commission receivable, homeowners' major works, commercial property rents, fees and charges, and any recharges. The Government has instructed the Regulator of Social Housing to issue a Rent Standard such that dwelling rents can rise each year by up to the value of CPI plus 1%, as announced for the September preceding the rent year in question. The Government has guaranteed that this annual metric be used for five years from 2021, thereby limiting the maximum amount of income that can be generated through tenant rents. The timetable is as follows: • The ONS usually announce the CPI inflation rate for September in mid-October. • The Council sets a HRA budget including an average rent rise (which can be up to that figure plus 1%) in January. • The new rent becomes live from the first Monday in April. HRA expenditure relating to the housing stock under the HRA programme includes employee and running costs, repairs and maintenance, estate management including grounds maintenance/cleaning, depreciation, CERA and financing costs. The Council uses 'iWorld' for administration of housing rent and service charges from leaseholders. 'iWorld' has more than 37,000 secure tenants and circa

15,000 leaseholders. Property Division manage the HRA commercial properties on behalf of the H&M department. The 'Manhattan' system is used to manage commercial properties. SAP is the Council's financial system.

Good Practice:

- The Council's Constitution sets out the responsibility for the HRA. There are two Cabinet members with HRA responsibility, overarching finance, and governance, and specific HRA housing and homelessness responsibilities.
- Cabinet considered the HRA budget for 2021-22 as a distinct item on 8 December 2020, separate from the General Fund budget. The indicative HRA rent setting and budget position for 2021-22, and the HRA Final Rent-Setting and Budget Report 2021-22 contained sufficient background information to consider the reasons behind the proposals and final rents approved and other charges.
- The Council has a clear staffing structure, roles, and responsibilities for the HRA activity, which is well understood by those involved.
- Clear policies, procedures and guidance are in place regarding the use of HRA funds, to ensure tenants, leaseholders, and homeowners are aware of their responsibilities. There is a comprehensive range of SAP procedures, and user-guidance on the Council intranet.
- There is a ring-fenced HRA account of transactions relating to the Council's tenants, within the General Fund, in accordance with Part II of the Housing Act 1985.
- The HRA has clear accounting classifications, cost centre or budget code ID, descriptions, and subjective codes, recording income and expenditure on running the Council's housing stock and closely related services, separate from the General Fund, in accordance with Part II of the Housing Act 1985. The cost centres, budget codes and subjective codes relating to the HRA Budget are documented. There is raw data supporting the budget in tabular Excel format.
- There is an HRA budget monitoring framework in place and appropriate oversight and scrutiny from senior management and members applied. There is a detailed HRA monitoring timetable. Resident services report bimonthly to senior management at a formal meeting, and to divisional management and Cabinet.
- HRA (SAP) account balances are reconciled to the 'i-World' and 'Manhattan' systems as well as other feeder system balances. There is monthly detailed review of pay and transactional level data to identify and correct any miscoded HRA transactions to ensure accurate and complete financial records.
- There is a comprehensive and detailed closing timetable, including year-end procedures to collate the HRA finances and accounting. In addition, there is an Accounts Closing Newsletter.
- There was a HRA Budget setting 2022-23 rent setting Consultation, including a comprehensive Webinar presentation of the HRA Budget 2022-23.
- The HRA Budget 2022-23 was reported to Cabinet on 7 December 2021 and 18 January 2022.

Key Findings:

Our review of SAP finance and accounting system users' security report dated December 2021, identified 80 current users' identifications not logging into SAP in the previous 90 days, and four users' last password changes that were between 2017 and 2020. Whilst this issue needs to be addressed, it is not significant and overall, we provided an opinion of substantial assurance on the effectiveness of the controls in place.

HM34			LEVEL OF A	ASSURANCE	SUMMARY OF	RECOMMENDATIONS
Housing Tenancy Management March 2022		De	esign	Operational effectiveness	High Medium	- 2
		Mod	derate	Moderate	Low	3
of audit: at t t r r c c c v l l c c r	To provide assurance over the adequacy and effectiveness of the housing tenancy processes the Council has in place relating to their succession case management. The audit considered the extent to which the succession regislation, processes, deliverables, and key performance indicators are being met.	Added value:	 following are Having Good, o Having (e.g., L Well-de ensure system five day Quarter complia We believe to there are curved 	eas of best practice: clear, detailed procedur consistent record-keeping a clear audit trail that judged) when needed esigned housing managen the timely processing of at one organisation auto ys from the date by which rly management reviewer ance with policies and procedure the design of the Council controlly no defined times	g and evidence retention ustifies decisions taken and ment system, with in-built applications. For example omatically triggered notificath they should have been concedures, with feedback goods arrangements generally	detective controls to help the housing management ations when applications were empleted by the cases reviewed to confirm iven to staff reflect the above, although ag,, when issuing letters of

The Council has approximately 54,000 homes which are managed by the Area services Team who fall within Housing and Modernisation directorate. The properties are divided into three geographical patches: North, South, and Central consisting of 18000 units per patch which are led by three Area Housing Managers, who are responsible for ensuring the Council's succession procedure is implemented within their respective area. The Resident Service Officers are responsible for carrying out the succession procedure, including making referral to the Investigations Team where potential fraud is detected. All cases are reviewed and approved by the Resident Services Managers, who are responsible for ensuring the Council have complied with their internal processes and legislation.

The Housing Act 1985 defines succession as when a person takes over a tenancy when the original tenant dies. The person who inherits the property is known as the successor. The Act specifies there can only be one succession of a secure tenancy, which means that if the deceased tenant was already a successor, then the tenancy cannot be passed on again to another person. This also applies to joint tenancies where the tenancy is transferred from one of the joint tenants to the other after they have died. For tenancies dated prior to 1 April 2012, the following relatives could succeed automatically to a

tenancy: a joint tenant, spouse, or civil partner. Other eligible relatives included parents, grandparents, children, grandchildren, siblings, uncles or aunts, nephews or nieces, half brother or sister and foster children, however the non-spouse group are required to have lived at the property for 12 months. Foster children are not included in the list of eligible family members as set out in s113 of the Housing Act 1985. Changes in legislation that took effect from 1 April 2012 limited the right of succession to a smaller group of relatives - a joint tenant, spouse, or civil partner.

Good Practice:

- Succession procedures reflect key legislation (e.g., the Housing Act 1985), and clearly outline the eligibility criteria for the succession of both preand post-April 2012 tenancies
- · Roles and responsibilities are clearly documented
- All decisions recommended by Resident Services Officers (RSOs) are subject to approval by Resident Services Managers (RSMs), while Area Managers approve all discretionary decisions. There is therefore an inherent level of management oversight throughout the process to review and manage succession applications
- Changes to the tenancy are arranged by the RSM, demonstrating good segregation of duties
- The procedures around under-occupancies are clearly documented and sufficiently detailed. The section in the procedures also outlines the key legislative requirements e.g., notices seeking possession must be served no earlier than six months and no later than 12 months following the death of the tenant. Both under-occupancy cases we were able to test complied with this requirement
- There is an appropriate process in place to refer cases of possible succession fraud to the Special Investigations Team
- We reviewed a sample of five cases referred to the Special Investigations Team since January 2020 and are satisfied that each was appropriately investigated, with feedback provided to the RSO/RSM.

- We tested a sample of 15 approved successions since January 2020. For 14/15 cases we are satisfied the successions were legitimate, based on the evidence provided to confirm eligibility, such as proof of identification and relationship. For one case, however, there was insufficient proof of eligibility as there was no proof of relationship between the successor and the previous tenant on record. The service is investigating this case.
- Documentation was missing across 12/15 samples, including application forms, joint tenancy agreements and letters of confirmation, while for two cases there was no evidence of the decision being approved. As per above, for all but one case we are satisfied the key eligibility criteria was met, however record keeping should be improved to fully demonstrate tenancies were succeeded to eligible individuals and to demonstrate full compliance with procedures.
- We also tested five rejected applications since January 2020. Of the five tested, the documentation we requested was not held on file for one case.
- For two of the four rejected applications we were able to test, the RSO did not issue a confirmation letter in a timely manner one was issued 18 working days after the decision was approved by the RSM and one was issued 28 working days after approval. We established there are currently no set timeframes for issuing correspondence.
- The current succession procedures were last reviewed in 2016 and we found some minor differences between these and current practice. A new

policy and procedures document has been created, with the draft version dated April 2021. The procedures are expected to be signed off for use from April 2022.

- As per procedures, RSOs should check to see if the property has been succeeded before. However, during our testing of successful applications we found this check is not formally recorded.
- During our testing we established there are notices of seeking possession which are not indexed on the system.

FG23		LEVEL OF A	LEVEL OF ASSURANCE		RECOMMENDATIONS
Insurance			Operational	High	
July 202	.2	Design	effectiveness	Medium	2
		Substantial	Moderate	Low	1
Purpose of audit: To provide assurance that the Council has robust management controls and governance systems in place to ensure appropriate cover insurance risks faced by the Council.					

The Council has policies in place with several different insurance providers. These include RMP QBE for Combined Liability insurances, Zurich Municipal for property and related insurances, plus a few smaller policies covering various classes with different providers e.g., Chubb and Lloyds underwriters. The amount of self-insurance (excess) used by the Council is £750,000 for material damage claims on council owned buildings and £500,000 for public liability claims and employers' liability claims. Other excesses apply for other classes of claims depending on the nature of the claim / policy. For liability claims are notified to the appointed claims handlers and if the reserve is approaching the limit of the excess or exceeds it, the insurer will be notified, and the senior managers / strategic directors will be notified within the council.

The Corporate Risk & Insurance Team is responsible for placing the Council's insurances, handling claims against the council and providing advice and support to departments and schools, with most work related to claims handling. The Council also maintains the services of an insurance broker. Liability claims are handled by a third party whilst leasehold building insurance is managed by the Home Ownership Team in Exchequer Services. The Property Team manages the daily claims handling for commercial property insurance and council housing stock policy. The Corporate Risk & Insurance Team reports to the Adult Services Finance Manager and as appropriate to the Strategic Director of Finance and Governance. All operational decisions are made by the Strategic Director of Finance and Governance.

- The Council has an insurance brokering and advisory services contract on a long-term agreement which was procured in accordance with the Council's Contract Standing Orders. A range of insurance policies are in place that cover the activities and work completed by the local authority, however, note our finding that the Council is seeking cybersecurity cover but has not been able to secure this.
- Insurance renewals are completed on an annual basis, and the Risk and Insurance Manager works with the broker to complete the annual questionnaire to ensure this is accurate and completed in time for the renewal. We found these were managed effectively and approved by the Strategic Director of Finance and Governance. This process includes a review of any material changes to ensure compliance with the Insurance Act 2015.
- Claims are handled by the insurer and are paid via an imprest account. Reports are provided on a monthly and quarterly basis including details in relation to claim management which allows the Council to see how long claims are taking to be processed and the amount spent on claims. These provide sufficient information to enable the Council to review the number of claims in progress, how these have been handled and the amount of money paid by the insurers.

• Internal recharges and charges made to schools for insurance coverage are paid on an annual basis and calculated at this time.

- The Council is in the process of sourcing cybersecurity insurance, however, has not been able to complete this due to requiring further information from the IT shared service. The Council does not hold insurance relating to climate change.
- Trend analysis of claims received is not routinely completed but noted on an ad hoc basis where several claims are received in a specific area.

IT12		LEVEL OF	LEVEL OF ASSURANCE		RECOMMENDATIONS
IT Disas	ter Recovery Review	D i	Operational	High	2
July 202	2	Design effectivenes	effectiveness	Medium	3
		Limited	Limited	Low	
Purpose of audit: To provide assurance that the Council would be able to continue to offer its critical services in event of a disruption or disaster in the IT environment					ruption or disaster impacting

Cyber Security incidents have significant impact on the business operations of organisations and every effort should be made to both prevent and minimise their impact. With an increasing reliance on IT in local government, councils are required to ensure that IT systems are appropriately protected to prevent any significant disruption and can be recovered quickly to limit any impact on customer services.

Effective IT disaster recovery planning is therefore essential to ensuring the Council can respond to system failures in the event of a major incident or disaster to maintain operations for critical systems.

The Civil Contingencies Act 2004 (the Act) delivers a single framework for civil protection in the UK. The Act establishes a clear set of roles and responsibilities for those involved in emergency preparation and response at a local level. The Act identifies the local councils as "category one" responders, which means that they are subject to full set of civil protection duties.

Southwark Council (the "Council") has an established shared ICT services arrangement in place, with Brent Council and Lewisham Council, to achieve savings through increased efficiencies and economies of scale. An inter-authority agreement (IAA) is in place, which commenced in November 2017, with most the Council's ICT services assigned to Shared Transformation Services (STS) as an inhouse provision.

As per the IAA, the critical services and systems have been categorized into the three tiers:

- Tier 0 these are key services outsourced to and managed by STS
- Tier 1 these are department specific systems, managed by individual service departments
- Tier 2 managed by Council's inhouse IT department

The tiers 0 to 1 are considered as critical services and systems and require robust continuity and contingency arrangements. Tiers 2 are considered non-critical. A breakdown of the IAA tiers is attached in Appendix I.

The Tier 1 systems within Council's IT infrastructure are third party hosted applications and systems such as Mosaic, Northgate, Tribal, Civica and Tallis. These are managed by the individual departments and services. These critical systems are not under the remit of STS and the responsibility for the business continuity and disaster recovery planning activities, sits with the third-party vendors for those applications.

Good Practice:

• The STS has a Business Continuity Plan (BCP) in place to ensure continuity and timely recovery of critical services and to establish minimum levels of service that must continue, outline roles and responsibilities of staff and detail incident response actions.

- The STS has an annual disaster recovery schedule in place to set out the periodic testing timelines across the infrastructure managed by STS. The schedule provides details of the technology or architecture to be tested within each quarter, the name of the testing team, the timelines involved and the description of the tests to be performed.
- The STS has documented appropriate evidence to confirm that recovery and continuity plans are tested concurrently, in line with disaster recovery schedule. The evidence confirmed the scope of the tests performed within agreed timescales, with actions identified, responsibilities assigned, and implementation monitored.
- The STS Data Centres are accredited to the Public Services Network (PSN) Code of Connection and adhere to the security standards commensurate with maintaining the accreditation detailed in the PSN Code of Connection and held on the Shared ICT Service Knowledge Management System.

- We found that the Council does not have Council-wide IT disaster response, recovery, and management plan in place.
- We found that the Council's inhouse IT team does not centrally manage the recovery and continuity plans for the systems hosted by third party suppliers. Furthermore, there are no documented procedures in place to identify and add any new business critical systems hosted by Council's IT services or third parties to recovery and continuity plans.
- Our sample testing of third party hosted systems identified that no assurances have been received from suppliers by the system owners relating to business continuity protocols, for four out of six sampled systems (Acolaid, Tribal, EPJS, and Mosaic). Additionally, one system "Tallis" has been replaced by "Civica Spydus." An informal business continuity statement from the supplier was provided which does not provide assurance on how the supplier will ensure the continuity of services to the Council in event of a disaster or whether these arrangements have been tested in recent 12 months. We noted that the Council does not have an IT business continuity plan in place, outlining the Council's risk appetite, business impact analysis (BIA) and risk assessments. As a result, organisational priorities and continuity and recovery thresholds are not clear
- We found that no Business Impact Analysis (BIA) or risk assessments have been conducted to identify the critical systems within Council's IT infrastructure and to prioritise them as part of disaster recovery planning activities.
- It was observed during our fieldwork that STS has not documented its backup and recovery arrangements, nor has established a requirement for consistency checks to be performed on the backups.

EL03		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS			
Leisure services July 2022		Design	Operational	High			
	_	Design	effectiveness	Medium	1		
		Substantial	Moderate	Low			
Purpose	To provide assurance over the design and operational effectiveness of the controls relating to contract management and oversight of leisure						

of audit:

To provide assurance over the design and operational effectiveness of the controls relating to contract management and oversight of leisure facilities in the borough. The audit included the assessment of the impact of Covid-19 on income levels and whether it has been reflected in longer-term financial plans.

Background:

In 2016, the Council entered a seven-year management contract with Sports and Leisure Management Ltd. (SLM), who also operate under the name of Everyone Active (EA). The terms of the contract included the option to extend for a further seven years at the Council's discretion. The service provision is for the management of the Council's leisure facilities, including the operation of the sports booking service. Prior to March 2020 (before the Covid-19 pandemic), the leisure contract was performing well operationally but was not achieving the income levels anticipated in line with the contract. During 2019, the contractor struggled to pay the agreed management fees to the Council which initiated discussions between the Council and SLM around the best way to address this.

On 20 March 2020, the government instructed that all public leisure facilities should close for public health reasons due to the Covid-19 pandemic. The Council initiated discussions with SLM to explore how they could work together to support the immediate needs of staff, buildings, and the working relationship between the two organisations. The Council and SLM agreed to a series of support packages as SLM had advised that they were not able to open any centres without additional financial support.

In July 2020, the Council's Cabinet agreed that a medium-term financial support arrangement be agreed with SLM, via a contract variation arrangement. This would enable the leisure centres to re-open, subject to government restrictions being lifted and continue to operate until the end of financial year 2020/21 whilst the Council considered its options in relation to the management of leisure activities within the borough. The Cabinet agreed that the Council officers should explore two options for the management of the Council's leisure services from April 2021, remaining with SLM or bringing the service in-house. It was agreed that the progress of this agreement will be monitored quarterly using a robust open book process and monthly management information to ensure that actual costs incurred are covered by the Council (subject to the agreed cap) and the income and any grants are recouped to offset costs.

The first financial support package covered the period when the leisure centres were closed from 21 March to 31 July 2020. The net financial impact of the initial support package was up to £1.63m. The second support package covered the period from the date on which the leisure centres reopened up until 31 March 2021.

In October 2020, the Cabinet agreed to continue the contract with SLM for cost and timing reasons from 1 April 2021 until the end of the contract in 2023. The Cabinet also gave approval to enter negotiations and agree a contract variation with SLM for financial support, for the Council to fully evaluate the options available to it when the current contract ends in June 2023. In September 2021, the Council's Cabinet approved the plan to bring the leisure service in-house.

Good Practice:

- A Deed of Supplemental Agreement is in place between the Council and SLM. The Council and SLM are parties to a leisure operating contract dated 11 April 2016. The Covid-19 pandemic, the Coronavirus Act 2020 and associated guidance and legislation, has resulted in unprecedented challenges for the leisure sector and has had a profound impact on the delivery of the services under the original operating contract. From our review of the contract variation agreement, we identified that it includes the revised terms and conditions, information on the financial support offered by the Council, responsibilities of the contractor and key milestones.
- The weekly contract meetings are held regularly as evidenced by the minutes of the meetings held on 28 September, 5 October, 9 November, and 7 December 2021. We noted that the minutes of the meetings have a standard format which include updates on financial and contractual issues, performance monitoring, current monitoring plan, site issues & staffing updates, sports development and physical activity update, marketing and communication, reporting, capital projects, health, safety, and maintenance.
- We obtained the quarterly reports presented by SLM for Q2 (1 July 2021-30 September 2021) and Q3 (1 October 2021-31 December 2021) and identified that a detailed update on the Key Performance Indicators (KPIs) listed below was presented in these reports. The KPIs are included within the contract variation agreement.
- We reviewed the site monitoring visit sheets for the six sites (two visits per site) and noted that the target performance of 95% was met consistently.
- We conducted a walkthrough of the processes in place relating to validating information such as the financial accounts received from the contractor and identified that the information provided by SLM was reviewed in detail and support payments made after appropriate approvals.
- On 2 February 2021, the Council's Cabinet approved the adjustment of £2.6m loss of management fee income into the budget of the financial year 2021/22.

Key Findings:

We reviewed minutes of the weekly contract meetings held on 28 September, 5 October, 9 November, and 7 December 2021. We noted that there were several actions recorded within these minutes however documentation of owners of actions, target implementation dates, progress updates and follow up to satisfactory conclusion was not adequately recorded in many cases.

EL02		LEVEL OF	LEVEL OF ASSURANCE SUMMARY OF REC		RECOMMENDATIONS		
	Services		Operational	High	-		
July 202	<u> </u>	Design	effectiveness	Medium	4		
		Moderate	Moderate	Low	2		
Purpose of audit:							

London Borough of Southwark (the "Council") has a network of modern libraries across the borough in which the Council continues to invest and develop. There are a total of 12 libraries. The Council provides high-quality library, heritage and archives services including a wide range of book stock, which cater for the borough's diverse population, a full range of events and activities for children and adults, internet, and wi-fi facilities in all libraries. The Council's library service contributes to several strategic priorities, such as economic development, the national skills agenda, and health and well-being initiatives. The Council has a libraries and heritage strategy in place which aims to build connections with people and has some of the highest performance indicators (pre Covid-19) across libraries in London, including: 2.1m annual visits, 1.5m annual book issues, 309,000 books in stocks and resident satisfaction with the service of 91%. Due to the Covid-19 pandemic, the Council's libraries have faced challenges such as reduced capacity, periodic closures and significant impact on day-to-day operations leading to declining income levels. The pandemic has also had an impact on visitor numbers and book loan issues.

- We reviewed the Cabinet meeting minutes from February 2021 and confirmed that the Council's Policy and Resources strategy 2021-22 revenue budget proposals were reviewed and submitted to the Council Assembly. The budget proposals were approved by the Council Assembly in February 2021. We identified that the Strategic Director of Finance and Governance, as the statutory section 151 officer, had considered the range of spending commitments and proposed savings were set within the resources available to meet local priorities. We reviewed the budget plans to verify that potential risks had been considered, including contingency plans where budget targets are not met. We noted that, the budget continued to allow for a contingency to mitigate the risk of shortfalls in potential savings and income targets, or higher levels of commitments arising from unforeseen budget pressures. Therefore, we confirmed that the budget for the year 2021/22 was formally approved by senior management prior to the start of the financial year.
- We reviewed the monthly budget monitoring reports from December 2021 to February 2022 and confirmed that the reports were detailed with variance analysis undertaken for each cost element. The budget monitoring reports are generated monthly by the Finance and Governance Department and presented to all directors of the Environment and Leisure department for oversight. For each library, a summary report was provided as well as a breakdown of total expenditure, total income, and the net budget. We confirmed that managers provided a supporting narrative to address areas with over or underspending.
- We reviewed a sample of 20 library service charges made from January 2021 to February 2022 and confirmed that the correct fee and charge had been applied for each transaction, and the correct amounts had been collected. The charges were in relation to printing, overdue items, and

photocopying.

- A report is produced annually by the Operations Manager, using the benchmarked data and the Interactive report provided by CIPFA, summarising the performance indicators for the Council's libraries against all other London library authorities, which is presented to the Cabinet. The CIPFA Interactive report contains survey results, presented as an interactive document that allows the Council to make multiple comparisons between authorities based on a selection of performance indicators. As CIPFA did not carry out benchmarking in 2020-21 due to Covid-19, the Library Performance Interactive report was not generated for 2020-21. We reviewed the Library Performance Interactive report for 2019-20, and confirmed that the report was detailed, including key performance highlights for the Council, a summary of performance against key indicators such as total loans, wi-fi and PC usage, most loans per annum and physical visits. Other notable indicators included the number of active borrowers and level of capital expenditure on libraries.
- Financial performance monitoring reports are presented to the Environment and Leisure departmental Senior Management Team monthly. We reviewed the reports generated from December 2021 to February 2022 and confirmed that a variance analysis was undertaken between income and expenditure budgets and forecasts. The reports included a departmental summary outlining the projected outturn for the month.
- We reviewed a sample of three Management Information Reports generated between December 2021 and February 2021 for Dulwich, Walworth, and Brandon libraries to verify whether performance against KPIs is monitored and reported to management. We identified that KPIs were monitored monthly. The KPIs included: the number of visitors, operating hours, number of IT taster sessions. We confirmed reviews were undertaken by the Senior Contracts and Performance Officer, to monitor the performance statistics.
- We examined the annual statistics recorded for November and December 2021. We found that the data had been collated and reviewed by the senior contract and performance officer and is used to produce a cumulative report of the monthly statistics and KPIs including in the Monthly Information Returns. We also noted that the report included a summary page outlining the totals for the financial year to date, target number and percentage achieved.
- The Daily Cashing-up Instructions are documented and clearly written and provide a comprehensive walk-through on how to complete each step within the library management system, with pictures attached as a guide and how to count and record the cash after it is taken out of the till.

- We reviewed the Council's Library Operations Manual and identified that roles and responsibilities were not clearly defined, and there is no formal guidance on the escalation process for service-related issues. We also found that reporting and monitoring arrangements were not outlined, and the manual was last reviewed in February 2019.
- We reviewed the Library and Heritage Strategy action plan and identified that the actions were not specific and did not clearly state how the actions would be achieved.
- The Council does not have a specific process for the management of library arrears and recovery of outstanding debt.
- There are no formal improvement plans identified in the annual and monthly performance statistics reports, to address the service disruption experienced during the pandemic.
- We reviewed a sample of five cash breakdown slips and in one instance, we were unable to confirm that the amount deposited matched the amount recorded centrally on the SAP system, as the cash was not deposited by the Council's cash collection agent to the bank. The amount is recorded on the SAP system, once it is deposited at the bank. However, we identified that cash had not been collected from Brandon Library since January 2020; therefore, the amount was not recorded on the SAP system.

EL23	LEVEL OF	LEVEL OF ASSURANCE		ECOMMENDATIONS		
Licensing July 2022	Design	Operational effectiveness	High Medium	- 2		
	Moderate	Moderate	Low	-		
To provide assurance ever the adequacy of the design and operational effectiveness of the internal centrals in place relating to licensing						

Purpose of audit:

To provide assurance over the adequacy of the design and operational effectiveness of the internal controls in place relating to licensing, including granting and ongoing review of licenses, collection of fee income and monitoring to ensure compliance with legislative and regulatory requirements.

Background:

The Council licences several activities that enable businesses to prosper within the borough, whilst regulating the activity to ensure it is safe and does not cause crime or nuisance. The Licensing Team is responsible for issuing licences in respect of sale of alcohol, late night refreshment, indoor spectator sports such as boxing, small lotteries, marriage venues, gambling premises such as betting shops, storage of small quantities of explosives, including fireworks etc.

The Licensing Team is a part of the Regulatory Services Neighbourhood Nuisance Unit, working alongside the Noise and Nuisance Team, and work very closely with the Trading Standards and Health and Safety Team.

The Licensing Act 2003 came into effect on 24 November 2003 and is the primary legislation which effectively governs the work of the Licensing Team. The Act repealed pre-existing legislation relating to alcohol, entertainment and late-night refreshment and introduced a new licensing regime, administered by the local licensing authority. At any stage following the grant of a premises license, a Responsible Authority (such as The Environmental Protection Team, The Southwark Trading Standards service, Director of Public Health, Secretary of State, or the Licensing Authority) or other persons (such as the residents), may apply for a review of a licence because of a matter arising at the premises in connection with any of the four licensing objectives. Applications received by the Licensing Team in the year 2020 had reduced substantially because of the Covid-19 pandemic. However, the unit has seen an increase in requests for new licenses between January and March 2021. The total number of applications received in 2019-20 and 2020-21 were 2,816 and 1,040 respectively. There are further signs of business recovery in 2021-22 evident by the number of applications received (503) by the end of the first quarter.

- Adequate policies and procedures are in place, which are clear, comprehensive and in alignment with government guidelines.
- From our sample of 20 applications, we found that licensing applications had been assessed in line with the requirements of the Council's policies. Our sample included two applications where objections had been raised, and in both cases, we found that they had been appropriately reviewed and approved by the Licensing Sub-committee.
- At the time of this audit there was one case where a Responsible Authority or other persons applied for a review of a license. We found that the review was conducted and approved appropriately, and that sufficient documentation was retained to support the outcome of the review.
- The Council has a clear licensing fees and charges policy. Through our examination of the policy and the fees charged by the service, we can

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- confirm that the fees charged were in line with the approved schedule of fees and charges.
- We were informed by management that external reports are produced and provided to the Gambling Commission and the Home Office upon request. Through sample testing and a review of meeting minutes we found that objections are presented to the Licensing committee and subcommittee, in line with the Council's set policy.
- During the re-opening of the hospitality industry in April 2021, the Licensing service conducted visits to business premises, to ensure that the Covid19 risk assessment and other relevant measures were in place to mitigate the risk of the spread of the virus. This was a temporary arrangement for
 the reopening of licensed premises, which saw the Licensing Officer attend premises that were operating during the pandemic, to provide advice on
 the COVID regulations and Government guidance. For monitoring purposes, the officer sent daily reports detailing the outcome of each visit. We
 found that on 29 August 2020, 24 premises were visited, and on 31 August 2020, 28 premises were visited, which were then revisited on the 7
 November. The report stated what actions were taken on the visit, and it showed that for most businesses that were open at the time of the visit a
 letter was sent out to them from the Licensing team, however there were some cases where a letter was not sent out.

- Licensing fees are not always collected or suspended on a timely basis and there were £490k of unpaid license fees at the time of audit.
- Performance management reports are not produced and reported to senior management to ensure underperformance is identified, monitored, and addressed.

HM06		LEVEL OF	ASSURANCE	SUMMARY OF RECOMMENDATIONS		
Major Works March 2022			Operational	High	2	
		LIASION .	effectiveness	Medium	1	
		Limited	Moderate	Low	-	
Purpose of audit:						

The Council has a 30-year asset management programme covering major works needed on their existing housing stock, including halls, hostels and street properties which was agreed by the Council's Cabinet. Some major works are completed outside of this programme in exceptional cases, such as if an incident happens which means a property needs work earlier than expected. Major works on the existing properties include external works to blocks, roofs, windows, and front doors, Kitchens, Bathrooms, and major fire safety works. A range of procurement methods are used to select the contractor who will complete the works.

The Council has three partnering arrangements in place which cover major works in the south of the borough. A framework agreement is generally used for major works in the north of the borough, with the framework depending upon whether the cost of the works is above or below £3.1m, with a separate framework relating to heating.

Regular monitoring meetings are held with the three partners, with key performance indicators used to assess the performance of the contractor, including resident satisfaction and completions on time. New performance monitoring arrangements have been implemented since 2019 with framework contractors, including the addition of key performance indicators.

- There is a 30-year asset management major works building programme in place, approved by Cabinet on 20 October 2015, and an Asset Management Strategy approved by Cabinet in 2016, which was updated to reflect legislative changes in 2021 with sufficient detail, rationale for the 10 major works projects in our sample, and clear justification for deviation away from the programme.
- Each of the major works' projects in our sample had a feasibility study which was reviewed and signed off by an in-house Quantity Surveyor or partner which supported the project, and a schedule of works in accordance with each of the feasibility studies. In addition, where issues were highlighted in one case that needed to be resolved before the project commenced, they were signed off that they were resolved to satisfaction.
- There is a framework of contracts following the Council's Contract Standing Orders, the Contractors Framework, which includes Lot 1 contracts under £3.5m; Lot 2 contracts over £3.5m; Lot 3 district mains, boilers, and internal works; communal and internal electrics which are procured under Lots 1 and 2; partnership agreements; and professional consultants which support the "in house" team.
- There is a predetermined contractor evaluation methodology, criteria, and transparent decision in the selection of the contractors performing the works, following the Council's Contract Standing Orders; part of the Contractors Framework in which the contractor is

evidenced as meeting the predetermined selection criteria for cost and quality or the works fall under a partnering arrangement. In addition, our assessment of the reasons and value for money implications in relation to the two different procurement approaches adopted for north and south of the borough identified that using the Contractors Framework is how the Council achieves large-scale, cost-effective delivery and value for money.

• In addition, there are arrangements in place to renewing the Contractors Framework to ensure that the contracts are not expiring in the near future and the major works programme is not halted as a result.

- There are three partnering arrangements and documented agreements in place for the delivery of the major building works that were approved prior to being entered into. However, there have been changes of name for the partnership contractors and trading names since then. Through discussion with the Head of Investment we were unable to establish when the name change occurred or whether the partnering arrangement has been transferred to a new company to ensure the legally enforceable nature of the partnership arrangement is not impaired.
- The Council's asset management database, Apex is the primary source of data for over 50,000 property units. However, there was an absence of data quality policy documents, standards, and documented procedures to ensure the quality and consistency of the data input by project managers, and other departmental officers within the investment team. A sample of the performance monitoring reports available to the Head of Investment, the project managers, and other departmental officers within the investment team could not be provided. In addition, a report of users' access privileges to the Apex system could not be provided.
- There are specific KPIs in the major works contracts in the areas of time, cost, and quality. Performance on the contracts is monitored by the Head of Investment and Asset Management. However, our review identified there are insufficient performance monitoring arrangements for the Contract Framework for major works, or evidence of such monitoring occurring, as the Partner Contract KPI report for 2021-22 provided was incomplete, KPI monitoring results for Lot 1 for contracts under £3.5m were incomplete. The three most recent minutes of meetings and cash flow forecasts from 2020-21 or 2021-22 for the partnership agreements could not be provided, and Lot 2 for contracts over £3.5m; Lot 3 for district Mains, Boilers, and Internal major works, all were unavailable and could not be provided.

KFC02		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS			
NNDR July 2022		Design	Operational	High	-		
,		effectiveness	Medium	1			
		Moderate	Substantial	Low	1		
Purpose	Purpose To provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in						

Purpose of audit:

To provide assurance on the continuing adequacy of the design and operational effectiveness of internal controls, processes, and records in place to mitigate the identified risks relating to the collection of NNDR. We will also provide assurance that controls adequately mitigate the risk of fraud.

Background:

The Council collects National Non-domestic Rates (NNDR) from commercial properties within the borough. The amount to be paid is calculated by multiplying the rateable value of the property, which is set by the Valuation Office Agency (VOA), with a multiplier set by the Government. Business rate income for the Council continues to be significantly volatile because of appeals and changes to rateable values made by the VOA. During the Covid-19 pandemic, leisure and hospitality businesses did not pay business rates in the 2020-21 financial year. New regulations were enforced in April 2020 that enable retailers to receive a 100% discount on their business rates bills irrespective of their rateable value.

The Council's Anti-Fraud Team supported the processes on NNDR Business Grant payments made due to Covid-19. The team conducted additional due diligence checks in comparing the records with that of Companies House and identified that the Council's records in some cases were more recent than those of Companies House. The team enrolled with the National Fraud Initiative Bank Account Verification and Companies House data matching pilot. This provided a risk-based assessment for grant applications evaluating the accuracy of their details. The process identified indicators for applications considered as high risk and it was identified that the number of high-risk applications were low (approximately 130) compared to 4,000 applications for NNDR Small Business Rates Relief (SBRR) and Retail, Hospitality and Leisure (RHL). One of the other issues the Anti-Fraud Team identified, mainly in relation to Community fraud, was the authenticity of documents provided by the applicants. They identified for at least ten applications that the documents provided were forged including the bank account details. The team conducted enhanced due diligence checks to verify the authenticity of the applicants' details using open-source research such as social media checks to assess whether the information contradicted the applicants' details.

- The VOA published changes/updates on weekly VOA schedules for new accounts and amended properties and this information is used by the Revenues Officer to update Northgate system and issue an updated bill.
- A new bill is automatically issued from Northgate between 0 and 14 days after an amendment or change to the property and rateable values.
- Write-offs are approved in line with the Council's write off policy and authorised appropriately by the Cabinet.
- The correct level of charge is raised for properties within the BID Levy. Once bills have been issued and charges are outstanding, soft reminders are sent though recovery notices have no mention of summons due to the pandemic.
- The Council discovers grant payments made in error through post payment checks (NFI and audit of payments) or when the actual occupant contacts them. The Revenue Team attempts to recover grants paid in error by sending out the following: i) An initial email asking for the grant to

be paid back ii) Letter with instructions how to repay iii) Formal invoice

- Cases of grants made in error are loaded onto the Civica Onestep System so that they can be monitored and chased further if needed. The revenue team is currently reviewing these cases with a view of the Anti-Fraud & Internal Audit Service doing a full investigation, arranging interviews with the relevant parties and possible prosecution.
- Performance is monitored via the use of a dashboard, which is reviewed each month by the management team and at the Senior Management Team monthly Performance Board, where all KPI's are reviewed and discussed. Minutes are taken of these meetings with actions arising documented and subsequently followed up.

Key Findings:

We tested a sample of 20 business rates accounts (ten relief and ten exemption) and confirmed that although correct exemption/relief rates have been awarded for an appropriate reason, authorisation of the evaluation by a separate individual is not required, which creates a risk of fraud and/or error.

ADD02	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Objection Review August 2022		Operational effectiveness	High	5
	Design		Medium	-
	N/A - Advisory		Low	-

Purpose of audit:

To review the Council's relationship with Stanbury Building Services Limited and the adequacy of the design of the controls and operational effectiveness relating to the appointment and use of the company as a contractor to the Council.

Our review included an appraisal of the Council's procurement strategy for the appointment of consultancy firm Something and Son, who were responsible for the tendering process which resulted in Stanbury Building Services being appointed to undertake works on the Gateway to Peckham Programme.

The scope of our review was further extended to include the arrangements by which the Council is entering into a lease agreement with Stanbury for one its commercial units, to review and verify that the lease arrangement had been conducted in line with the Council's Commercial Leasing processes.

Background:

Internal Audit was requested by the Strategic Director of Finance and Governance to undertake a review of the relationship between the Council and one of its contractors, Stanbury Building Services Limited (Stanbury) and the company's key contacts. The request followed an objection made to the Council's External Auditors (Grant Thornton - GT) by a member of the public to the Council's statutory accounts for 2019-20. The objection was raised under Section 26 of the Accounts and Audit Regulations 2015 during the inspection period. The objection referenced specifically the Pullens Buildings; a Victorian estate of flats built round cobbled yards with workshops where the freehold is owned by the Council. It is a conservation area. There are a mixture of leaseholders and Council tenants living in the flats. The objection suggests there have been inappropriate procurement practices in the award of contracts.

The Council was asked to provide information on several areas relating to Stanbury, and the key lines of enquiry of the External audit related to:
Contractual relationship with Stanbury and Something and Son, written contracts and record keeping, compliance with contract standing orders (CSOs), insurance held by Stanbury, any specific processes and controls in place to monitor contracts getting onto the approved list and how much work a company on the approved contractors list can do before a formal contract is required, and how the Council ensures relationships between the Council and its contractors are and remain appropriate.

The Council's Contract Standing Orders and Fairer Future Procurement Framework set out the Council's objectives, which include achieving value for money and best value when obtaining supplies of goods, services and works. The Council's Fairer Future Procurement Framework commits to maximise benefits to the local area, economy, residents and to be an open, honest, and accountable process. In the accounting period 2019/20 to July 2021, revenue spend with Stanbury totalled £484,156 and capital spend totalled £261,552.

Good Practice:

• A Register of Interests for Council Members is maintained, which was found to be complete for the period 2019-20 -2021/22. There were no declarations / conflicts of interest raised by any Members of the Council in relation to Stanbury Building Services Limited.

- The Council's CSOs and Council's Schemes of Management have been applied for the highest value project of £116,950, the refurbishments of 231 Old Kent Road. The procurement process was managed by the Regeneration Team (South) who were able to provide evidence of Gateway reports, legal and procurement advice sought, and quotations and approvals made in line with the Scheme of Management and CSOs.
- The Council has outsourced the management of its approved contractor list to Alcumus, which includes responsibility for reviewing and verifying contractors before they are placed on the approved list. We interviewed the Council's key contacts at Alcumus and, were provided access to the web portal. We were able to confirm that Stanbury's PAS91 pre-qualification questionnaire (PQQ) and supporting documents had been in place since 2019. Alcumus confirmed that Stanbury had not been placed on their exclusion list from 2019 to date.
- There are controls in place to annually assess and reconfirm Stanbury's Insurance policies. We found that insurance has been held continuously since 2019-20 to 2021-22 and the levels of cover are in line with the Council's requirements.
- From our review of the information held by Companies House in relation to Stanbury, we did not identify any conflicts of interest with officers of the Council.

- There are no controls and processes to ensure that individual work orders raised for responsive repairs are aggregated, to determine whether a formal tendering process should be undertaken in line with the Fairer Future Procurement Framework and the Council's Contract Standing Orders.
- Due to limited documentation which the officers interviewed have confirmed is unavailable, we are unable to confirm the approvals and due diligence undertaken for the appointment of Something and Son, and the further appointment of Stanbury on the Gateway to Peckham Scheme. We were informed that project documentation is held in officers' personal emails, and not in central project folders.
- We found that two the appointed directors for Something and Son were also directors for company Peckham Palms Ltd, the company currently managing the Peckham Palms Hub on behalf of the Council. We found that one of the directors resigned from Peckham Palms on 10 February 2020 but remains an active director for Something and Son, and the second remains an active director for both companies. This represents a potential conflict of interest, as Something and Son were employed to oversee this project.
- The Council has its own in-house responsive repairs and maintenance team Southwark Building Services (SBS), as well as other procured contracts that offer the same services as Stanbury, however these services and contracts are not utilised to respond to requests made for responsive and reactive building maintenance works. We were advised that the Property Team had explored the option of using the in-house services but found the Council's' contractors and in-house team were unable to facilitate the team's needs, since they required a contractor who was familiar with the stock, area, residents and could provide a fast and response services.
- The number of Declarations of Interests completed since 2019 to date, is very low, with no information available for 2019-20. Therefore, we are unable to provide assurance that there is not a conflict of interest amongst all relevant staff engaged with Stanbury Building Services Ltd.
- Documents pertaining to the Council's approval for the appointment of Something and Son have been misplaced, therefore we are unable to provide assurance that the appropriate approvals in line with the Council's Contract Standing Orders have been obtained.
- There is no formal process for recording information relating to transactions placed with Stanbury Building Services or contractors on the Approved List. Our observation is that all communication and correspondence is conducted through employee's individual email accounts, or verbal arrangements are made. From a review of 21 individual transactions, we found that there are no formal central records kept by the surveyors who instruct Stanbury to undertake works, and where the costs of works are £5,000 or more, they have not been recorded on the Council's Contracts Register. Since April 2019-20 to 2021-22 more than 400 jobs have been raised with Stanbury Building Services. The Council's Contract Standing

Orders do not explicitly set a limit on the number of jobs that can be undertaken by an individual contractor, however there is a requirement for the Lead Contract Officer to monitor expenditure and seek advice from the procurement team to ensure that they are complying with the Contract Standing Orders.

- No formal due diligence exercise has been conducted to assess the appropriateness of the Council continuing its arrangement with Stanbury Building Services since the disqualification of the Company Director in October 2018 for a period to April 2022. This is despite a recommendation from the external auditors to do so.
- We were informed that prior to June 2021 no formal performance monitoring arrangements were in place to oversee the management of works being undertaken by contractors on the Approved List. In June 2021, the Property Team introduced a formal process for managing the performance of contractors on the Approved List. The process is documented and includes the monitoring of reactive small works, service response times, contract, and project management. However, we were informed that the team were still embedding the new process.
- Our review found weaknesses in the control and process for ensuring that relevant staff complete the Council's annual Declaration of Interest. At the time of the review only three employees out of 20 identified officers had completed their online DOI form for 2021-22. Following the interviews all 20 officers have now completed DOIs and no conflicts interest have been raised.
- A commercial unit was being sub-leased for 5 years to Stanbury, without competition and when DOIs had not been completed by the officers making the decision.

Commentary:

While we found no direct evidence of fraud or impropriety, our review identified significant gaps in the control framework relating to the governance and procurement arrangements for the use of Stanbury Building Services Ltd, as a Council contractor.

Our overriding recommendation was that the Council paused the use of Stanbury Building Services Ltd for responsive repairs and maintenance until a decision has been made around the tendering requirements for such works, the extent to which the inhouse team should be carrying out these activities and full due diligence, including declarations of interest, have been completed by the Council. We recommended that a joint decision-making group is formed to determine future arrangements, comprising senior officers from the Housing and Modernisation department, Finance team and Legal Services / Procurement team.

CAS07	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Older People's Services October 2022	Design	Operational effectiveness		- 1
	Substantial	Substantial	Low	1
			1 66 11	

Purpose of audit:

To provide assurance over the adequacy of the design of the controls and operational effectiveness relating to the operational management across Older People and Physical Disabilities (OPPD) Service. Our audit was focused upon the procedures and controls in place in relation to the end-to-end process for referrals received under the Care Act to provide assurance that they are processed in an accurate and timely manner.

Background:

The Care Act 2014 sets out the duties of local authorities in relation to assessing people's needs and their eligibility for publicly funded care and support.

The Council's OPPD service is responsible for providing care and support to older people. OPPD is broadly divided into four teams:

- OPPD Community North: The team assesses people under the Care Act 2014 by providing care support or by providing advisory information in the north of the borough. It comprises of other teams such as Contact Team, Assessment and Intake Team, Case Management Team, and Telecare Team.
- OPPD Community South: The team assesses people under the Care Act 2014 by providing care support or by providing advisory information in the south of the borough. It comprises of the other teams such as Assessment and Intake Team, Case Management Team, Community Review Team, and Sensory Team.
- Southwark Hospital Discharge Team: The team supports Southwark residents who are inpatients in acute hospital settings and who are likely to need community care services on discharge. The team is based across two sites, St. Thomas' Hospital and Kings College Hospital.
- Intermediate Care Southwark (ICS): The team provides urgent response, rehabilitation and reablement services. It is Integrated with the community services provided by Guy's and St. Thomas' Hospital.

An older person can be referred to the service by a social worker, a neighbour, a family member or by means of a self-referral. The referrals are received by the Contact Team who signpost people to the required service based on their needs. Approximately 4,500 older people are offered support across all the services. OPPD Community North and South have the highest number of people (approximately over 2,500) being offered support.

- From our review of the policies, we confirmed that they were comprehensive, up to date and accessible to all staff through the internal database tri-x.
- For the areas below we confirmed through sample testing that the required policies and procedures were being followed:

- o For a sample of 15 care and support plans we confirmed that an assessment had been completed in full, in a timely manner and appropriately.
- o For a sample of 15 care and support plans we confirmed that all assessments had been approved by a line manger after an assessment had been carried out by a social worker, and where necessary a panel review had taken place to assess the client needs which took place after the line manager had approved the assessment
- For a sample of 15 referrals, we confirmed that the case was allocated to the relevant staff within a reasonable time from the first day of contact to referral.
- o For a sample of 15 cases, we confirmed that the period between a case being formally ratified by the panel and payments being set up on Mosaic was reasonable.
- For a sample of 10 staff, we confirmed that supervision meetings were being undertaken at a suitable frequency and were sufficiently detailed to include discussion on key topics such as professional development, health and safety and wellbeing were discussed.

Key Findings:

We made one low priority recommendation to improve the recording of the cost of nursing home placement costs approved by the Panel and the timetable for care package reviews.

FC05 Payroll and HR August 2022		LEVE	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
		Design		Operational effectiveness	High 1 Medium 0	1 0
		Substanti	al	Moderate	Low	1
Purpose of audit:	rpose To provide assurance on the adequacy and		Added value:	February 2022. The undertaking high le overtime payments to reduce the amou permanent staff to We shared the resu that they were aware	vels of overtime. As the Co at 1.5 - 2 times the pay ra int of overtime carried out undertake the work. Its of the data analytics wi ire of the concerns around	staff in some departments are ouncil's overtime policy awards te, it would be cost effective

The Council has approximately 4,600 employees who are processed on the Council's monthly payroll. The Payroll Team is responsible for making the payments based on the information received from the HR Transaction Team. Within the Exchequer Services Division of the Finance and Governance Department, the Council has the Financial Control, Processing and Payroll Team which includes the officers responsible for SAP Payroll management. The Council's HR service comes under the Chief Executive's Department. The HR service includes the Head of HR and three HR operational teams (HR Customer Delivery, HR Business Partnering and HR Policy and Projects). Jointly, these teams manage the end-to-end Payroll and HR processes. HR Business Partners are responsible for creating policies whereas the HR operational teams are responsible for implementing these policies.

Council managers work with the HR operational teams in processing starters, leavers and variations for the staff that have line management responsibilities. HR Transaction Team notifies the Payroll Team of the financial aspects of these changes to be reflected on the payroll system.

The Council operates an employee self-service (ESS) system where processing/approval regarding sickness, annual leave, unpaid leave, overtime, and expenses can be undertaken. If individuals cannot access the system, then managers can do this on their behalf. There are some services that are not on ESS such as Southwark Cleaning where managers issue payroll with MS Excel documents of time to be compensated which is then processed.

- Controls built into the SAP system do not allow duplicate payments to be processed
- From testing a sample of ten leavers, we confirmed that HR notifies the payroll team regarding leavers on a timely basis. Through data analytics we confirmed that leavers are removed from the payroll system on a timely basis
- Segregation of duties exists between preparing and reviewing monthly payroll reconciliations and the final payroll and are signed and dated by the preparer and electronic approval is obtained from the Head of Financial Control< Processing and Payroll

- Through data analytics completed on the standing data and payroll runs, we confirmed that no duplicate codes, bank details, employee names, addresses of NI numbers existed on the system
- We tested a sample of five SAP users that were given access between April 2021 and February 2022, and all five officers were given access after a form was completed and approved by an authorised Officer
- From conducting a walk-through of the SAP systems, we confirmed that parameters such as tax codes and NI thresholds had been populated correctly
- For the sample of five acting-up allowances we tested, all five cases were approved appropriately, an employment letter was re-issued, and payroll actioned the changes in a timely manner.

Key Findings:

- From testing a sample of five overpayments, we found that recovery action taken was inconsistent and recovery action in three cases was insufficient.
- The following recommendations were not implemented from the 2020/21 audit and have been rolled-over into the 2021/22 recommendations to ensure they are addressed
 - Staff should be advised to copy in members of the HR Team when handing in resignations so that payroll team can be informed about leavers on a timely basis. Staff from HR or Payroll team should periodically review overpayments to identify root causes and address issues.
 - The HR team should notify payroll about new starters no later than their first day at work so that new starters can be added to the payroll and granted access to ESS/ MSS on a timely basis. Staff from HR or Payroll team should periodically review starters and leavers reports to confirm whether staff are being added to or removed from payroll on a timely basis.

Commentary:

We provided substantial assurance over the control design of the controls and moderate assurance over the operational effectiveness of the controls in place, showing an improvement from 2020-21, when we provided a moderate assurance opinion on control design and limited assurance on the operational effectiveness of controls in place.

FG22		LEVEL OF A	SSURANCE	SUMMARY OF RECOMMENDATIONS		
Pensions Administration July 2022			Operational	High		
July 202		Design	effectiveness	Medium		
		Substantial	Moderate	Low	2	
Purpose of audit: To provide assurance over the administration of the LGPS, such that contributions and any payments made are valid and accurate, and that management of members is correct based on policies and procedures.						

The London Borough of Southwark Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS). The London Borough of Southwark is the 'Administering Authority' for the Fund and has delegated responsibility for the management of all aspects of the Fund, including administration, communication, and good governance. The Administering Authority is responsible for the local administration of the Fund, which comprises over 50 employers and approximately 25,000 LGPS members in total (including active, deferred and pensioner members).

The Council has a Pensions Administration Strategy Statement for the Fund. An updated strategy statement was published in April 2021 following consultation with Fund employers and approval by the Strategic Director of Finance and Governance. The aim of the strategy is to ensure both the Administering Authority and employers are fully aware of their responsibilities under the Fund, and to outline the performance standards they are expected to meet to ensure the delivery of a high-quality and cost-effective pensions administration service.

The Pensions Regulator is taking an increasingly active role in the scrutiny of LGPS data and frequently audits LGPS employers (particularly London Boroughs). The Regulator has the power to fine Administering Authorities like Southwark Council and ensure active improvement plans are put in place and reported upon.

As at 31 March 2022, there were 6,995 active members contributing to the Fund and 8,167 pensioners or dependants who were in receipt of an annual pension. Member contributions to the Fund in 2021/22 were approximately £62.8 million and the total asset value of the Fund was £2.1 billion. Most pension contributions are collected and managed through the principal employer, Southwark Council.

The Pensions Advisory Panel (PAP) and Local Pension Board (LPB) are in place to provide investment advice, governance, and oversight to ensure the Council follows the Pensions Administration Strategy.

- Policies and procedure documentation is complete and, based on our testing, is being followed in practice. It is publicly available on the Council's pensions website. This is supported by weekly, and ad hoc specific training arranged by the Pensions team.
- We confirmed that the annual benefit statements were sent out by the Fund's external operator (Aon actuaries and benefit advisors) within required timescales and were sample checked by the Pensions team to confirm that they were correct.
- Based on a sample of refunds, these were issued correctly, following correct processes, and were made in a timely manner.
- The joiner pension bandings held within SAP were correct based on government employer and employee contributions. For leavers, these were all

processed in a timely manner once notified and documentation provided.

- Manual amendments were found to be processed accurately and documentation was available to confirm the reason for the amendments.
- From a sample of added value contributions, we confirmed that these were processed correctly following a request and were processed on both SAP and Altair and were made in a timely manner.
- From a sample of flexible retirements, we confirmed that they were processed correctly following the initial request being received and were approved following the quote of the cost involved in this.

- Whilst a robust set of procedure documentation is available, late return of retirement forms suggest that some employers were not fully aware of pensions regulations and processes.
- Whilst the sample selected were satisfactory in relation to flexible retirements, late returns from employers suggest that some employers are not aware of their responsibility to ensure the process is completed.

TR16	LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS		
Risk Management June 2022	Desire	Operational	High		
Julie 2022	Design	effectiveness	Medium	4	
	NA	NA	Low	2	
Purpose of To help ensure that an effective risk management culture becomes embedded across the Council, by highlighting areas where processes					

Purpose of review:

To help ensure that an effective risk management culture becomes embedded across the Council, by highlighting areas where processes could be improved.

Background:

As a primarily advisory piece of work, the assessment will not generate an assurance opinion. This review assessed how Southwark is managing risk and benchmarked the Council's approach against other authorities and made recommendations for improvement.

Key findings:

• The current and target maturity levels for the five areas assessed, based on our work performed and a realistic trajectory of progress for the Council, are summarised below:

	Risk Governance	Risk Assessment	Risk Mitigation	Reporting and Review	Continuous Improvemen t
Current	Aware	Aware	Aware	Naïve	Naïve
Target	Managed	Managed	Managed	Defined	Defined

- We found that the Council is performing in line with other Councils around governance and risk assessment. However, the Council has two naïve areas in reporting and continuous improvement when compared to other Councils.
- The Corporate and departmental risk registers have not been formally linked to the objectives set out in the Borough Plan 2020-2022.
- We found no evidence that the Risk Management Policy Statement and Strategy has been approved by the Cabinet or the Audit, Governance and Standards Committee and it has not been updated since July 2018. Three out of the four Risk Champions we interviewed were not aware of the existence of the Council's Risk Management policy or how to access it.
- Our interviews with four Risk Champions also highlighted that training had not been provided to them in this role. Furthermore, their performance
 as Risk Champion for their department is not formally covered and reviewed as part of their annual appraisal and continuing professional
 development
- We found that there is no regular reporting on risk to the Chief Officer's Team (COT) or to the departmental senior management teams; the CRR is not presented to any further groups for review and the local risk registers are not presented to any of the Council's committees.

- The Audit, Governance and Standards Committee review the Corporate Risk Register once a year as part of the annual report on corporate risk and insurance. More regular review would improve the oversight provided on the management of the risks facing the Council and the adequacy of the steps that have been taken to mitigate and manage risk.
- There is inconsistency in the approaches to managing, identifying, or monitoring risk or risk registers across departments.

A detailed improvement plan has been developed in response to the assessment, which is to be delivered during 2022-23.

HM09			L O	ASSURANCE	SUMMARY OF	RECOMMENDATIONS
Southwark Building Services August 2022		Design		Operational effectiveness	High Medium	1 4
				Limited	Low	
Purpose of audit:	To provide an end-to-end review of the internal repairs process, to include organisational management, performance against KPIs and clarity cost and charging structures including what work is being completed to prevent overspends.	value:	what required a trick the ensity of the the the leg	at policies are required to be uirements and what consideracker-based system. Her the Data Protection Acting for business or personal ir employees. Under the General the proper consent to genmissioner's Code of Practically states employees have m. This includes that employee option of switching off surne Council wishes to utilise	pe in place. We undertook a erations the Council should 1998, data users must distrand whether this is being useneral Data Protection Regugather, store and process dice for Employees sets out the right to know about an oyees should only be monitoveillance tools during privathe trackers on the fleet versations.	inguish between the information sed lawfully with consent of plations 2018, the Council must hata. The Information he rights of the employee and by methods used to monitor bored during working hours, with

Background:

Southwark Building Services (SBS) was merged with the repairs team in April 2020 to embed the Building Services team into the Council rather than being an arms-length organisation. The combined team inherited an improvement plan during the merger which was high level and did not cover the operational changes to be made therefore, the team are currently putting together a detailed improvement plan monitored by a strategic board and implementation board. As services were reduced over the lockdown period, with four months of emergency repairs and a reduced service being undertaken through the current financial period progress has been slower than planned and the pandemic did not enable full focus on the improvement plan.

The repairs team operates a responsive service. The tenant contacts the call centre where a diagnostic assessment is completed, and a repair is scheduled and assigned to the respective contractor. The team's KPIs were suspended during the pandemic restarting in November 2021, as detailed within the service improvement plan. They are monitored through customer survey responses; however, issues were identified in the reporting of these KPIs and as of January 2022, these have been resolved and monthly reporting is being undertaken.

SBS is allocated a notional price per property and have a budget to use for work completed. However, the repairs service, including SBS, was in a deficit of £4.8 million in 2020/21 including work completed for temporary accommodation, void refurbishments, and communal repairs for the Council. The HRA

budget for 21/22 included expected expenditure for repairs and maintenance of £53.6m; at the end of 2022 SBS were anticipating a contractor spend of £6.6m. On a monthly basis, monitoring is completed, and analysis undertaken of cash flows to reduce unexpected overspends.

Good Practice:

KPIs are monitored monthly based on all job completion, as well as customer surveys completed by the Customer Experience Team and then reviewed by the Programme Team within Asset Management. These are reviewed at monthly team meetings.

Key Findings:

- Procedure documentation does not contain sufficient detail in relation to the Key Performance Indicators expected quality assurance processes or process to be followed when using contractors.
- From a sample of 20 repairs, eleven were completed later than the expected date of completion (longest delay was 34 days). Whilst complete and accurate KPI reporting was available, this did not identify the root causes for the delays.
- The out of hours rota forms completed by operatives does not record sufficient detail to ensure the timings of jobs are correct and that this had been approved by a manager.
- Cashflow forecasting was completed monthly, however the data is not cumulative and is being overwritten each month.
- It was not possible to confirm that use of contractors prior to November 2021 was compliant with the Council CSOs and the fairer futures procurement framework.

KFC10	LEVEL OF A	ASSURANCE	SUMMARY OF RECOMMENDATIONS		
Suspense Accounts Management August 2022	Design	Operational effectiveness	High Medium	- 2	
August 2022	Substantial	Substantial Moderate		1	

Purpose of audit:

To review controls and administration of the Council's suspense accounts to provide assurance that staff are following the policies and procedures, access levels to suspense accounts are set appropriately, the number of transactions routed to the suspense accounts is minimized and transactions are authorised, cleared, and transferred to the correct account on a timely basis.

Background:

Suspense accounts are used within the general ledger to record amounts temporarily because the correct accounting code could not be determined at the time of the transaction. The correct account for the transaction should be identified as soon as possible and the sums transferred on a timely basis. The Council has the following suspense accounts:

- Corporate and SAP Accounts Receivable (General) FC&P Team
- Exchequer: Business rates, Council tax, Housing rents, Housing benefit overpayments (HBOP), Business improvement districts (BIDS) Exchequer
 Team Commercial rents Southwark Property Services
- Service charge loans Homeownership Services

For each suspense account, there are individual policies and procedures in place. However, they all follow the same basic rules and processes. All funds are reviewed daily, and amounts are allocated and processed via an exceptions account.

Good Practice:

- From our review of 20 items in the suspense accounts, we confirmed that sufficient documentation was in place to support the transfers out of the suspense account and that a root cause of why transactions have been initially routed to the suspense account was identified. Most of the cases were due to customer error, therefore there were no team efficiencies to be identified.
- We identified well established tracking mechanisms to monitor suspense account levels.

Key Findings:

- We conducted a walkthrough of the processes in place relating to access rights to the suspense accounts. We were not provided with evidence of documented procedures on granting/revoking the access rights for staff involved in the management of suspense accounts. A list of users who can access/amend the suspense account transactions is not in place for all funds and their approval to access the system could not be evidenced.
- From our review of 20 items in the suspense accounts, we identified in three cases that the items had not moved out of the suspense account to the correct account within a reasonable timeframe, ranging from 20 to 117 working days. The Suspense Account Operational Policy does not specify the number of days by which a transaction should be cleared. In one case, relating to Housing Benefit overpayments (HBOP), we could not confirm whether adequate segregation of duties was in place. Spot checks were not being completed for HBOP transactions.

Protect and Vaccinate Funding		LEVEL OF	ASSURANCE	SUMMARY OF RECOMMENDATIONS		
August 2022		Design	Operational	High		
			effectiveness	Medium	-	
		NA	NA	Low	-	
Purpose of audit:	To provide assurance over th	ne eligibility of propose	d claims in respect of the I	Protect and Vaccinate Gra	nt Determination (2021-22)	

Background:

This audit was designed to meet the requirements of internal audit set out in the Guidance issued by Department for Levelling Up, Housing & Communities.

Conclusion:

We concluded to the best of our knowledge and belief, and having conducted appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Protect and Vaccinate Grant Determination (2021-22) [No. 31/5912] had been complied with.

CAS41	LEVEL OF	ASSURANCE	SUMMARY OF RECOMMENDATIONS		
Adult Learning Service September 2022	Design	Operational effectiveness	High Medium	- 1	
	Moderate	Substantial	Low	3	
			-		

Purpose of audit:

To review the processes and controls in place that support effective decisions on which SALS services to offer, verifying that the right audience is being targeted and the syllabus is appropriate to ensure alignment with GLA specifications. In addition, the review determined whether the level of attendee take up is being routinely considered when undertaking decisions alongside financial viability.

Background:

The Council offers a range of adult learning services. Southwark Adult Learning Services (SALS) works with people in Southwark to create a fairer future for all, they provide individuals with learning opportunities to enjoy and achieve. Courses take place in studios, workshops, and classrooms. Courses are run at different times and in different ways, whilst providing opportunities to learn. Courses are scheduled during the day, in the evening or from home, also ensuring safe numbers within the building. There is also the option to learn together as a family with courses designed for parents and children. Family learning courses are run after school or during the school holidays.

Learners need to be aged 19 years or older and have a National Insurance number, unless they are attending a family learning session with a parent. To enrol on a SALS course, the requirements of the Education and Skills Funding Agency (ESFA)/Greater London Authority (GLA) must be met ensuring an individual is entitled to participate in one of the courses.

Adult Education Budget (AEB) grant funding for the operation of SALS is provided by the GLA. To obtain this, a strict syllabus requirement must be met which complies with the GLA AEB parameters. At the end of each funding year GLA will apply a 10% reconciliation tolerance for under-delivery of the syllabus. GLA Provider Managers work with AEB providers to ensure that their delivery and performance meets the criteria in the grant agreement. GLA Provider Managers undertake regular monitoring visits to providers and seek to raise any concerns regarding delivery, including performance, at the earliest opportunity.

Areas of Strength:

- The SALS Team has clearly defined and well-established management policies and procedures in place in relation to class syllabus selection and local resident learning needs
- Course selections and content consistently align to the GLA funding requirements
- SALS has overall levels of high achievement, success, and retention rates for the last available full year of management information (2020-21) figures were 99%, 96% and 97% respectively
- Class performance and student feedback are monitored throughout the year to ensure a high-quality standard of service, inform lessons learned and

enhance the SALS provision

• External Quality Assurance reports and Ofsted feedback has provided positive feedback relating to how classes are delivered and the management of SALS.

Areas of Concern:

- There are no Articles of Association for the SALS Governing Body, and their roles and responsibilities are unclear.
- Other areas for improvement were identified including the need for a succession plan, sharing lessons learned and improved marketing of the service.

5. SUMMARY OF RECOMMENDATIONS STATUS

Of the 3417 high and medium recommendations relating to 2017-18 to 2021-22, that have fallen due as at the end of July 2022, we have confirmed with reference to evidence that 359 have been fully implemented or superseded, representing 86%. The chart shows the relative percentages for each of the four years.

The implementation rate for previous recommendations has fallen marginally from 87% to 86% since the last report to the Committee. Whilst there are some longstanding recommendations from previous years that remain to be implemented, these have now reduced in number.

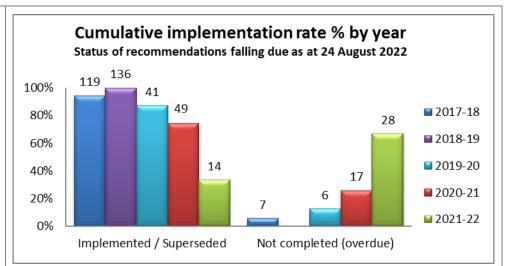
Several audits remain for which the required update was not provided by the date of reporting, which are indicated in our summary below. The implementation rate may be higher than 86%, however without management responses and supporting evidence, we cannot confirm this.

There are also several audits where the originally agreed implementation date has not been met and a new date has been provided.

The implementation status of each internal audit is summarised in the table overleaf.

Please note that the table does not include audits where:

- All recommendations have been implemented
- Recommendations to be followed up as part of another audit during the year (for example key financial systems)
- Recommendations not yet due for implementation.



RECOMMENDATION IMPLEMENTATION RATES BY AUDIT

Audit Area	Total High & Medium recommendations		Medium follow up date			Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
	due for implementation	Н	М	Н	М	Н	M		
Chief Executive's Department									
2017-18 Land Charges	5	-	2	1	2	-	-	40%	April 2019 December 2019 Awaiting update
2019-20 S106 Agreements	3	-	-	-	3	-	-	0%	January 2021 December 2021 Awaiting evidence
2020-21 Community Infrastructure Levy	1	-	-	-	1	-	-	0%	December 2020 Awaiting evidence
2021-22 Movement Policy and Plan	6	-	6	-	6	-	-	0%	January 2022 April 2023
2022-23 Emergency Planning	2	-	-	-	2	-	-	0%	February 2022 Awaiting evidence
Children's and Adults Departme	nt								
2020-21 Foster Carer Payments	3	-	1	-	1	-	-	33%	December 2020 Awaiting update
2020-21 Payments to Children and Families	3	-	-	-	-	1	2	0%	January 2021 Awaiting update
2020-21 Supported Living	3	1	1	-	1	-	-	66%	September 2021 Awaiting evidence
2020-21 Travel Assistance	1	-	-	-	1	-	-	0%	September 2021 March 2022 September 2022

Audit Area	Total High & Medium recommendations	Impler	mented		ress at the up date	Awaiting revised (evide	date, or	% Verified complete	Management Implementation dates
	due for implementation	Н	М	Н	М	Н	M		
2021-22 Youth Offending Team	3	-	-	-	3	-	-	0%	March 2022 September 2022
2021-22 Adoption Services	3	-	-	-	-	2	1	0%	January 2023
2022-23 Contract Management: Mobilisation	3	-	-	-	1	-	2	0%	June 2022 October 2022
2022-23 All Age Disabilities	2	-	-	-	-	-	2	0%	June 2022 Awaiting update
Environment and Leisure Depart	rtment								
2020-21 Climate Change	4	-	-	-	4	-	-	0%	November 2021 Awaiting evidence
2020-21 South Dock Marina	1	-	-	1	-	-	-	0%	June 2022 November 2022
2021-22 Cooper Close TMO	3	-	1	-	2	-	-	33%	April 2022 July 2022 Awaiting update
2022-23 Leisure Services	1	0	0	0	0	0	1	0%	July 2022 Awaiting update
2022-23 Highway Maintenance	1	0	0	0	0	0	1	0%	May 2022 Awaiting update
Finance and Governance Depar	rtment								
2019-20 Home Ownership - Garages	3	1	1	-	1	-	-	66%	April 2020 January 2021 November 2021 September 2022

Audit Area	Total High & Medium recommendations	Impler	mented		ess at the up date	Awaiting revised (evide	date, or	% Verified complete	Management Implementation dates
	due for implementation	Н	М	Н	M	Н	M		
2020-21 Records Management	1	-	-	1	-	-	-	0%	March 2021 November 2021 June 2022 Awaiting update
Housing and Modernisation Department	artment								
2017-18 IT - Network Security	8	1	3	1	3	-	-	50%	December 2017 October 2018 June 2019 September 2020 April 2021 October 2021 March 2022 September 2022 December 2022
2019-20 Materials	3	•	1	-	2	-	-	33%	June 2020 April 2021 June 2021 October 2021 January 2022 February 2022 June 2022 November 2022
2020-21 Software Asset Management	4	-	2	-	2	-	-	50%	March 2022 September 2022 December 2022
2020-21 Housing Application and Allocations	2	-	1	-	1	-	-	50%	September 2021 February 2022

Audit Area	Total High & Medium recommendations	Medium		In progress at the follow up date		Awaiting update, revised date, or evidence		% Verified complete	Management Implementation dates
	due for implementation	Н	М	Н	М	Н	М		
									August 2022 November 2022
2021-22 Hornbill STS Service desk review	2	-	1	-	1	-	-	50%	January 2022 October 2022
2021-22 Health and Safety	3	-	2	-	1	-	-	66%	April 2022 July 2022 September 2022
2021-22 Data Protection Compliance	4	-	2	-	2	-	-	50%	January 2022 September 2022
2021-22 Major Works	3	1	1	1	-	-	-	66%	June 2022 July 2022 March 2023
2022-23 IT Disaster Recovery	4	2	2	2	2	-	-	0%	June 2022 December 2022

RECOMMENDATIONS NOT YET IMPLEMENTED

The tables below show the latest updates with regards to the recommendations not yet implemented, where this has been provided. It excludes recommendations that have not fallen due.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Environment and Leisure Department		
2020-21 - Climate Change		
Management can ensure that effective governance are in place through the following actions:	Climate Change Director November 2021	We were advised by the Climate Change Director that: (i)The terms of reference is in place for the officer and directors group
(i) Ensure that terms of reference are written for all steering groups including the role and responsibilities of the group and officers. The ToR should be formally approved, dated, and reviewed annually.	November 2021	steering meetings and these will be reviewed annually. (ii) BAME representative will be co-opted on to the oversight steering group
(ii) Co-opt BAME representative onto the oversight steering group.		(iii) Directors (and their deputies) from both services are included on the directors steering group
(iii) Ensure that permanent representatives are available from Finance, Children's, and Adult's Services (where director level is unable to attend an appropriate substitute should).		(iv) A programme risk register will be developed and reviewed quarterly at the directors steering group meetings(v) An actions log will be implemented at the directors steering group meeting and minutes are already taken at these meetings
(iv) Produce a climate change risk register identifying the risks that will prevent the plan being achieved, mitigating actions, assigning ownership, and monitoring their effectiveness in managing the risks to acceptable levels.		Evidence pending
(v) Agreed actions in the steering group meetings should be added to the action log and completion dates provided. The action log should be reviewed at each meeting. Minutes should be available at all meetings and a record maintained of those that attend.		
Medium		
(i) Management should review and improve the community engagement particularly with a view to	Climate Change Director September 2021	We were advised by the Climate Change Director that:

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
increasing the response from Black and Asian groups to be more representative.		A communications and engagement strategy is being developed which will include communications and engagement with the respective target
There are several options open to the Council to improve in this area such as by:		audiences. This strategy has clear timelines and will be delivered in a phased approach.
 Selecting a BAME engagement company to provide the service (this would support the Council in their current and future projects / programmes also) 		Evidence pending
 Approaching faith groups in the borough who have a large group of BAME members to complete questionnaires and/or to take part in interviews 		
 Advertise in the local BAME press for example The Voice Newspaper. 		
(ii) Implement a communications plan for climate change, to be used as the basis for getting the various stakeholders involved in the plan. This will include local businesses, neighbouring authorities, and residents.		
(iii) The Council should, if necessary, extend the timescales for engaging with community groups over Climate Change, using the Equity Framework Plan to ensure a greater level of engagement.		
Medium		
(i) A sixth monthly report on Climate Change should be introduced.	Climate Change Director	We were advised by the Climate Change Director that:
(ii) The Annual Report should be scheduled and included on the Forward Plan for Cabinet.	April 2022 July 2022	(i)The website will be the platform for providing a 'live' status update on progress of the delivery climate change strategy as well as providing up to date policy information
Medium		(ii) This is on the forward plan for a July 2022 decision
		Evidence pending
2021-22 - South Dock Marina		
Both the Council and Marina should work together to	Harbour Master	We were advised by the Harbour Master that the intention is to use the
agree a solution towards paperless working. Whilst we also recognise that the Marina does not have immediate capacity to deploy resources to scan all	June 2022 November 2022	Harbour Assist program that will produce electronic versions of all forms used and this will be saved within the customer file. The paper documents relating to customers will be scanned on to the relevant file.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
documentation, this is something that the Marina and Council should consider over the medium-long term to ensure all paper documentation has been scanned to either the Havenstar system (pending relevant modules and system upgrades) or the Marina's shared drive. Medium		The intention currently is to have this operational in Q3. A new Harbour Master starts on the 9 May 2022 and will be key in implementing the new systems Evidence pending
2021-22 - Cooper Close TMO		
With reference to the finance and procurement rules, the TMO should review current suppliers and consider whether each continues to provide value for money.	Treasurer January 2022 TBC	We were advised by the Estate Manager that the procurement policy needs to be updated. There is currently discussions being held with Committee about the policies which require updating.
Alternative quotes should be obtained in line with the procurement procedures unless a long-term contract is in place.	150	They have also requested a template of a waiver letter from Southwark.
Medium		
The TMO should review the Management Committee terms of reference annually to ensure they are up to date. Medium	Chair April 2022 July 2022 TBC	We were advised by the Estate Manager that the Committee has agreed for virtual meetings to be included in the Terms of Reference. This is currently being redrafted with a target of completion in June or July 2022.
Finance and Governance Department		
2019-20 - Home Ownership - Garages		
b) Waiting lists should be moved onto iWorld to centralise the waiting list procedure. This would minimise the risk of the waiting list being manipulated and would increase the transparency in the awarding of garages. Changes made would be reflected in an audit trail and will be identified if unauthorised. This will also ensure that priority of application as recorded in the Garage Lettings and Voids procedure	Operations Manager November 2021 September 2022	We were advised by the Operations Manager that a meeting with the iWorld consultant will take place on 6 May 2022, following this there should be an agreed timeline. Subject to the availability of the iWorld team, the completion of this recommendation should be before September 2022.
Medium		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2020-21 - Records Management		
b) A central inventory record should be maintained and reviewed annually. c) Mapping of all information held needs to be completed. Management should develop and draft a more detailed plan and timescale for cleansing and mapping existing information. Following this, we recommend that the achievement of the actions recorded is regularly reviewed, as part of team meetings within Corporate Services, to ensure they stay on track and remain relevant. Once a complete map of information is developed and relevant cleansing and migration has taken place, these should be reported to the SMT. f) Management should develop a mandatory eLearning module relating to record management which should be completed annually by all staff to ensure they acknowledge and understand their responsibilities relating to record management and a formal record of this be kept. High	Information Governance Manager 31 March 2021 June 2021 October 2022 June 2022 TBC	We were advised by the Information Governance Manager that: b) The escalation process needs to be followed up the IG Manager, this is estimated to be completed by the end of June 2022. c) No updates since the previous update. f) It was not possible to resource the task of developing additional elearning modules, estimated completed is by the end of June 2022.
a) Management should conduct a thorough exercise covering all systems, locations, and business areas to fully record the types of data being created and retained and to ensure all the Council's information assets were identified, with appropriate and specific information added to the asset registers. b) A central inventory record should be maintained and reviewed annually. c) Mapping of all information held needs to be completed. Management should develop and draft a more detailed plan and timescale for cleansing and mapping existing information. Following this, we recommend that the achievement of the actions recorded is regularly reviewed, as part of team	Information Governance Manager 31 March 2021 June 2021 October 2021 June 2022 TBC	We were informed by the Information Governance Manager that: a) IG&SG has been reformed; first meeting held in May 2022. There are regular meetings scheduled to align with CGP timetable, to enable recommendations and ratifications to be actioned. b) The escalation needs to be followed up by IG manager, this is estimated to be updated in June 2022. c)The council does not currently have the resources to conduct this exercise, currently undertaking a migration to Outlook 365. f) The council accepts that additional e-learning modules would be beneficial to all staff and will consider developing this in the financial year 2021/22, due to current pressures on resourcing levels.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
meetings within Corporate Services, to ensure they stay on track and remain relevant. Once a complete map of information is developed and relevant cleansing and migration has taken place, these should be reported to the SMT.		
d) Management should review the process in place for ensuring that registers are completed and consider the introduction of an information request on a regular basis, for example monthly, to identify all departments that have not completed registers. The process should also outline specific action to be taken where staff are persistently not completing registers in a timely manner.		
e) Management should ensure that the policy and retention schedule is appropriately communicated to all the asset owners through staff bulletins or other communication channels.		
f) Management should develop a mandatory eLearning module relating to record management which should be completed annually by all staff to ensure they acknowledge and understand their responsibilities relating to record management and a formal record of this be kept.		
High		
Chief Executives Department 2021-22 Movement Policy and Plan		
The Equity Framework should be issued to Cabinet as	Head of Highways	We were advised by the Head of Highways that the Equity Framework has
soon as possible for further review and approval. Medium	April 2023	been updated to a certain point but was put on hold in March 2022 to update the data and review the indicators.
		The Equity Framework will be incorporated in the overall Refresh process for the Movement Plan. This will be included in the Cabinet report, pril 2023.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
The Council should review and improve the community engagement particularly with a view to increasing the response from Black and Asian groups to be more representative.	Head of Highways November 2022	We were advised by the Head of Highways that the public consultation for the Movement Plan Refresh with be in conjunction with and supported be the Community Engagement team. We will be using our experience gained through the Streetspace
There are several options open to the Council to improve in this area such as:		programme to better reach these groups Engagement process with Black, Asian, and Minority Ethnic groups, faith
(i) selecting a BAME engagement company to provide the service (this would support the Council in their current and future projects/ programmes also)		groups and others that can be under-represented during such engagement to be carried out in conjunction with Council Delivery Plan objectives for engagement.
(ii) approaching faith groups in the borough who have a large group of BAME members to complete questionnaires and/or to take part in interviews		
(iii) Advertise in the local BAME press for example The Voice Newspaper.		
Medium		
The Project Board should agree implementation dates for actions agreed and document these in the project board minutes via an action log. Actions should be followed up at subsequent meetings to confirm completion or discuss and record reasons for delays and new implementation dates.		We were advised by the Head of Highways that development and refresh of the Movement Plan transferred to Highways in May 2022. There is no formal Project Board, with governance of the Movement Plan comprising leadership by Policy & Programme Manager supported by Head of Service.
Medium	Hand of History	We was a distant but the Head of Highway that according to the distance of
A sixth monthly overall reporting of the Movement Plan should be introduced.	Head of Highways Jan 2023 and April 2023	We were advised by the Head of Highways that annual monitoring report taken to Cabinet on 1 February 2022.
The Annual Report should be scheduled and included on the Forward Plan for Cabinet.	•	Subsequent reporting to Cabinet Member for Parks, Streets and Clean Air, and Strategic Director in August 2022.
Medium		Further reports expected following consultation in January / February 2023, with full Cabinet report to follow in April/May 2023 with Delivery Plan.
		The six-monthly reporting to be considered following full refresh of Movement Plan.
		Interim cabinet report will be around Jan / Feb 2023. The final revised Movement Plan to Cabinet in April/May 2023

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
A high-level risk of the Movement Plan implementation should be entered on to the Corporate Risk Register. Management need to identify, assess, mitigate, and review the risk(s) that may prevent the implementation of the Movement Plan Risk owners should be identified for the Highways programme risk register. Management should clearly identify the mitigations for the Highway risks that have been implemented. Where mitigations have been implemented for Highways to reduce the risks, the current risk scoring should be reported / produced if applicable. Medium	Highways Programme and Policy Manager January 2023	The Movement Plan Refresh will have an action plan for implementation, which will be reviewed with respect to risk and added to divisional risk register. Risks will include risks owners and mitigation. Work to commence, January 2023 with final risks added to register when complete - after Movement Plan approval.
The transport policies should be updated and prioritised to align with the Movement Plan. Medium	Highways Programme and Policy Manager January 2023	The model for the Movement Plan has been revised to create a framework document that incorporates the policies of other specialist sections, looking to weave them into transport delivery. In this way, the team behind the Movement Plan will not seek to change published policy elsewhere but will align itself as far as possible and if necessary, slightly reframe delivery to make that policy more realistic, achievable, and measurable in the Highways context. In future, the team will look to the consultation processes for other policies to allow better alignment between published policy and making it deliverable. Ongoing, timescales will be relevant to the appropriate policy (Climate Change, Air Quality, EV charging, Parking, Cycle Strategy, Kerbside Management etc)
Housing and Modernisation Department		
2018-19 - IT Network Security		
All devices that are running unsupported operating systems should be upgraded to operating systems that are supported by the developer. Where it is not	Enterprise Architect - IT Shared Services July 2017	We were advised by the Enterprise Architect that Windows 7 has been reduced to under 30 systems. There is a project that will investigate legacy server operating systems including windows 2012. A discovery

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
possible to upgrade the operating system of a device, it must be isolated from the Council's IT network and appropriate security controls should be implemented. High	-June 2019 September 2020 April 2021 October 2021 March 2022 September 2022	business case has been completed and awarded to a supplier to complete by end of October 2022 The current contract end date for the DC is September 2022, by this time all servers will be migrated to Azure.
Management should establish a complete record of the Council's firewall rules, which includes but is not limited to: • The service that the firewall rule supports, including the owner of the service • Whether the rule allows for inbound, outbound or both connections • The expected levels of traffic for the rule. Furthermore, a full review of the Council's internal and external firewall rules should be performed and, where necessary, insecure, or redundant rules should be removed. Medium	Enterprise Architect - IT Shared Services July 2017 June 2019 September 2020 April 2021 October 2021 March 2022 September 2022	We were advised by the Enterprise Architect that the DC migration is scheduled to be completed 30 September. This has mitigated a lot of the risks, however, not all. The new firewalls are being procured and the firewall rules will be reviewed again during the migration. This is expected to be completed by the end of Dec 2022 however, funds need to be approved and assigned. A business case has been completed.
Network activity should be baselined and proactively monitored to identify unusual or suspicious activity. This monitoring should include, but not be limited to: • A record of the balance of network activity and external traffic • A record of all open and closed ports and where these have been changed • A record of standard network activity for any given time, which includes known peaks. Furthermore, management should establish a programme to review the efficacy of the network security controls that have been deployed. Medium	Enterprise Architect - IT Shared Services. October 2017 May 2019 September 2020 September 2021 March 2022 December 2022	We were advised by the Enterprise Architect that the import of the logs continues, the end date will be Dec 2022.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2019-20 Materials		
Where actions are raised in relation to social value, these should be included within the agreed actions and monitored by the Strategic Core Group. The council should seek to confirm the number of apprenticeship and work experience slots and compare these against an expected standard. Evidence should also be received detailing that staff are paid the London Living on a quarterly basis to ensure the contractor is meeting its requirements under the Fairer Future Procurement strategy. Medium	SBS Business Service Manager April 2021 October 2021 January 2022 February 2022 30June 2022 November 2022	We were advised by the SBS Business Service Manager that they have contacted Travis-Perkins and they have completed the action of recruitment. They have now tied up with Southwark the works relating to recruitment, but this still need to be finalised. Travis Perkins have had numerous internal recruitment changes which have caused this item to slow. Travis Perkins have gone out to recruit to the roles but were unsuccessful with any applicants. I am awaiting on Travis Perkins reply on their next steps, but they have been unsuccessful in carrying out this item. There is a contract review at DCRB on Tuesday (23/8/2022) where this will be discussed.
2020-21 Software Asset Management		
 i)Management should put in place a defined Software Asset Management Policy that documents the Council's procedures for the management of software, which should include, but not be limited to: The procedures for the management of different types of software, including standard software, non-standard software, and line of business software 	Head of IT Applications March 2022 June 2022 December 2022	We were advised by the Head of IT Applications that a Technical Design Authority (TDA) is now in place and chaired by the Head of Architecture. Additionally, an IT project intake governance is also in place that picks any software solutions. An Audit has started with BDO for software and licencing from 17/08/22 across in-house and third-party vendor hosted/supported solutions.
• The procedures for the management of software assets throughout their lifecycle, including procurement, configuration, deployment, redeployment, and decommissioning		
 The procedures for managing the software asset inventory, including software installation and registration and software removal 		
• The arrangements for the transfer of licences when required		
• The roles and responsibilities of members of staff, including, but not being limited to, software misuse		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
• The requirement for software audits to be performed on a regular basis, including the use of any appropriate audit tools.		
ii)The defined policy or procedure should be formally approved and communicated to members of staff and should be subject to regular review with a version control in place. Medium		
i)Management should carry out an exercise for collecting details and licensing information relating to the Council's IT applications and update the Council's application register as necessary. This should include:	Head of IT Applications June 2021 Sept 2022	We were advised by the Head of IT Applications that a corporate application register is maintained by the apps team for system they manage and reviewed periodically.
Business owners assigned to the 53% of applications that do not currently have a business owner	December 2022	
Software version number and the date it was last upgraded		
• Licencing information, including license type, product keys, location of the installation CD and expiry date.		
ii)Arrangements should be put in place for the application register to be reviewed on a more regular basis, including the requirement for application owners to report to the Head of IT Applications throughout the year with any corresponding changes documented in the register. This process should also be adopted by services who own their applications when not managed by the central IT application team.		
Alternatively, management should perform a cost benefit analysis for commissioning an automated software asset management tool to assist with software management.		
Medium		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
2021-22 Hornbill STS Service desk review		
The STS should perform regular spot checks on the Hornbill data extracts to highlight instances of noncompliance with the agreed timelines and if required provide appropriate refresher training to the individuals who not following the process.	Head of strategy and technology (shared technology service) 31st January 2022	We were advised by the Head of strategy and technology that the service design team and service desk are refining the incident logging system further to ensure more meaningful data can be gathered. The service desk manager has started producing weekly reports (which need further work on where we will be analysing the demand.
The STS should review and update their current reporting structure and metrics to include the analysis	31 October 2022	STS is reporting back to OMG and Joint management on the P1 to P4 categories
of resolution of tickets against the SLA targets, to report the performance against the correct metrics and to eliminate the risk of under-reporting. Medium		A new team has been created as 'user accesses to manage the starters leaver processes. The team will be in place by the end August subject to HR checks being cleared for at least one apprentice out of the two required.
2021-22 Health and Safety		
 a) The Head of H&S should liaise with COT to ensure that the draft Policy and Action plan are discussed, signed off and published at the earliest opportunity. b) The Head of H&S should ensure that the updated corporate governance structure and particularly the existence of the central H&S team, with related 	a) Head of Health and safety/COT January 2022 June 2022 September 2022	We were advised by the Head of Health and Safety that: a) An initial draft of the new Corporate Health and Safety policy and Action Plan was taken to COT for consultation on the 1st of February 2022. Revisions were requested. A new draft was taken to COT on 5 July 2022. The draft was approved by COT and will now be formalised after consultation. The final draft will be consulted on and formalised by
reporting mechanisms, is promoted to Council staff. Medium	b) Head of Health and safety March 2022 July 2022 September 2022	September 2022. b) The policy on governance structure has not yet been formalised. However, the structure is in place and the Chief Executive has been chairing the Corporate Health and safety committee. In Addition, the head of Health and Safety has been providing direct reports to COT to provide oversight on key issues relating to H&S. The Governance policy will be formalised and approved by September 2022.
2021-22 Data Protection Compliance		
a) A communication should be issued to all Service Areas Council-wide, reminding them of their obligations under the GDPR to provide the requested information within the defined timeframe.	Information Governance Manager	We were advised by the Information Governance Manager that: a) This has been assigned at the Corporate Governance Panel (CGP) in January 2022 as an action point 5 for Duncan Whitfield (DPO). Virginia Wynn-Jones was following this up.
b) The Council should implement an automated response email to requester's informing them their	December 2021 Completed	b) This information forms part of the acknowledgement email sent by officers when a new case is actioned. An automated response email

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
request is being dealt with and reminding them of the timeframe for an expected response.		cannot be tailored to be this specific. New system was implemented in November 2021.
c)Management should investigate the reasons why some areas are not meeting response targets and take action to address these Medium	June 2022 September 2022	c)The design of the reports for the new system have not all been finalised, so this is currently difficult to action. The IG manager is working with the system administrator to create meaningful reports to provide management level information. Expected deadline 30.06.22.
a) The CGP should take the lead on progressing this	Head of Law and Governance	We were advised by the Head of Law and Governance that
piece of work, with the Council's Corporate Information		a) This has been discussed and agreed.
Governance Manager and Legal's specialist governance lawyer as the identified leads.	January 2022	b) This was considered by CGP in August 2022. Duncan Whitfield advised
b) A process and schedule should be discussed, agreed, and communicated to all relevant stakeholders, with status updates on progress issued on a regular basis. Medium	September 2022 December 2022	that he was the sponsor of this issue. CGP considered this issue previously and did not find a sufficient degree of risk to instigate any enhanced data classification. In the light of this new audit, CGP are going to review this issue again during the third quarter of 2022 and then receive a report making future recommendations at its October meeting.
2021-22 Major Works		
a) Data quality policy documents, standards and	Interim Head of Investment/ Building Safety Lead/Business Owner of Apex and Asset Manager	We were advised that:
documented procedures should be in place to ensure the quality and consistency of the data input to the		a) This has now been completed.
Apex database e.g., fire risk safety, major heating	5	Evidence pending
system servicing, security door entry and lift servicing, electrical safety, water tanks drainage, asbestos, and external decorations, FENSA installations etc. b) Documented data quality standards should include a	Completed	b) The Apex Audit covers these areas in greater detail. It is expected that the report will be used to address the concerns from both the Apex and Major Works Audits. The actions and target dates to be reviewed once report received. New Target March 2023 (TBC based on Apex Audit report)
central registry for performance monitoring reports, meeting minutes and actions to support the	20 1 2022	c) This has been met in April 2022 as part of the Apex Audit. It will be
management of contractors prepared by the project	30 June 2022 30 November	included in the new Apex Housekeeping Procedure document that is being
managers, and other departmental officers within the investment team.	31 March 2023	written as part of preparation tasks for a planned migration of the system to a new Cloud environment.
c) A system report listing all the users of Apex, including access and permissions should be reviewed with immediate effect, to ensure users' access and privileges are appropriately aligned to current roles		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
and responsibilities, and linked to starter and leaver procedures informed by HR/payroll. High		
2021-22 Disaster recovery		
1.1. The Council's IT department, in collaboration with Council's Emergency Planning and Resilience (EPR) department and STS should develop a Council-wide IT disaster recovery plan that is aligned to and support the Council's priorities in executing recovery processes in response to a cyber security event or a disaster. The plan should aim to protect the Council's IT infrastructure, promote recovery, and should include (but is not limited to) the following: - Procedures for invoking the Council's IT Disaster Recovery plan - Business impact and risk assessments used to guide recovery planning - IT systems, applications and resources required by the Council and how they should be utilized in the event of a disaster - Backup and recovery procedures for Council's IT infrastructure, hardware, and systems - Location of alternative sites - Restoration, containment, and eradication procedures - Root cause analysis (including preservation of investigation evidence) - Contact information of critical third parties The plan should be linked to the Council's Business Continuity Plan/Incident response plan. 1.2. Management should ensure that the roles and responsibilities are clearly defined and assigned to appropriate members of staff individually. The	Head of IT June 2022 November 2022	We were advised by the Head of IT that: 1.1 They have engaged with a third consultancy to create the framework to address the items that have been highlighted. They will provide support to Southwark Council in building a framework to: • Review on an annual basis what its tier 1 applications are, associated contacts, etc. • Ensure there is a matrix in place to measure DR testing over the past year. • Hold people to account. By engaging with a third-party, Southwark Council is aiming to ensure rigour and assurance. 1.2 This will be covered by a guide following the UK Government BCM toolkit. 1.3 Workshops will be carried out with key stakeholders to create business impact analysis and risk assessments.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
responsibilities should be communicated to all relevant members of staff and should be reviewed on an annual basis or following a significant change to the Council's operations.		
1.3. The plan should also include the "Recovery Time Objectives (RTO)" and "Recovery Point Objectives (RPO)" for the Council's IT systems and services into the IT Disaster Recovery procedures. The recovery objectives should be reviewed on an annual basis or following a significant change to the Council's operations. High		
2.1. The Council should conduct a formal exercise of	Compliance Officer	We were advised by the Compliance Officer that:
identifying all critical systems within their IT estate including third party hosted systems and software. A central record of all the critical systems should be maintained by the Council's inhouse IT department which should include the following (but not limited to): - System name and location	Compliance Officer June 2022 November 2022	We were advised by the Compliance Officer that: 2.1 Workshops will be carried out with key stakeholders to create business impact analysis and risk assessments. Also, disaster response and recovery plans will be created 2.2 This will be in the form of the BCM toolkit 2.3 Workshops will be carried out with key stakeholders to create
- Departmental system owner		business impact analysis and risk assessments
- Supplier name		
- Agreed RTO and RPOs		
- Most recent annual DRP and BCP test date		
- License expiry date		
2.2. The Council should provide appropriate annual refresher training to the departmental system owners to remind them of their responsibilities with regards to regards to systems they manage, ensuring updated continuity and recovery plans and annual assurances are received from suppliers confirming that the plans have been tested. Formal documentation is provided to Council's inhouse IT team to manage centrally.		
2.3. Furthermore, management should ensure appropriate Service Level Agreement (SLAs) for disaster recovery provision is in place with all third-		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
party IT providers, including those for hosted IT systems. These SLAs should define the agreed services and timescales for a recovery in disaster scenario. High		
3.1. The Council's IT department, in collaboration with Council's Emergency Planning and Resilience (EPR) department and STS should develop and document a Council-wide formal IT business continuity plan by identifying all critical systems within their IT infrastructure including third party applications and the urgency with which they should be restored if disruption occurs. 3.2. The BCP should include identification of responsibilities, identification of any acceptable loss and implementation of procedures to recover and restore the system within the required timescale. 3.3. Furthermore, once all critical IT systems are identified, the Council should perform a documented Business Impact Assessment (BIA), which includes, but is not limited to: • The recovery objectives (Recovery Time Objectives, Recovery Point Objectives) for the systems Medium	Head of ICT June 2022 November 2022	We were advised by the Head of IT that: 3.1 There is a document detailing IT continuity detailing the tier 1 critical systems. This will be shared with EPR 3.2 Individual plans will be created once all workshops and analysis is carried out for each Tier 1 service 3.3 BIA will be created and identified during the workshops with Tier 1 system owners
4.1. The Council and STS should conduct BIAs to develop and update their effective responses to adverse incidents within their business continuity and disaster recovery arrangements. The BIAs should be completed before any further work is undertaken on response plans to identify: - Mission Critical Activities (MCAs), their dependencies and single points of failure - Recovery Time Objectives (RTO) for the Council's Mission Critical Activities and their dependencies - Recovery Point Objectives (RPOs) for the MCAs	Compliance Officer June 2022 November 2022	We were advised by the Compliance Officer that: Working with Risual, BIAs and risk assessments will be carried out

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
- Impacts over time, including operational, media interest, contractual, reputation, financial loss, commercial interests' risk Medium		
Children and Adult's Services Department		
2020-21 - Supported Living		
(i)Staff undertaking the contract monitoring reviews should be reminded of their responsibility for checking that the provider has robust procedures for obtaining DBS checks when required. They should check a sample of the Provider's staff to provide assurance that these procedures are effective and record this as completed on the forms. (ii)Where issues are identified there needs to be a clear follow up strategy with dates for completion. This should be recorded on a centralised spreadsheet and readily accessible to staff to monitor. (iii)The checks being undertaken by CMOs in relation to DBS records should be reviewed to ensure that each provider has been adequately sampled. (iv)One standard form should be used for the purpose	Assistant Director for Quality, Performance and Transformation September 2021	We were advised by the Assistant Director for Quality, Performance and Transformation that: The contract monitoring reports have not been updated which includes the requirement for monitoring officers to check two staff files for compliance, including DBS. Evidence will be provided to show this is being actioned, there has been a couple issues with the shared drive which is being resolved. Evidence pending
of undertaking these required reviews.		
High 2021-22 - Contract Management: Mobilisation		
		W 1: 11 11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
a) The ADQPT should develop documented procedures for the mobilisation process to promote a consistent	Assistant Director for Quality, Performance and Transformation	We were advised by the Assistant Director for Quality, Performance and Transformation that:
approach and key stages. This should include, but not be limited to:	June 2022 TBC	There is a mobilisation flowchart which I created, and which is in the contract management handbook on share point. As part of putting the
Key definition of what mobilisation encapsulatesDecision tree with links to a flowchart or workflow	150	flowchart together it was agreed that mobilisation would be led by the commissioning officer and the commissioning AD would sign off the project plan.

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status	
 Guidelines on mobilisation project team sizes based on a contract award's remit. Including specification of which projects require additional resource. 			
 Utilisation of the Corporate Mobilisation Plan in defining key steps and tasks 			
Mobilisation Closure template			
b) The ADQPT should clearly define roles and responsibilities relating to mobilisation and incorporate them in process flowcharts and decision trees.			
c) The ADQPT should design a document which can be utilised across all ASAC projects. It should include examples of key contacts/ officer roles both within the Council and external contractors who are essential in promoting a smooth mobilisation.			
e) The ADQPT should add a specific mobilisation section to the handbook incorporating:			
• The areas covered in the above recommendations.			
• Best practice, which incorporates lessons learned gained from previous projects.			
• Training tools and minimum standard requirement for team members' induction			
Medium			
2020-21 Foster Carer Payments			
When the statement of purpose is reviewed in May 2020, evidence of appropriate approval should be	Director of Children and Families	We were advised that:	
retained centrally and available to staff.	31 December 2020	The statement of purpose was updated and agreed by the Head of Service	
Medium		and Assistant Director, and this was emailed to the Director of children and Families. The approval information is available but in line with most Las the signed copy is not on the website.	
		Evidence pending	
For new foster carers the training plan should be	Service Manager	We were advised that:	
entered onto Mosaic. At each annual review the social	31 December 2020		

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
worker should check whether the plan is there and if not enter the data.	September 2022	1)All foster carers have a T&D Plan on mosaic, which is regularly updated. TMs are ensuring at the point of ARA the plans are updated.
2) On a quarterly basis, management should complete a sample check of foster carers to ensure that their		2)This remains incomplete and will commence in Q2 2022/2023. Capacity has been less in Fostering as the Fostering Service Manager left.
plan is TSD compliant and recorded on Mosaic. Medium		Evidence pending
2020-21 Payments to Children and Families		
1) Staff requesting a card to be issued should ensure	Heads of Service	We were advised that:
that correct procedures are followed including staff completing their own application forms to ensure there is a segregation of duties between those requesting and issuing the cards. A reminder should be sent to staff confirming the correct process to be followed.	November 2020	1)There is a segregation of duties and therefore no one person can set up or load funds onto an instant issue card. Staff cards only need one person to load the funds but authorising paperwork or an email from their manager gives approval to load. The documents are within the staff member's service.
2) Documentation should be scanned in and held in a central shared drive. A record should be established and maintained to log all staff travel and expenses		2)We are unable to have one central shared drive and each service manage their own processes. If the payment is for a young person, the documentation is scanned into the child's record on MOSAIC.
cards issued, to include: the request form and approval and an email from the practice co-ordinator to the staff member confirming the card has been issued and topped up with the specified amount.		3)On a monthly basis a report is distributed to the heads of service for them to review the purchases by their service. This circulation also includes Direct and Assistant Directors.
3) Quarterly checks should be completed by service managers on issued cards to confirm that they have been issued appropriately and that documentation is retained. Where the cards have not been issued appropriately or documentation is not retained the staff member should not be eligible for a travel and expense card and the issued card should not be topped up further. High		Evidence pending
<u> </u>	Heads of Service	We were advised that:
Quarterly reviews should be completed by team managers on a sample of expenditure on instant issue		
cards. Where it is considered that the cards are not being used appropriately, this should be reported to	January 2021	Every Month a report is distributed to the heads of service for them to review the purchases by their service. This circulation also includes Direct and Assistant Directors.
the service manager and a decision made as to whether the card holder should not receive further		Evidence pending

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
funds and any expenditure should be paid by council staff using their staff travel and expense cards. Medium		
1) Documentation should be scanned in and held in mosaic CareStore by practice co-ordinators once the card has been issued. Practice co-ordinators should be reminded of the processes by the team and service managers. A central log of issued cards should be maintained detailing all those that have been issued. 2) Quarterly checks should be completed by service managers on issued cards based on the above recommended central log to confirm that they have been issued appropriately and that documentation is retained. Where the cards have not been issued appropriately or documentation further training should be provided. If the staff member continues to not follow required procedure this should be raised as part of their appraisal. Medium	Heads of Service November 2020	We were advised that: 1)This statement is general practice, and any client related expenditure is scanned into the child's record on MOSAIC. The service maintain their own log. 2)Every Month a report is distributed to the heads of service for them to review the purchases by their service. This circulation also includes Direct and Assistant Directors. Evidence pending
2021-22 Youth Offending Team		
 i) The Head of YOS should catalogue all policies and procedures in place related to their department along with a listed owner. ii) The Head of YOS should implement set appropriate timeframes, defining when policies are reviewed and updated. iii) The Head of YOS should develop a defined communication channel for informing staff of new policies and related updates. iv) The Head of YOS should ensure policies are version controlled and saved in a central SharePoint site or shared area which is advertised to staff. Bulletins can also be utilised to raise awareness when key updates 	Head of Youth Offending Service March 2022	We were advised by the Head of Youth Offending Service that: i)This is a work in progress- the service has a catalogue and polices are currently being updated ii)This is a work in progress as above, the catalogue outlines the policy last revision date and the expected next revision date iii)The YJS has developed several routes to inform staff of new policies or updates- we consider that one communication channel will not be sufficient iv)All policies are now saved in the policies section of the YJS shred drivesoon to be moved to the Southwark cloud Evidence pending

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Medium		
i) The Head of YOS in conjunction with the Chair of the YCMB should raise an agenda item highlighting that as part of the guidance the YCMB members have to engage appropriately, providing support and endorsement of raised actions which are bought forward at the YCMB meetings. Individuals/ organisations noted in the report for consecutive YCMB absence should be monitored to confirm that this pattern does not persist. Actions should include planned completion dates and YCMB follow up consultation. Board effectiveness should be reviewed on an annual basis ii) The Head of YOS in conjunction with the YCMB chair should arrange for high-level messages to be directed from the YCMB itself or have their endorsement to promote the importance of new processes or policies. iii) The Senior Management Team should liaise with YCMB members regarding visiting or meeting virtually with the YOS operational teams to gain further insights into their activities and mechanisms. Medium	Head of Youth Offending Service & YCMB Board chair December 2021	We were advised by the Head of Youth Offending Service that: i)The YJMB Chair and the YJS head are using various strategies to ensure raised actions are addressed by members. One of these strategies is to provide an induction process for new board members so they clearly understand their expectations. The Board secretary informs the YJMB chair and Head of YJS of serial non attendees and the YJS head then contacts these individuals to encourage greater board participation ii)The YJS head now routinely summarises board discussions to YJS staff, so they are aware of key board priorities iii)Board members are now invited to attend YJS meetings and so they can meet YJS staff and understand operational YJS priorities Evidence pending
i) The Risk register should be updated to include the following (we provide an example template at appendix III): Risk Description Controls Sources of Assurance Control Gaps Likelihood Impact Gross Score Target Score	Head of Youth Offending Service & YCMB Board chair December 2021 September 2022	We were advised by the Head of Youth Offending Service that: i)This is a work in progress, existing risk register will incorporate many of these suggestions into an improved risk register due to be launched in summer 2022 ii)The Board routinely discusses risk register changes at each board meeting

Recommendation and Priority Level	Manager Responsible & Due Date	Latest Implementation Status
Actions Required and Due DateResponsible Officer.		
ii) The Board should ensure that the reasoning behind changes in risk status are discussed at each YCMB meeting. Challenges and discussions regarding risks should also be discussed.		
Medium		
2021-22 Travel Assistance		
Supporting documentation such as the expense receipts for direct payments under £40 should be obtained and verified at least annually. These checks should be recorded as for the other payments over £40. Medium	Travel Assistance Manager, Education Access September 2021 March 2022 September 2022	We were advised by the Travel Assistance Manager that: We have been unable to implement this yet and it will still take us a while, as our team member who deals with finance has been on sick leave quite a bit recently and is still waiting for hospital results and attending quite often. Our team co-ordinator also left, and we have only just replaced her with a seconded officer, who is just settling in. We are a very small team of just five people, including myself, running a very big service and currently undertaking a taxi framework procurement and just about to start a new bus contract procurement, so we do not have the capacity to do this now. Realistically, I think it will take until September 2022 to get this done. However, we would not expect any problems, as we get attendance records from the schools every half term and quotes were required before any monies were paid.
		At the moment, the only way prices are going is up, so realistically it is extremely unlikely that anyone has been overpaid. In addition, there will be no receipts available for those families who get a mileage payment. For these families mileage is checked before they start direct payments and whenever they move home or school/college, so we always know the correct mileage.

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address inyear.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

APPENDIX 2

INTERNAL AUDIT ANNUAL REPORT BENCHMARKING 2021-22

Purpose of Report

This report provides comparative information across our Local Authority clients relating to the internal audit assurance opinions provided in 2021-22, along with the number and relative proportion of recommendations and the priority level assigned. This report can be used to assess how the Local Authority compares to its peers so that inferences can be drawn and used to further strengthen the Local Authority's internal control environment.

Commentary on the Results

The graphs show:

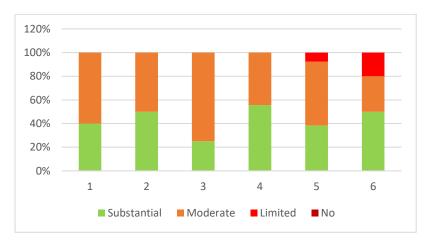
- A majority of moderate assurance opinions for the design and effectiveness of the controls, note there was only one limited assurance effectiveness opinion provided. This places the Council in the 'middle of the pack' when compared to other Councils.
- Having a risk-based and flexible plan invariably means that the audit resource is directed to areas of risk / concern, which should be seen as a positive and is reflected in the opinions and recommendations made.
- The Council receives a lower-than-average number of audit reports in comparison to its peers, reflecting the size of the audit plan.
- The average number of recommendations is comparable and feeds into the relatively high proportion of moderate assurance opinions. Medium recommendations are also relatively higher than at other Councils whilst low recommendations are considerably lower.

In terms of the benchmarking outcomes, it should be considered that this was an exceptional year due to the Covid-19 pandemic, and therefore some Councils re-shaped their audit coverage, resulting in changes to the number and type of audits performed.

Southwark Council is number 5 on the graphs that follow.

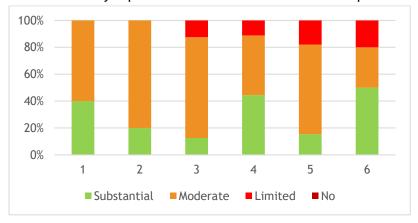
Design Opinion

The graph below shows the assurance levels for all reports included in the annual report, in relation to the design of the controls. This does not include advisory reports where no assurance levels are provided.

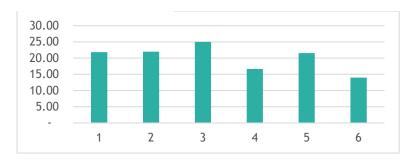


Effectiveness Opinion

The graph below shows the assurance levels for all reports included in the annual report, in relation to the design of the controls. This does not include advisory reports where no assurance levels are provided.

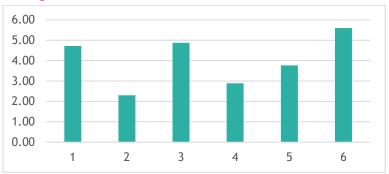


Days per review



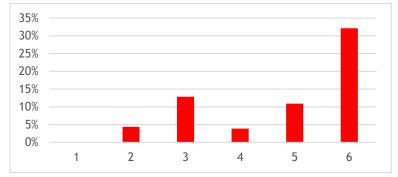
This graph shows the total number of days per the 2020/21 annual plan divided by the number of reports included in the annual report or out in draft.

Average recommendations



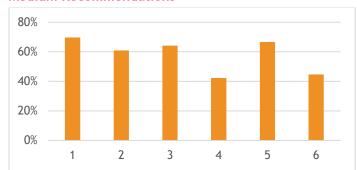
This graph shows the total number of recommendations listed in the annual report divided by the total number of reports, including advisory reports.

High Recommendations



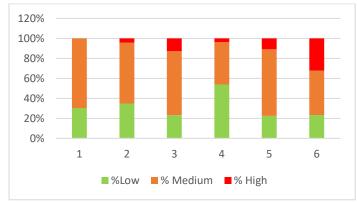
This graph shows the percentage of recommendations from the annual report that were high findings.

Medium Recommendations



This graph shows the percentage of recommendations from the annual report that were medium findings.

Significance of Recommendations



This graph shows the significance levels of all recommendations listed in the annual report.

FOR MORE INFORMATION:

Greg Rubins

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Item No.	Classification:	Date:	Meeting Name:	
10.	Open	17 October 2022	Audit, Governance and	
			Standards Committee	
Report title:		Draft 2021-22 state	ment of accounts for	
-		Southwark council		
Ward(s) or groups affected:		All		
From:		Strategic Director of	of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee considers the draft 2021-22 statement of accounts published in August 2022 (appendix 1).

BACKGROUND INFORMATION

- 2. The publication of the statement of accounts is an essential feature of public accountability and stewardship as it provides an annual financial report on the council's stewardship of public funds for which it is responsible. The closing of accounts is also important for financial control and management since it confirms the availability of reserves and balances for future use.
- 3. The draft 2021-22 statement of accounts is subject to external audit. Grant Thornton, the auditors, are required to satisfy themselves that the council's accounts comply with statutory requirements and that they have been compiled according to proper practices. In addition they are also required to provide an opinion as to whether the council has arrangements in place for securing economy, efficiency and effectiveness in the use of resources.
- 4. Under the constitution, the audit, governance and standards committee formally receives and approves the annual statement of accounts. The audited accounts together with the external auditors' findings report on the accounts are scheduled to be presented to the audit, governance and standards committee at their meeting in November 2022, subject to the progress status of audit.

KEY ISSUES FOR CONSIDERATION

- 5. Under the 2015 regulations, the accounts are required to present a true and fair view of the financial position of the council and comply with 'proper accounting practices'. The Local Government Act specifies the Chartered Institute of Public Finance Accountants (the CIPFA) Code of Practice on local authority accounting as representing proper accounting practices for this purpose.
- 6. In response to the Covid-19 pandemic, the government approved an extended timetable for publishing and auditing the accounts. The Accounts

and Audit Regulations 2015 and Accounts and Audit (Coronavirus) (Amendment) Regulations 2021¹ has changed the accounting timetable for 2021-22, with the new statutory deadline for draft accounts issuance being 31 July 2022 and the final audited accounts, 30 November 2022.

- 7. The regulations also require the draft accounts to be reviewed by the council's responsible section 151 officer (the Strategic Director of Finance and Governance) by 31 July, and for those accounts to be published for public inspection by no later than the first working day of August, or else issue a notice of delay on its website. A notice of delay was published on 29 July stating that the council had to delay publication of the draft 2021-22 statement of accounts until August 2022 due to resourcing issues.
- 8. The draft 2021-22 statement of accounts have now been approved by the Strategic Director of Finance and Governance and were published on the council's website alongside the draft Annual Governance Statement on 26 August 2022, and the period of public inspection commenced on 30 August 2022.
- 9. The external audit of the draft accounts is due to commence on 3 October 2022 and it is currently expected that the audit will be completed by 30 November 2022.
- 10. It should also be noted that the audit of 2020-21 Statement of Accounts has been prevented from completion due to a national moratorium by audit firms in the local government sector pending the resolution of a technical accounting matter regarding the valuation of infrastructure assets (e.g. highways, bridges, street lighting) on local authority balance sheets. The Department for Levelling Up, Housing and Communities is anticipated to shortly issue legislation to resolve this matter.
- 11. The audited accounts, together with the external auditors report, are expected to be presented to members at their November 2022 meeting for scrutiny and approval. The draft accounts are presented to members now to inform and enable early scrutiny of the key figures ahead of the completion of the audit.

Community, equalities (including socio-economic) and health impacts

Community impact statement

12. This report and the accompanying accounts are not considered to have a direct impact on local people and communities. However, good financial management and reporting arrangements are important to the delivery of local services and to the achievement of outcomes.

Equalities (including socio-economic) impact statement

13. This report is not considered to contain any proposals that would have a

¹ https://www.legislation.gov.uk/uksi/2021/263/made

significant equalities impact.

Health impact statement

14. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

15. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Consultation

17. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts will be available for public inspection from Tuesday 30 August 2022 until Tuesday 11 October 2022.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

18. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Finance and Governance	Finance and Governance,	Amarjit Uppal
files	,	0207 525 4578
		Jade Cheung
		07592 115556

APPENDICES

No.	Title
Appendix 1	Draft 2021-22 statement of accounts for Southwark council

AUDIT TRAIL

Lead Officer	Duncan Whitfi	Duncan Whitfield, Strategic Director of Finance and				
	Governance					
Report Author	Jade Cheung,	Jade Cheung, Accountant				
	Amarjit Uppal, Chief Accountant					
Version	Final					
Dated	16 September	2022				
Key Decision? No						
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES /						
CABINET MEMBER						
Officer Title Comments Sought Comments included						
Director of Law ar	nd Democracy	No	N/A			
Strategic Director	of Finance	N/A	N/A			
and Governance						
Cabinet Member	,	N/A	N/A			
Date final report	Date final report sent to Constitutional Team 7 October 2022					



STATEMENT OF ACCOUNTS 2021-22

DRAFT VERSION SUBJECT TO AUDIT

Duncan Whitfield CPFA OBE Strategic Director of Finance and Governance 26 August 2022 This page is intentionally left blank

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NARRATIVE REPORT 2021-22

NARRATIVE REPORT

From Duncan Whitfield CPFA OBE Strategic Director of Finance and Governance

Introduction

The Narrative Report provides information about the borough of Southwark including the key issues affecting the council and its accounts. It provides a summary of the council's performance during 2021-22 and of its financial position at 31 March 2022 including:

- · An introduction to Southwark
- · Covid-19 pandemic
- The council's performance during 2021-22
- Financial performance during 2021-22 and financial position at 31 March 2022
- · Principal risks and uncertainties
- · An explanation of accounting statements

An Introduction to Southwark

Southwark is a dynamic borough in the centre of London, a truly global city. This brings change, challenges and opportunity to all those who work here, pass through here and most of all call Southwark their home. Our ability to develop, transform and renew the borough landscape helps to drive local growth. There is a significant programme of regeneration in Southwark, with some of Europe's most exciting and complex schemes being delivered, such as Elephant and Castle, Aylesbury, Canada Water, Old Kent Road and London Bridge Quarter, home of the Shard, bringing thousands of new homes and jobs to Southwark.

There is a vibrant cultural and arts scene with numerous top theatres including Shakespeare's Globe, the Bridge, and Unicorn as well as the historical Borough market nestled in Dickensian cobbled streets. Art galleries along bankside include the Tate Modern and one of the world's leading contemporary art galleries, White Cube, is located in Bermondsey. Educational establishments include Camberwell College of Arts, a constituent college of the University of the Arts London, regarded as one of the UK's foremost art and design institutions.

In economic terms Southwark has been a net importer of labour in London, powering the jobs market across the city. The borough has a rich mix of employers, including internationally renowned names such as PwC, Ernst and Young, News UK and Hilton hotels. The business mix ranges across construction, health and social care, retail, catering, hospitality, public sector and administration, and finance and legal. However, as across London, there lies a skills challenge in getting more people into the jobs of the future and ensuring all benefit from growth and development in years to come, including the impact of leaving the European Union.

Southwark is one of the most densely populated and diverse boroughs in the country, with a young, growing and mobile population. Over 120 languages are spoken in local schools, 66% of the under-20 population and 75% of reception-age children are from black and minority ethnic groups. Southwark is densely populated and has the seventh highest population density in England and Wales at 10,655 residents per square kilometre compared to the London average of 6,861. The 2021 census estimated the borough's population to be 307,700, up from 256,700 in 2001. The population growth from 2011 to 2021 was 6.7% which was below the London average of 7.5%. The median age of Southwark residents in 2021 was 33.9 years, two years younger than the London average and almost seven years younger than the national average. Whilst the borough's population is comparatively young, this is not driven by a large number of children and young people. It is primarily a result of the large number of young adults in their 20s and 30s. This is a pressure facing many boroughs in London although the issue of meeting demand, especially with a relatively youthful population, is most acute in a borough like Southwark.

The Office for National Statistics (ONS) will publish updated detailed characteristics of the population from the 2021 Census from September 2022 into 2023.

Covid-19 Pandemic

Since March 2020, the Covid-19 pandemic has had a significant impact on both council services and council finances. In 2021-22, the council have continued to tailor service provision and resources to vulnerable residents, support local businesses and communities and ensure staff well-being, as well as maintaining essential services and accommodating new ways of working. In addition, there has been an emphasis on protecting Southwark residents through establishing strong Covid-19 outbreak control measures, including local testing facilities and community prevention schemes.

The government provided extra grant to support councils for the additional costs and income losses for the period to June 2022. The council has also had to implement national support schemes such as business rate relief schemes and covid local support schemes. The overall financial impact of the pandemic, together with government grant announcements, have continued to be reported to the audit, standards and governance committee at all meetings in 2021-22.

The pandemic shone a light on inequality and poverty and its ongoing impact will put added pressures on public services. The council's overall approach has been to plan effectively to ensure the financial strategy continues to align with the council's priorities and approach to renewal and recovery.

The statement of accounts quantifies the financial impact of Covid-19 through measuring the levels of additional grants the council has received from government, and reporting income and expenditure through the main accounts, Collection Fund, Housing Revenue Account and Pension Fund.

Council Performance

Council assembly approved the Council Plan 2018-22 in November 2018. Since the plan was adopted in 2018, the context in which the council operates and delivers services changed significantly as a result of the Covid-19 pandemic. On 25 November 2020, council assembly approved a refresh of the Council Plan 2018-2022, now known as the Borough Plan, which reflected these changes. The Borough Plan represents the council's primary objectives and set out the programme of work that it will achieve over the period 2020-21 to 2021-22.

The Borough Plan is structured around eight themes that reflect the ongoing priorities of the council, based on what are most important to the people of Southwark. They are:

- Our response to Covid-19
- Southwark Together
- A green and inclusive economy
- The Climate Emergency
- Tacking health inequalities
- Homes for all
- A great start in life
- Thriving Neighbourhoods

In December 2020, the Leader of the council approved the Borough Plan Performance Schedules, which set out the various "measures" and "milestones", against which progress towards each commitment would be recorded in a clear and transparent way. Throughout 2021-22, the council has continued to monitor performance against the commitments in the Borough Plan, as well as key "business as usual" targets, with performance data reviewed on a quarterly basis.

The Borough Plan is the council's overarching business plan setting out the programme of work that the council will achieve over the period to 2022. It is a clear statement to the residents, businesses, local voluntary/community sector organisations and other stakeholders of that programme and how the council will continue to deliver a fairer future for all in Southwark. The Borough Plan contains a range of promises and commitments which the council has worked towards since 2018. Underpinning these is a set of detailed performance schedules, with responsibility for each commitment apportioned across the cabinet portfolios.

Starting with cabinet and working through to individual members of staff, the process ensures that the whole organisation is working towards delivering the Borough Plan. A Borough Plan report was presented to cabinet in July 2022, to agree to the development of Southwark's new Borough Plan to 2030 working with residents, the local voluntary sector, businesses and the wider public sector.

Financial Performance

Revenue

For 2021-22, a net budget of £293.1m was approved by council assembly in February 2021. This included savings of £14.8m through a combination of efficiency savings, income generation and service reviews. Council assembly also agreed a 4.99% increase in council tax and that reserves of £5.8m would be used to support the budget. The revenue outturn position is summarised below:

General Fund	Original	Budget	Revised	Spend in	Year-end reserve		Variance after using
	budget	movement	budget	Year	transfers	resources	reserves
	£000	£000	£000	£000	£000	£000	£000
Children's and adults	177,468	(2,596)	174,872	174,440	-	174,440	(432)
Dedicated schools grant							
(DSG)	150	(150)	-	1,056	-	1,056	1,056
Environment and leisure	87,811	1,984	89,795	90,381	-	90,381	586
Housing and modernisation	61,168	(755)	60,413	68,218	-	68,218	7,805
Chief executive's	(302)	1,521	1,219	3,049	-	3,049	1,830
Finance and governance	20,865	364	21,229	21,187	-	21,187	(42)
Public Health	-	-	-	-	-	-	-
Strategic finance	(10,893)	641	(10,252)	(24,452)	17,902	(6,550)	3,702
Support cost reallocations	(41,332)	(1,009)	(42,341)	(42,341)	-	(42,341)	-
Contingency	4,000	-	4,000	4,000	-	4,000	-
Contributions from reserves	(5,815)		(5,815)	(5,815)		(5,815)	-
Net revenue budget	293,120	-	293,120	289,723	17,902	307,625	14,505
DSG overspend taken to DSG	adjustment a	ccount		-	(1,056)	(1,056)	(1,056)
Covid-19 emergency funding	support			(13,449)	-	(13,449)	(13,449)
Outturn after reserve moven	nent			276,274	16,846	293,120	-

Despite the additional costs and income losses as a consequence of the Covid-19 pandemic, a balanced revenue outturn was reported for 2021-22 after using £13.5m of Covid-19 support grants, £4m contingency and earmarked reserves. This is a good outcome as council dealt with a second year of Covid-19 and implemented a number of national schemes to support businesses and residents together with stepping in to support vulnerable households.

In the general fund, the outturn position for the dedicated schools grant is £1.1m in year deficit which brings the accumulated position to £21.7m due to ongoing high needs pressure. The council is in discussions with the Department of Education and the Education and Skills Funding Agency as this is a national problem which needs government support to bring any reduction in the deficit. In children's social care we have a shortage in supply of children's social workers and an increase in the number of unaccompanied asylum seeking children which places additional financial pressures. There continue to be overspends in temporary accommodation due to increased demand exacerbated by the pandemic, driven by the national homelessness crisis and excessive private sector rents. A review of these areas is taking place through the budget recovery board to review all aspects of policy, provision and procurement.

Despite the ongoing pressures, the outturn position continues to demonstrate strong financial management and sound governance arrangements across the council.

During 2021-22 the council received and recognised income from central government as part of the government's Covid-19 funding support for local government. Whilst the income was recognised in the Comprehensive Income and Expenditure Statement in 2021-22, it was necessary for some to be carried forward in earmarked reserves to meet liabilities in future years, including to cover the council's share of the Collection Fund deficit. These losses will be charged to the general fund in 2022-23 and future years.

Housing Revenue Account (HRA) outturn 2021-22

The Housing Revenue Account (HRA) is the means by which the council meets its statutory requirement to account separately for local authority housing provision. The revenue outturn for 2021-22 shows income from tenants and homeowners of £260.2m and spending of £262.4m. Cost pressures in repair, maintenance and renewal of the housing stock were the main cause of the operating deficit for the year of £2.2m which has been funded from a £2.2m drawdown of HRA earmarked reserves in addition to the mitigation measures outlined previously, i.e. a reduction in the revenue contribution to fund capital to match the lower major works billing, along with planned changes in financing and depreciation charges to ensure a balanced position at year-end.

There are a number of significant underlying budget pressures in the Housing Revenue Account. New commitments have arisen from the management and maintenance of housing stock. New requirements arising from the Building Safety and Fire Safety Acts will only serve to exacerbate the pressure on both revenue and capital resources. In addition, the council needs to borrow to fund the housing investment programme which will increase significantly at the same time as meeting investment in current stock, building and fire safety works, investment in our heat networks, and our commitments to carbon reduction.

To observe that the HRA balance has reduced by £2.2m to £26.1m and the major repairs reserve has reduced by £3.5m to no balance remaining.

Future Financial Outlook

Key financial issues to be considered in the medium term include the impact of the cost of living increases on residents which will place additional strain on council finances e.g. pressure on the Southwark Emergency Support Scheme (SESS); the demands of the actions required to meet climate emergency targets on revenue budgets; increasing inflation and interest rates will impact on the capital programme converting into higher debt charges to the general fund; Business Rates Revaluation will take effect in 2023-24 and may change the total business rates payable to the council. There continues to be great uncertainty, both with respect to central government funding and in terms of the economy as a whole as the growing cost of living crisis materialises.

An update on the council's medium term financial strategy will be provided to cabinet during the year. This will also need to reflect the government's future proposals on Local Government funding reform including the Fair Funding Review, the introduction of 75% business rates retention and resetting business rate baselines. A new medium term financial plan for 2023-24 to 2025-26 will be submitted to cabinet and council assembly for approval in February 2023.

Capital

Southwark has one of the largest capital investment programmes in London, with current plans to spend over £2.8 billion by 2030-31. Capital spending and financing in 2021-22 is shown in the following table.

	2021-22	2020-21
	£000	£000
Service		
Children's and adults' services (including schools)	21,784	16,044
Environment and leisure	16,880	20,573
Housing and modernisation	13,804	11,912
Chief Executive's	48,537	69,431
Housing investment programme	210,850	215,478
Total spending	311,855	333,438
Financed by:		
Capital receipts	(13,708)	(12,912)
Government grants and other contributions	(68,031)	(100,798)
Direct revenue contributions	(16,155)	(21,465)
General fund reserves	(160)	0
Major repairs reserve	(55,046)	(52,726)
Prudential borrowing and credit arrangements	(158,755)	(145,537)
Total financing	(311,855)	(333,438)

Projects to help tackle the Climate Emergency and to meet the commitment to be carbon neutral by 2030 are at the forefront of the capital programme. Other projects include building new council houses, by May 2022 the council had completed or were on site with 2,519 new council homes and is committed to delivering another 1,000 council homes and 500 key worker homes by 2026. There are also commitments to improving air quality, increasing the number of cycle hangers, as well as funding improvements in care homes, children's homes, parks and leisure centres including a new leisure centre at Canada Water.

Balance Sheet

Reserves

The following table shows the opening and closing balances on usable reserves:

	31 March 2022	31 March 2021	
	£000	£000	£000
General Fund Balance	(22,445)	(21,002)	(1,443)
Earmarked Reserves			
Corporate projects and priorities	(18,876)	(15,514)	(3,362)
Service reviews and improvement	(34,554)	(24,218)	(10,336)
Capital programme and capital investment	(36,723)		(8,320)
Strategic financial risk	(65,597)	(61,824)	(3,773)
Technical liabilities and smoothing reserves	(26,618)	(21,229)	(5,389)
Subtotal	(182,368)	(151,188)	(31,180)
Covid-19 reserves	(25,872)	(53,425)	27,553
Subtotal	(25,872)	(53,425)	27,553
School reserves			
School balances	(14,391)	(13,813)	(578)
Subtotal	(14,391)	(13,813)	(578)
	,	•	,
Housing Revenue Account (HRA)			
HRA balance	(26,130)	(28,346)	2,216
Major repairs reserve	-	(3,500)	3,500
Subtotal	(26,130)	(31,846)	5,716
Total revenue usable reserves	(271,206)	(271,274)	68
Capital reserves	(100,419)	(71,771)	(28,648)

The general fund balance represents reserves set aside to mitigate and manage financial shocks and is a key financial resilience indicator. The Strategic Director of Finance and Governance has reviewed the level of this unallocated reserve and recommends it should be maintained at a minimum of 2.5% of gross general fund revenue expenditure, or £22.4m for 2022-23.

The reduction in Covid-19 reserves was primarily due to the need to fund deficits in the Collection Fund carried forward from 2020-21 from the awarding of Covid-19 reliefs and Covid-19 related losses from collection of Business rates and council tax payers, and funding of other Covid-19 support to residents and businesses. The council maintains reserves to help smooth the impact of government funding reductions and to mitigate anticipated funding shocks arising from funding reforms, in particular the planned business rate reset. Other notable sums that have been earmarked during 2021-2 include replenishing the Southwark Emergency Support Scheme and Food Poverty (£4.3m); mitigation of post Covid-19 social care demand (£4m); one-off implementation costs associated with insourcing and mobilising the leisure service; amounts to mitigate the impact of economic distress including fuel inflation and contractual risks (£2.5m).

In accordance with regulations, the deficit on the schools DSG has been transferred to the dedicated schools grant adjustment account, an unusable reserve.

The ring-fenced nature of the HRA requires that surpluses/deficits are carried forward between years. At 31 March 2022 the HRA balance stood at £26.1m (£28.3m at 31 March 2021). The reserve is largely committed for specific purposes with the balance held as contingency against unforeseen events, in line with the council's medium term resource strategy.

Borrowing and Lending

The council borrows money to support its ambitious capital programme. Since 2011-12 the council has been using internal cash balances to temporarily fund its capital expenditure over that period, rather than taking new external debt. This policy has minimised borrowing costs over the years. However, as planned, since 2017-18, it has become necessary for the council to undertake new external borrowing in order to finance capital investment and to maintain target cash balances. As at 31 March 2022 outstanding debt held by the council was £896m (£886m at 31 March 2021). The timing of long-term borrowing needs to be weighed against the risk that interest rates will increase in the future with a view to keeping future interest rate costs low. During 2021-22, and in accordance with the approved treasury management strategy, the council increased its long-term borrowing from the PWLB by £50m.

The council invests its surplus cash in bonds, bills and money market instruments. The bonds and bills are issued by the UK government or supranational entities. The money market investments are in short-term call accounts, money market funds, term deposits and certificates of deposits issued by major UK and international banks or building societies. As at 31 March 2022 investments stood at £161m (£145m at 31 March 2021). The overall rate of return on investments during 2021-22 was -0.05% (0.56% in 2020-21). This is reflective of the low-rate environment that prevailed for most of 2021-22 and the swift and severe decline in financial markets in quarter 4.

Pension Fund

The council's Pension Fund must be revalued every three years to set future contribution rates. This valuation is undertaken by an external actuarial firm, Aon. The latest valuation, as at 31 March 2019, showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 covering 103% of the liabilities. The 2022 triennial actuarial valuation is underway and will be completed by 31 March 2023.

As assessed by the actuary on an IAS 19 basis, the council had net pension liabilities of £408m at 31 March 2022 (£688m at 31 March 2021). This reflects the value of pension liabilities which the council is required to pay in the future, offset by the value of assets invested in the Pension Fund.

The future value of pension liabilities is determined by the discount rate, which is based on the yield on investment grade corporate bonds. The value of future pension liabilities reduced by £89.3m in year, from £2,650m at 31 March 2021 to £2,561m at 31 March 2022.

The overall deficit reduced due to the reduction in liabilities and the Pension Funds assets performing well resulting in and increase of £190m in year from £1,962m to £2,152m. Whilst the council is a member of the London collective investment vehicle (CIV), investment performance has been achieved without any direct investment in the CIV.

The Pension Fund is underpinned by an investment strategy last updated in December 2021. The previous investment strategy, launched in 2017, committed to reduce carbon exposure over time. Given the progress made whilst maintaining investment performance, the decision was made in 2021 to commit to achieve net zero carbon exposure by 2030. The 2021 strategy sets out actions in the short, medium and long-term to achieve the 2030 target.

Following a strong recovery from the impact of the outbreak of the Covid-19 pandemic two years ago, the Pension Fund now faces a number of risks and uncertainties in both the short and long-term. Management of risks, such as the impact of inflation rising to multi-decade highs and the Russian invasion of Ukraine, will require careful ongoing monitoring of the investment strategy to ensure the Pension Fund is not impacted negatively from market volatility.

Principal Risks and Uncertainties

The council has an embedded process to manage risk and assist in the achievement of its objectives. The corporate risk register captures the key departmental and corporate risks to the council. Key risks are held on the council-wide risk management system and accompanied by mitigations, setting out the controls in place to manage each risk.

The impact of the Covid-19 pandemic continued to be a significant risk throughout 2021-22 for all council departments. The council adapted to changes in the response arrangements as the government lifted restrictions and moved forward with their 'Living with Covid' planning document. The impact of the pandemic on Southwark's population was reviewed using national and local surveillance data to identify lessons to inform the development of actions and policies with regard to tackling health inequalities and Black Lives Matter.

The council has continued to tailor service provision and resources to vulnerable residents, support local businesses and communities as well as maintaining essential services. Key governance processes and functions have been maintained throughout and have been found to be robust over the past two years during the Covid-19 pandemic.

Other governance risks included the financial uncertainty around local government funding, which has been highlighted again, as a significant risk in the medium term.

The AGS highlighted other significant risks for future years. These included the:

- ongoing impact of the pandemic on council services, for which there is no further government funding;
- high levels of inflation including for energy costs, exacerbating a cost of living crisis for residents and creating additional cost pressures on council services;
- reform of adult social care where the costs of implementation are largely unknown:
- financial risk of the council's housing strategy with plans to deliver 11,000 new council homes by 2043;
- the implementation of the council's climate change strategy to be carbon neutral by 2030;
- dedicated schools grant (DSG) deficit of £21.7m.

Explanation of Accounting Statements

This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2015. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 (the Code). Under the Code, local authorities produce accounts that are compliant with International Financial Reporting Standards (IFRS).

Core financial statements

Comprehensive Income and Expenditure Statement

This records all the council's income and expenditure for the year in accordance with International Financial Reporting Standards. The top half of the statement provides an analysis by service area, the bottom half deals with the corporate transactions and funding.

Movement in Reserves Statement

A summary of the changes to the council's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

Balance Sheet

A snapshot of the council's assets, liabilities, cash balances and reserves at the year-end date.

Cash Flow Statement

Shows the reason for changes in the council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as repayment of borrowing and other long-term liabilities).

In addition to the primary statements, the accounts contain disclosure notes explaining or analysing further the figures in the primary statements.

Expenditure and Funding Analysis

This analysis reports annual council expenditure and how this is funded from resources - in two ways - management accounting and financial accounting in accordance with generally accepted accounting practices.

Supplementary financial statements

Housing Revenue Account (HRA)

Shows the income and expenditure at the year-end date for the ring-fenced Housing Revenue Account which identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989. The HRA figures are included in the primary core statements.

Collection Fund

The Collection Fund reports the amounts raised and collected through local taxation for council tax and business rates. Only the council's entitlement to taxation income and expenditure is included in the primary statements. The amounts collected on behalf of the government and the Greater London Authority are not included apart from amounts owing to or from those organisations.

Pension Fund

These are the funds the council manages to provide future retirement benefits for its employees. The funds are not included within the primary statements.

TABLE 1 - EARMARKED RESERVES

COVID-19 RESERVES			
	1 April 2021	Net movement	31 March 2022
	£000	£000	£000
Covid-19 business rates retail relief section 31 grant	25,903	(10,926)	14,977
Covid-19 council tax and NNDR collection fund deficit	16,459	(8,800)	7,659
Covid-19 contain outbreak management fund	2,815	(757)	2,058
Covid-19 clinically extremely vulnerable	-	678	678
Covid-19 town centre and high street reserve	500	-	500
Covid-19 additional restrictions grant	4,148	(4,148)	-
Covid-19 welfare reform	2,200	(2,200)	-
Covid-19 recovery and renewal	500	(500)	-
Covid-19 tackling health inequalities	500	(500)	-
Covid-19 statutory service reserve	400	(400)	-
Total	53,425	(27,553)	25,872

	1 April 2021	Net	31 March
	£000	movement £000	2022 £000
Oth			
Southwark emergency support scheme	3,040	4,070	7,110
Modernisation, service and operational improvement	2,199	- (450)	2,199
Southwark scholarship scheme	2,156	(158)	1,998
Southwark pioneers fund	1,950	-	1,950
Climate change emergency projects	1,787	(402)	1,385
Food poverty	500	295	795
London devolution reserve	736	-	736
Neighbourhood fund	499	104	603
Voluntary sector small grant support scheme	391	-	391
Data strategy	343	-	343
Internal audit and anti-fraud plan	300	-	300
Anti fraud projects	250	-	250
Positive futures fund	310	(81)	229
Southwark stands together	300	(118)	182
Artefacts replacement and security	117	64	181
Community engagement and links development	118	-	118
Community hub – voluntary sector support	100	-	100
Laptops for Southwark schoolchildren	87	(81)	6
Community safety schemes	106	(106)	_
Youth review	100	(100)	_
HB reforms funding	77	(77)	-
Revenue grants	41	(41)	-
ASB resident grant	7	(7)	-
Total	15,514	3,362	18,876

	1 April 2021	Net	31 March
	£000	movement £000	2022 £000
Highways and parking climate emergency projects	1,852	5,846	7,698
Aylesbury development	6.000	-	6,000
Regeneration and development	4,488	800	5,288
Planned preventative maintenance and building compliance	3.356	732	4,088
Information technology and customer services development	2,195	_	2,195
Modernisation, service and operational improvement	1,356	800	2,156
Building schools for the future private finance initiative transition	1,623	_	1,623
Schools' capital programme contribution	1,293	-	1,293
Capital contingency	1,203	84	1,287
Highways winter maintenance	576	674	1,250
Cycling safety	1,000	-	1,000
Digital innovation fund	608	200	808
Law and Democracy business change management	596	-	596
Public realm	500	-	500
Recycling fund	477	-	477
Canada Water regeneration	214	-	214
Gym and fitness facilities	150	-	150
Black cultural centre	100	-	100
Anchor properties	732	(732)	-
Parking capital reserve	84	(84)	-
Total	28,403	8,320	36,723

	1 April 2021	Net movement	31 March 2022
	£000	£000	£000
Adult social care resilience plan	9,339	91	9,430
Post-Covid social care demand	-	4,099	4,099
Rough sleeping initiative	1,567	895	2,462
Leisure services insourcing	-	2,400	2,400
Children and Adults transformation	1,444	918	2,362
Public health	132	1,878	2,010
HR strategy review plan	44	1,950	1,994
Adult social care residential homes	1,500	-	1,500
HR service transformation	1,300	-	1,300
Health and wellbeing commitment to mental health	1,424	(451)	973
Temporary accommodation strategy	915	-	915
Leisure mobilisation	-	800	800
Local flood risk	680	48	728
New homes bonus GLA funded programme	914	(193)	721
Local economy	672	(51)	621
Environment and Leisure change programme	594	(222)	372
Troubled families	496	(212)	284
Workforce and member development	203	68	271
Schools improvement traded service	200	-	200
Highways transformation	746	(551)	195
Youth service review	70	100	170
Adults' services workforce development	157	-	157
Blackfriars trust allocation	138	-	138
Southwark renters union	100	-	100
Youth parliament	100	-	100
Prevention of illegal tobacco distribution	91	-	91
Adopt London south hosting reserve	250	(160)	90
Special educational needs and disability internships coordination	57	-	57
Local education authority music service	14	-	14
Libraries and heritage strategy	864	(864)	-
Special educational needs and disability transformation fund	110	(110)	-
Member development	97	(97)	
Total	24,218	10,336	34,554

TECHNICAL LIABILITIES AND SMOOTHING RESERVES			
	1 April 2021 £000	Net movement £000	31 March 2022 £000
Insurance reserve	7,600	399	7,999
Interest and debt equalisation	3,500	2,000	5,500
Council tax and housing benefits subsidy equalisation	3,000	124	3,124
Waste PFI equalisation	2,921	-	2,921
Schools de-delegated balances	1,811	1,081	2,892
Contractual risk	450	2,000	2,450
Universal Credit implementation	964	-	964
Election reserve	983	(215)	768
Total	21,229	5,389	26,618

STRATEGIC FINANCIAL RISK RESERVES			
	1 April 2021	Net movement	31 March 2022
	£000	£000	£000
Financial risk and future liabilities	13,193	2,700	15,893
Business rate retention risk	14,514	(1,270)	13,244
Fair funding review and levelling up	-	7,680	7,680
Spending review risk	20,917	(13,837)	7,080
Economic risk	5,000	1,157	6,157
Planned contribution to support general fund 2024-25	-	5,000	5,000
Pension liability risk	2,500	184	2,684
Planned contribution to support general fund 2022-23	2,500	-	2,500
Leaving European Union risk	2,300	159	2,459
Fuel inflation across council estate	-	2,000	2,000
Schools in financial difficulties and school closures	900	-	900
Total	61,824	3,773	65,597

Earmarked reserves (excluding Covid-19 reserves) 151,188 31,180 182,368

It should be noted that council reserves are subject to a number of pre-existing commitments and key pressures including:

- Covid-19 reserves are ring-fenced for Covid-19 related expenditure only
- Capital reserves are required to fund existing capital commitments
- A number of the strategic financial risk reserves are earmarked for potential pressures relating to local government reform including the Fair Funding Review, Business Rates retention and revaluation; as well as economic risks including inflation and the financial effects from the downturn in the economy
- There are no reserves set aside to finance the accumulated deficit on the Dedicated Schools Grant of £21.7m if this not funded by the Department of Education

STATEMENT OF RESPONSIBILITIES

The council's responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council that officer is the Strategic Director of Finance and Governance
- manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets
- approve the Statement of Accounts

The Strategic Director of Finance and Governance responsibilities

The Strategic Director of Finance and Governance is responsible for the preparation of the council's Statement of Accounts and of its Pension Fund accounts in accordance with proper practices as set out in the Chartered Institute for Public Finance and Accountancy (CIPFA) 2021-22 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Director of Finance and Governance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code

The Strategic Director of Finance and Governance has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts presents a true and fair view of the financial position of Southwark council as at 31 March 2022 and its income and expenditure for the financial year ended 31 March 2022.

Duncan Whitfield CPFA OBE Strategic Director of Finance and Governance 24 August 2022

CORE FINANCIAL STATEMENTS 2021-22

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

MOVEMENT IN RESERVES STATEMENT

BALANCE SHEET

CASH FLOW STATEMENT

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The council raises taxation (and rents) to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and in the Movement in Reserves Statement.

			2021-22			2020-21
	Gross	Gross	Net	Gross	Gross	Net
	expenditure	income	expenditure	expenditure	income	expenditure
	£000	£000	£000	£000	£000	£000
Chief executive's	37,177	(13,865)	23,312	43,853	(17,024)	26,829
Children's and adults	554,009	(328,961)	225,048	518,894	(325,056)	193,838
Environment and leisure	162,578	(73,243)	89,335	166,171	(65,223)	100,948
Finance and governance	178,551	(159,662)	18,889	181,225	(168,246)	12,979
Housing and modernisation	82,619	(39,702)	42,917	88,908	(33,925)	54,983
Housing Revenue Account (HRA)	306,500	(264,520)	41,980	280,288	(268,726)	11,562
Net cost of services	1,321,434	(879,953)	441,481	1,279,339	(878,200)	401,139
Other operating income and expend	liture (note 8)		(7,276)			46,586
Financing and investment income a	nd expenditure (n	ote 9)	12,457			46,248
Taxation and non-specific grant inco	ome and expendit	ure (note 10)	(386,657)			(440,716)
(Surplus) / deficit on provision of	services		60,005			53,257
(Surplus) on revaluation of non-curr	ent assets (note 3	037	(97.540)			(09.104)
(Surplus) of revaluation of flori-cur	eni asseis (note 2	23)	(87,540)			(98,194)
(Surplus) / deficit on financial assets	s measured at fair	value				
through other comprehensive incom		7 5.1.5.5	452			(460)
,	,					
Remeasurement of the net defined	benefit liability (no	ote 23)	(336,528)			46,724
Other Comprehensive Income an	d Expenditure (s	urnlus)				
/ deficit	a Exponditure (o	ai piao,	(423,616)			(51,930)
Total Comprehensive Income and	l Expenditure (su	irplus)				
/ deficit	- Exponentaro (30	p.uo,	(363,611)			1,327

MOVEMENT IN RESERVES STATEMENT 2021-22

This statement shows the movement in the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase/decrease before the transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves have been undertaken by the council.

		Gene	ral Fund balaı	тсе							
	General Fund balance	Earmarked General Fund reserves	Earmarked schools balances reserve	Earmarked Dedicated schools grant deficit reserve	Total General Fund balance	Housing Revenue Account (HRA) balance	Major repairs reserve	Capital receipts reserve	Total usable reserves	Total unusable reserves (note 23)	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	(21,002)	(204,613)	(13,813)	-	(239,428)	(28,346)	(3,500)	(71,771)	(343,045)	(3,678,262)	(4,021,307)
Movement in reserves during year											
Total comprehensive income and expenditure (surplus)/deficit	71,121	-	-	-	71,121	(11,116)	-	-	60,005	(423,616)	(363,611)
Adjustments between accounting basis and funding basis under statutory	(======)					42.22		(22.242)	(
provisions (note 11)	(76,769)	-	-	-	(76,769)	13,332	3,500	(28,648)	(88,585)	88,585	-
Net (increase)/decrease before transfers to earmarked reserves	(5,648)		-	-	(5,648)	2,216	3,500	(28,648)	(28,580)	(335,031)	(363,611)
T 6 (1) 15											
Transfers (to)/from earmarked reserves	4,205	(3,627)	(578)	-	-	-	-	-	-	-	-
A	(4.440)	(0.007)	(570)		(E.040)	0.040	0.500	(00.040)	(00 500)	(005.004)	(000.044)
(Increase)/decrease in year	(1,443)	(3,627)	(578)	-	(5,648)	2,216	3,500	(28,648)	(28,580)	(335,031)	(363,611)
Balance as at 31 March	(22,445)	(208,240)	(14,391)	-	(245,076)	(26,130)	-	(100,419)	(371,625)	(4,013,293)	(4,384,918)

MOVEMENT IN RESERVES STATEMENT 2020-21

		Gene	ral Fund bala	nce							
	General Fund balance	Earmarked General Fund reserves	Earmarked schools balances reserve	Earmarked Dedicated schools grant deficit reserve	Total General Fund balance	Housing Revenue Account (HRA) balance	Major repairs reserve	Capital receipts reserve	Total usable reserves	Total unusable reserves (note 23)	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April	(21,002)	(147,074)	(11,085)	18,525	(160,636)	(23,012)	(2,268)	(49,676)	(235,592)	(3,787,042)	(4,022,634)
Movement in reserves during year											
Total comprehensive income and expenditure (surplus)/deficit	106,707	-		-	106,707	(53,450)	-	-	53,257	(51,930)	1,327
Adjustments between accounting basis and funding basis under statutory provisions (note 11)	(185,499)	-	_	-	(185,499)	48,116	(1,232)	(22,095)	(160,710)	160,710	_
Net (increase)/decrease before transfers to earmarked reserves	(78,792)	-	-	-	(78,792)	(5,334)	(1,232)	(22,095)	(107,453)	108,780	1,327
Transfers (to)/from earmarked reserves	78,792	(57,539)	(2,728)	(18,525)	-	-	-	-	-	-	-
(Increase)/decrease in year	-	(57,539)	(2,728)	(18,525)	(78,792)	(5,334)	(1,232)	(22,095)	(107,453)	108,780	1,327
Balance as at 31 March	(21,002)	(204,613)	(13,813)	-	(239,428)	(28,346)	(3,500)	(71,771)	(343,045)	(3,678,262)	(4,021,307)

In the 2019-20 Movement in reserves statement (MiRS), schools balances and Dedicated schools grant reserve were combined. In 2020-21 the balances have been disaggregated to show that the deficit arising from schools expenditure exceeding DSG funding is now held separately from the general fund in an unusable reserve.

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date 31 March of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

The second category is unusable reserves which the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.'

	Notes	31 March 2022	31 March 2021
		£000	£000
Property, plant and equipment	13	5,500,643	5,328,601
Heritage assets	13	1,223	1,223
Investment property	14	338,164	328,544
Assets held for sale	15	330,104	3,920
Long-term investments	38	10.004	
Long-term debtors	17	19,994	29,597
-	17	24,896	24,017
Long-term assets		5,884,920	5,715,902
Short-term investments	38	87,141	76,160
Inventories		480	1,031
Short-term debtors	17	193,009	233,800
Assets held for sale	15	14,531	11,344
Cash and cash equivalents	16	54,420	38,992
Current assets		349,581	361,327
Short-term borrowing	38	(199,180)	(207,370)
Short-term creditors	18	(305,399)	(271,947)
Short-term provisions	19	(769)	(1,221)
Grants receipts in advance	21	(121,931)	(75,473)
Bank overdraft	16	(6,968)	(16,620)
Current liabilities		(634,247)	(572,631)
Long-term creditors	18	(7,648)	(8,248)
Long-term provisions	19	(23,275)	(23,585)
Long-term provisions Long-term borrowing	38	(702,471)	(683,989)
Pension liabilities	37	(407,852)	
Other long-term liabilities	35	(74,090)	(687,568) (79,901)
-	33		
Long-term liabilities		(1,215,336)	(1,483,291)
Net assets		4,384,918	4,021,307
Usable reserves	12	(371,625)	(343,045)
Unusable reserves	23	(4,013,293)	(3,678,262)
	20	(1,010,200)	(0,010,202)
Total reserves		(4,384,918)	(4,021,307)

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery.

	Notes	2021-22	2020-21
		£000	£000
Net surplus or (deficit) on the provision of services		(60,005)	(53,257)
Adjustment to surplus or (deficit) on the provision of services for non cash movements	24	335,243	331,499
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(115,243)	(140,527)
Net cash flows from operating activities		159,995	137,715
Net cash flows from investing activities	25	(138,426)	(201,256)
Net cash flows from financing activities	26	3,511	67,878
Net increase or (decrease) in cash and cash equivalents		25,080	4,337
Cash and cash equivalents at the beginning of the reporting period	16	22,372	18,035
Cash and cash equivalents at the end of the reporting period	16	47,452	22,372

DISCLOSURE NOTES TO THE ACCOUNTS 2021-22

Note 1. EXPENDITURE AND FUNDING ANALYSIS

The analysis shows how annual expenditure is used and funded from resources by the council in comparison to those resources consumed or earned by the council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's service departments, as stated in the narrative report. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

Expenditure and Funding Analysis	2021-22						
	As reported for	Adjustment to	Net expenditure	Adjustments	Net expenditure in		
	resource	arrive at the net	chargeable to the	between funding	the		
	management	amount		and accounting	Comprehensive		
	(Narrative	chargeable to the	HRA balances	basis	Income and		
	report)				Expenditure		
		HRA balances			Statement		
	£000	£000	£000	£000	£000		
Chief executive's	3,049	10,034	13,083	10,229	23,312		
Children's and adults (including dedicated schools grant)	175,496	(6,216)	169,280	55,768	225,048		
Environment and leisure	90,381	(10,911)	79,470	9,865	89,335		
Finance and governance	12,822	17.471	30.293	(11,404)	18,889		
Housing and modernisation	68,218	(28,581)	39,637	3,280	42,917		
Housing Revenue Account (HRA)	-	23,434	23,434	18,546	41,980		
Support cost reallocations	(42,341)	42,341	, -	-	-		
Net cost of services	307,625	47,572	355,197	86,284	441,481		
Other income and expenditure	(306,569)	(52,060)	(358,629)	(22,847)	(381,476)		
(Surplus)/deficit	1,056	(4,488)	(3,432)	63,437	60,005		
Opening General Fund and HRA balance at 1 April			(267,774)				
(Surplus) on General Fund and HRA balance in year			(3,432)				
Closing General Fund and HRA balance as at 31 March			(271,206)				

Note 1. EXPENDITURE AND FUNDING ANALYSIS continued

Expenditure and Funding Analysis			2020-21		
	As reported for	Adjustment to	Net expenditure	Adjustments	Net expenditure in
	resource	arrive at the net	chargeable to the	between funding	the
	management	amount	General Fund and	and accounting	Comprehensive
	(Narrative	J	HRA balances	basis (note 7)	
	report)	General Fund and			Expenditure
	2000	HRA balances			Statement
	£000	£000	£000	£000	£000
Chief executive's	5,888	4,403	10,291	16,538	26,829
Children's and adults	185,073	(50,873)	134,200	59,638	193,838
Environment and leisure	102,820	(26,253)	76,567	24,381	100,948
Finance and governance	14,584	13,133	27,717	(14,738)	12,979
Housing and modernisation	73,659	(31,913)	41,746	13,237	54,983
Housing Revenue Account (HRA)	-	(21,896)	(21,896)	33,458	11,562
Support cost reallocations	(42,194)	42,194	-	-	-
Net cost of services	339,830	(71,205)	268,625	132,514	401,139
Other income and expenditure	(337,760)	(14,991)	(352,751)	4,869	(347,882)
	(667,766)	(11,001)	(002,701)	1,000	(011,002)
(Surplus)/deficit	2,070	(86,196)	(84,126)	137,383	53,257
Opening General Fund and HRA balance at 1 April			(183,648)		
- F			(100,040)		
(Surplus) on General Fund and HRA balance in year			(84,126)		
Clasing Consul Find and IIDA belones as at 24 March			(007.77.4)		
Closing General Fund and HRA balance as at 31 March			(267,774)		

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The Statement of Accounts summarises the council's transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices, under section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the following material categories of non-current assets and financial instruments:

Class of assets	Valuation basis
Property, plant and equipment - dwellings	Current value, comprising existing use value for social housing; dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secured tenancies.
Property, plant and equipment - land and buildings	Current value, comprising existing use value; where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost
Property, plant and equipment - surplus assets	Fair value
Investment properties	Fair value
Financial instruments - fair value through profit and loss	Fair value
Pensions assets	Fair value

2.2 Adjustments between accounting basis and funding basis

The resources available to the council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations).

Where the statutory provisions are different from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the funding available at the year end. Unusable reserves are created to manage the timing differences between the accounting and funding bases.

The material adjustments are:

Category	Accounting basis in CIES	Funding basis in MiRS	Adjustment account
Property, plant and equipment	Depreciation and revaluation/ impairment losses		
Intangible assets	Amortisation and impairment	Revenue provision to	
Investment properties	Movement in fair value	cover historical cost determined in accordance with 2003 regulations	Capital adjustment account
Revenue expenditure funded from capital under statute	nditure funded from Expenditure incurred in		

Category	Accounting basis in CIES	Funding basis in MiRS	Adjustment account
Capital grants and contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital grants unapplied reserve (unapplied at 31 March) Capital adjustment
Non-current asset disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	account (other amounts) Capital adjustment account (carrying amount) Capital receipts reserve (sale proceed and cost of disposal) Deferred capital receipts reserve (sale proceeds not yet received)
Financial instruments	Premiums payable and discounts receivable on early repayment of borrowing in 2021-22 Losses on soft loans and interest receivable on an amortised cost basis Movements in the fair value of money market fund investments	Deferred debits/credits of premiums/discounts from earlier years Interest due to be received on soft loans in year Historical cost gains/losses for money market fund investments disposed of in year	Financial instruments adjustment account
Pension costs	Movements in pensions assets and liabilities	Employers pension contributions payable and direct payments made by the council to pensioners	Pensions reserve
Council tax	Accrued income from 2021-22 bills	Demand on the Collection Fund for 2021-22 plus share of estimated surplus/deficit for 2020-21	Collection Fund adjustment account
Business rates	Accrued income from 2021-22 bills	Budgeted income receivable from the Collection Fund for 2021- 22 plus share of estimated surplus/deficit 2020-21	Collection Fund adjustment account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2022	No charge	Accumulated absence adjustment account
Dedicated schools grant (DSG)	Expenditure incurred in 2021-22 to be met from dedicated schools grant	Expenditure incurred up to the amount of the grant receivable for 2021-22	Dedicated schools grant adjustment account

2.3 Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- 2.3.1 Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- 2.3.2 Revenue from contracts with service recipients is recognised when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.
- 2.3.3 Other revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- 2.3.4 Revenue from housing rents is recognised in the year the billing amount falls due.
- 2.3.5 Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as it is a non-contractual, non-exchange transaction with no difference between the delivery and payment dates. It is recognised in the financial statements when it is probable that the economic benefits associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- 2.3.6 Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet.
- 2.3.7 Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 2.3.8 Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 2.3.9 Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.4 Business improvement districts

A business improvement district (BID) scheme may apply across the whole of the council, or to specific areas of the council. Schemes are funded by a BID levy paid by non-domestic ratepayers. The council acts as principal under these schemes, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement. Southwark has five BIDs in operation; Better Bankside, Blue Bermondsey, Southbank, Team London Bridge and We Are Waterloo.

2.5 Employee benefits

Termination benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the finance and governance line in the Comprehensive Income and Expenditure Statement at the earliest of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructure.

Post employment benefits

Employees of the council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' pensions on behalf of the Department for Education
- The Local Government Pensions Scheme, administered by Southwark council and the London Pension Fund Authority
- The NHS Pension Scheme, administered by NHS pensions

All the schemes provide defined benefits to members, i.e. retirement lump sums and pensions, earned as employees worked for the council.

However, the arrangements for the teachers' scheme and the NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the council. These schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement the Children's and adults' and Environment and leisure service lines are respectively charged with employer's contributions payable to Teachers' Pensions and NHS Pensions in the year.

Employment benefits - the Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The council contributes to two pension funds – its own, the London Borough of Southwark Pension Fund, and that of the London Pension Fund Authority Pension Fund.

The council's shares of its liabilities in both funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, the disclosures in note 37 to the Statement of Accounts set out the discount rates and assumptions applied by each fund.

The assets of funds attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities current bid price
- unquoted securities professional estimate
- unitised securities current bid price
- property market value

The change in the net pensions liability is analysed into the following components:

- · Service cost comprising
 - current service cost allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of finance and governance
 - net interest on the net defined benefit liability (asset) charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement
- · Remeasurements comprising
 - the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset); charged to the pensions reserve, as other comprehensive income and expenditure
 - actuarial gains and losses changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the pensions reserve as other comprehensive income and expenditure
- Contributions paid to the pension fund cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Discretionary benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

2.6 Financial instruments

Financial instruments are recognised on the Balance Sheet when the council becomes a party to the contractual provisions and are initially measured at fair value.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost. For most of the council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost assets whose contractual terms are basic lending arrangements where cash flows are solely payments of principal and interest and the council's business model is to collect these cash flows
- fair value through other comprehensive income (FVOCI) where cash flows are solely payments of principal and interest and the council's business model is to both collect these cash flows and sell the instruments
- fair value through profit or loss (FVPL) all other financial assets

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances are debited/credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

Changes in the value of assets carried at fair value (described as fair value through profit and loss) are debited/credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement as they arise.

2.7 Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- · the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the council are carried on the Balance Sheet as grants received in advance and only credited to the Comprehensive Income and Expenditure Statement when conditions attached to the grant or contribution have been satisfied.

The grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non specific grant income and expenditure (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

2.8 Investment property

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the highest or best price that can be obtained in the most advantageous market, in an arms-length transaction between knowledgeable participants at the measurement date. Investment properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

2.9 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The council as lessee - finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement)

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council as lessee - operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The council as lessor - operating leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the financing and investment income line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

2.10 Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users.

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- The chief executive's, finance and governance, housing and modernisation and HRA services contain costs relating to the council's status as a multi-functional, democratic organisation
- The finance and governance directorate contains the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale

2.11 Private finance initiative (PFI) and similar contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the council at the end of the contracts for no additional charge, the council carries the assets used under the contracts on its Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

2.12 Property, plant and equipment (PPE)

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. If the amount of expenditure on an individual asset within other land and buildings is above £0.4m, details of the works are provided to the valuer with a request to revalue the asset.

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Certain categories of property, plant and equipment are measured subsequently at current value – see 2.1 for details. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Assets are assessed at each year-end as to whether there is any indication that items have been impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

Useful lives are assessed on the following bases:

- Council dwellings weighted average life based on major components typically 50-60 years
- Other operational buildings as valuation 10-60 years
- Surplus assets as valuation 9-40 years
- Vehicles, furniture and IT hardware 5-8 years
- Plant, fittings and play equipment 7-15 years
- Infrastructure assets 5-50 years
- Intangible assets 3-5 years

Where an item of property has major components whose cost or value is 20% or more of the total cost or value of the non-land element of the property and whose useful economic life differs by 10 years or more from the life of the main asset, the components are depreciated separately. In principle the policy for componentisation applies to all items of Property, Plant and Equipment (PPE), however typically PPE items other than property assets are not of a nature that would require the policy to be applied, such that only property assets are considered for componentisation.

Depreciation is not provided for on newly acquired assets or construction or enhancement expenditure in the year of acquisition, construction or enhancement. A full year's depreciation is provided for in the year in which an asset is derecognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

Sites under development

Where the council is holding land for the purpose of constructing dwellings the land is held in surplus assets until the construction work commences. Once construction work commences and is anticipated to last longer than 12 months, the asset is transferred to assets under construction. Once substantially complete the valuer is asked to value the site as a completed development, including land value and the construction costs incurred to date, and the asset is transferred to operational assets.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to right to buy disposals (net of statutory deductions and allowances) is payable to the government based on an agreed schedule. The balance of receipts is required to be credited to the capital receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the general fund balance in the Movement in Reserves Statement.

2.13 Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent assets

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts.

2.14 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and do not represent usable resources for the council – these reserves are explained in the relevant policies above.

2.15 Schools

The Code specifies that all schools maintained by the council are deemed to be under the council's control. The transactions and balances attributable to the governing bodies of the maintained schools have been consolidated into the council's financial statements, applying accounting policies for recognition and measurement consistent with those applied by the council to its own income, expenditure, cash flows, assets and liabilities. Transactions and balances between the council and schools have been eliminated.

2.16 Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

2.17 Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

2.18 Accounting for schools non-current assets

The council has undertaken a school by school assessment across the different types of school it controls. Judgements have been made to determine the arrangements in place and the accounting treatment of the non-current assets. The council has concluded that the assets of most foundation and voluntary aided schools in the borough should not be brought onto the balance sheet as these assets are not controlled by the council but rather by whichever trust or religious body is associated with each individual school.

	Number of schools	Value of land and buildings recognised £000
Community schools, nursery schools and special schools	46	386,492
Voluntary aided faith schools and foundation schools	27	-

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases	These provisions would not be mandatory until 2024-25. The council is not planning to implement IFRS 16 until this becomes mandatory.
	The main impact of IFRS 16 will relate to property that the council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable.
	Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.
	When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.

There are no changes in accounting requirements for 2022-23 that are anticipated to have a material impact on the council's financial performance or financial position.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 2, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are as follows:

4.1 Accounting for Canada Water development

In May 2018 the council entered the Master Development Agreement (MDA) at Canada Water with British Land (BL). The primary purpose in entering into the MDA was to bring about the comprehensive regeneration of the area for the benefit of the local community. The MDA will underpin the delivery of around 3,000 new homes, up to 20,000 new jobs, significant improvements to the public realm and a new council leisure centre. A secondary consideration was to generate income to support service delivery. To that end, the agreement gives the council an option to invest on commercial terms in the project.

Planning consent for the Canada Water Masterplan was granted in May 2020 and, with all pre-conditions being met, a 500 year headlease was granted to British Land by the council on 16 December 2020. The headlease is the ownership basis that allows British Land to deliver the regeneration project.

The MDA is structured as a land transaction that credits the council with a 20% ownership stake in project land, as well as the right to invest up to 20% of the cost of developing each plot; in return for a commensurate share of the development value created. As each plot comes forward for development, the council will have the option to either invest in that plot to maintain the council's ownership, sell out its interest or retain the land interest and not invest into that plot.

The substance of the overall agreement is that the council will retain the freehold of its land holding so that it can have some control over the development and future operation of the site through the headlease, but without having sufficient control over the use of the property that it would remain as an asset for the council. The council's remuneration for the leasehold will be resolved as a result of future developments. British Land substantially has the right to use the project land over the 500 year term of the lease as well as the risks and rewards of ownership from future development thereby substantially controls the use of the asset. Key factors such as the long length of the lease term, its indeterminable residual value and the fact that BL has independentally commenced the development of new plots have led the council to make the critical judgement is that this arrangement is deemed to be a finance lease.

Also 100% of the rents are assessed as being contingent which meant recognition of a long-term debtor was not possible. It was assessed that there are no minimum lease payments in the Headlease. On the critical judgement related to the existence of any contingent assets, the council has assessed that they do not meet the level of probability required to disclose as a contingent asset, nor can they be reliably measured and therefore formed a prudent view that the value is zero for contingent assets (rentals), until such time that secure information is available to provide an opinion to the contrary.

However, as future rental streams are dependent on future investment decisions, it is not possible to reliably estimate these at this stage. Accordingly the amounts received under the lease will be contingent rents, to be credited to the Comprehensive Income and Expenditure Statement as received.

The council has previously decided to invest in a new leisure centre which will be housed on the development. The council will make a payment towards the cost of construction which is capped at £35m. Affordable housing units are also to be provided under the agreement and the council has an option to buy these units. In January 2021 the council decided to buy the 79 affordable homes to be built in the first phase of the development. These will be operated and managed as council homes. Both of these investments are budgeted for and included in existing council programmes. There are no critical judgements necessary for the Canada Water leisure centre at this point, as is not material at this stage of the project. Capital expenditure will be reflected on balance sheet as an asset under construction until completion of the build which will be in a future financial year. Contractual capital commitments are stated within the PPE note 13.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, since balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5.1 Valuation of property, plant and equipment (PPE)

In compliance with the Code assets held at current value are revalued on a rolling basis such that assets are revalued every five years as a minimum. Assets are revalued more frequently where there is indication that a material change has taken place (see accounting policies for how this assessment is made).

The estimated remaining useful life of all operational assets is reviewed annually based on advice from valuers.

A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

5.2 Valuation of HRA Dwellings (part of PPE)

The HRA residential portfolio is valued based on a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and national indices.

5.3 Movement in property valuations analysis

A sensitivity analysis detailing movement in valuations is as follows:

	Assets	Increase in	n valuation	Decrease in valuation		
Asset category	valued at 31 March 2022 £000	1% £000	5% £000	1% £000	5% £000	
Council dwellings	3,521,202	35,212	176,060	(35,212)	(176,060)	
Other land and buildings	850,787	8,508	42,539	(8,508)	(42,539)	
Surplus assets	87,705	877	4,385	(877)	(4,385)	
Investment property	338,164	3,382	16,908	(3,382)	(16,908)	
Assets held for sale	14,531	145	727	(145)	(727)	
Total	4,812,389	48,124	240,619	(48,124)	(240,619)	

5.4 Defined benefit pension liability

The council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2022 the outstanding net pensions liability was assessed at £407.9m (£687.6m at 31 March 2021). For two of the pension funds the council contributes to, its own and that of the London Pension Fund Authority, the council's outstanding liability is assessed by consulting actuaries to each fund.

Estimation by the actuaries of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The effects on the net pension's liability of changes in individual assumptions can be measured. The estimates, assumptions and sensitivity of changes in assumptions are provided in note 37.

5.5 Impairment allowance for doubtful debt

As at 31 March 2022, the council had an outstanding balance of short-term debtors totalling £278.7m. Against this debtors' balance, there is an impairment allowance of £85.7m. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Strategic Director of Finance and Governance on 24 August 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the balance sheet date.

7. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS: ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

			2021-22				2020-21
• Adjustments	Net change for	Other	Total	Adjustments	Net change for	Other	Total
for capital	the pensions	differences	adjustments	for capital	the pensions	differences	adjustments
purposes	adjustments			purposes	adjustments		
£000	£000	£000	£000	£000	£000	£000	£000
6,961	3,319	(51)	10,229	10,684	2,106	3,748	16,538
35,379	20,502	(113)	55,768	25,814	12,805	21,019	59,638
(2,060)	12,050	(125)	9,865	16,785	7,059	537	24,381
(7,111)	(4,015)	(278)	(11,404)	(6,339)	(8,433)	34	(14,738)
986	2,299	(5)	3,280	11,390	1,703	144	13,237
9,423	8,675	448	18,546	26,251	5,423	1,784	33,458
43,578	42,830	(124)	86,284	84,585	20,663	27,266	132,514
(17 502)	13 982	(19.327)	(22 847)	(41 248)	13 541	32 576	4,869
(17,002)	10,002	(10,021)	(22,041)	(41,240)	.0,0 11	32,010	4,000
26.076	EC 042	(40, 454)	62.427	42 227	24 204	E0 942	137,383
	for capital purposes £000 6,961 35,379 (2,060) (7,111) 986 9,423	for capital purposes adjustments £000 6,961 3,319 35,379 20,502 (2,060) 12,050 (7,111) 986 2,299 9,423 8,675 43,578 42,830	for capital purposes adjustments £000 £000 6,961 3,319 (2,060) 12,050 (7,111) (4,015) 986 2,299 9,423 8,675 448 43,578 42,830 (19,327) differences differences differences differences differences differences differences adjustments £000 £000 £000 £100 (113) (278) (278) 986 2,299 (5) 9,423 8,675 448 43,578 42,830 (124)	for capital purposes adjustments £000 £000 £000 £000 6,961 3,319 (51) 10,229 35,379 20,502 (113) 55,768 (2,060) 12,050 (125) 9,865 (7,111) (4,015) (278) (11,404) 986 2,299 (5) 3,280 9,423 8,675 448 18,546 43,578 42,830 (124) 86,284 (17,502) 13,982 (19,327) (22,847)	for capital purposes the pensions adjustments differences adjustments for capital purposes £000 £000 £000 £000 £000 6,961 3,319 (51) 10,229 10,684 35,379 20,502 (113) 55,768 25,814 (2,060) 12,050 (125) 9,865 16,785 (7,111) (4,015) (278) (11,404) (6,339) 986 2,299 (5) 3,280 11,390 9,423 8,675 448 18,546 26,251 43,578 42,830 (124) 86,284 84,585 (17,502) 13,982 (19,327) (22,847) (41,248)	for capital purposes the pensions adjustments differences adjustments for capital purposes the pensions adjustments £000 £000 £000 £000 £000 £000 £000 6,961 3,319 (51) 10,229 10,684 2,106 35,379 20,502 (113) 55,768 25,814 12,805 (2,060) 12,050 (125) 9,865 16,785 7,059 (7,111) (4,015) (278) (11,404) (6,339) (8,433) 986 2,299 (5) 3,280 11,390 1,703 9,423 8,675 448 18,546 26,251 5,423 43,578 42,830 (124) 86,284 84,585 20,663 (17,502) 13,982 (19,327) (22,847) (41,248) 13,541	for capital purposes the pensions adjustments differences adjustments for capital purposes the pensions adjustments differences £000 £000 £000 £000 £000 £000 £000 6,961 3,319 (51) 10,229 10,684 2,106 3,748 35,379 20,502 (113) 55,768 25,814 12,805 21,019 (2,060) 12,050 (125) 9,865 16,785 7,059 537 (7,111) (4,015) (278) (11,404) (6,339) (8,433) 34 986 2,299 (5) 3,280 11,390 1,703 144 9,423 8,675 448 18,546 26,251 5,423 1,784 43,578 42,830 (124) 86,284 84,585 20,663 27,266 (17,502) 13,982 (19,327) (22,847) (41,248) 13,541 32,576

Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line. For other operating expenditure it adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets. For financing and investment income and expenditure it adjusts for the statutory charges for capital financing and investment i.e. minimum revenue provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

For taxation and non-specific grant income and expenditure, capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions adjustments

This column adjusts for the net change for the renewal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income. For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs. For financing and investment income and expenditure, this adjusts for the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For net cost of services other differences, this represents removal of the annual leave accrual adjustment, dedicated schools grant deficit adjustment, finance costs, premiums and financial instruments adjustments. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the CIPFA Code of Accounting Practice for Local Authorities 2021-22. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

An analysis of the nature of expenditure and income:

	2021-22	2020-21
	£000	£000
Expenditure		
Employee expenses	424,430	402,463
Other services expenses	748,400	833,201
Depreciation, amortisation and impairment	116,256	94,112
Interest payments	37,207	29,825
Precepts and levies	2,029	2,012
Net losses on the disposal of assets	33,058	79,581
Subtotal	1,361,380	1,441,194
Income		
Fees, charges and other service income	(348,972)	(376,393)
Interest and investment income	(24,830)	(22,277)
Income from council tax and business rates (NDR)	(196,499)	(178,055)
Government grants and contributions	(684,445)	(771,938)
Net (gains) on the disposal of assets	(46,629)	(39,274)
Subtotal	(1,301,375)	(1,387,937)
(Surplus) / deficit on the provision of services	60,005	53,257

8. OTHER OPERATING INCOME AND EXPENDITURE

	2021-22	2020-21
	£000	£000
Levies	2,029	2,012
Payment to the government's housing capital receipts pool	4,266	4,267
(Gain) / loss on the disposal of non-current assets	(13,571)	40,307
Total	(7,276)	46,586

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021-22	2020-21
	£000	£000
Interest payable and similar charges	37,208	37,593
Grant contributions towards interest costs on PFI schemes	(9,935)	(7,363)
Net interest on the net defined benefit liability	13,982	13,541
Interest receivable and similar income	(3,918)	(3,399)
Income, expenditure and changes in the fair value of investment properties	(24,880)	5,876
Total	12,457	46,248

10. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

	2021-22	2020-21
	£000	£000
Council tax income	(122,332)	(115,213)
Non-domestic rates income and expenditure	(74,167)	(59,415)
Un-ringfenced government grants	(122,127)	(165,290)
Capital grants and contributions	(68,031)	(100,798)
Total	(386,657)	(440,716)

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments made to the total comprehensive income and expenditure recognised by the council in the year and to the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure. This is in accordance with proper accounting practice. The following sets out a description of the reserves that the adjustments are made against.

General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services.

Housing Revenue Account balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function. The balance is not available to be applied to fund General Fund services.

Major repairs reserve

The major repairs reserve controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure for the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital receipts reserve

The capital receipts reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital grants unapplied

The capital grants unapplied account holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the income but which has yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

2021-22	General Fund balance	Housing Revenue Account	Major repairs reserve	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
		Hou Rev Acc		Capital receipt reserve	Capital grants unappl	Mov unu resc
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adju	ıstment acc	ount:				
Reversal of items debited or credited to the Cor	nprehensive	e Income ar	nd Expend	iture Staten	nent:	
Charges for depreciation and impairment of non- current assets	(39,346)	(54,951)	-	-	-	94,297
Revaluation losses on property, plant and equipment	(29,807)	(58,655)	-	-	-	88,462
Movements in the fair value of investment properties	5,360	4,047	-	-	-	(9,407)
Capital grants and contributions applied	25,001	43,030	-	-	-	(68,031)
Revenue expenditure funded from capital under statute	(12,057)	-	-	-	-	12,057
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(12,819)	(20,239)	-	-	-	33,058
In a set in set it a set of a labelt and a second it and the the	0				-4	
Insertion of items not debited or credited to the Provision to reduce the capital financing		isive incom	ie and Exp	enaiture St	atement:	
requirement (minimum revenue provision MRP)	9,106	-	-	-	-	(9,106)
Lease and PFI repayment	6,310	273	-	-	-	(6,583)
Repayment of premiums Capital expenditure charged against the General	242	824	-	-	-	(1,066)
Fund and HRA balances	1,713	14,602	-	-	-	(16,315)
Adjustments primarily involving the capital rece	eipts reserve	e:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,118	44,094	-	(47,212)	-	-
Use of the capital receipts reserve to finance new capital expenditure	-	-	-	13,709	-	(13,709)
Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals	-	(589)	-	589	-	-
Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool	(4,266)	-	-	4,266	-	-
Adjustments primarily involving the major repai	irs reserve:					
MRR credited with an amount equal to the		51,546	(51,546)		_	_
depreciation charged to the HRA To transfer from the HRA to the MRR for excess	-	-	-			
depreciation Use of the major repairs reserve to finance new capital expenditure	-	-	55,046	-	-	(55,046)
oupital experiulture						

2021-22	General B Fund b balance	Housing Revenue O Account	ന്ന Major repairs coreserve	Capital Preceipts Preserve	Capital B grants ounapplied	Movement in unusable reserves
	£000	2000	£000	2000	£000	£000
Adjustments primarily involving the financial ins	struments a	djustment	account:			
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,109	467	-	-	-	(1,576)
Adjustments primarily involving the pensions re	sorvo (noto	. 27\.				
	serve (HOLE	, Ji j.				
Employer's pensions contributions and direct payments to pensioners payable in the year	36,787	6,447	-	-	-	(43,234)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(82,492)	(17,554)	-	-	-	100,046
Adjustments primarily involving the Collection F	Fund adjuct	ment accou	ınt:			
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,027	-	- -	-	-	(3,027)
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	11,914	-	-	-	-	(11,914)
		4				
Adjustment primarily involving the accumulated Amount by which officer remuneration charged to the Comprehensive Income and Expenditure	absences	account:				
Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,387	(10)	-	-	-	(1,377)
Adjustments primarily involving the Dedicated s	schools gra	nt adjustme	ent accour	nt:		
Movement of negative Dedicated schools grant	January March	,	usocai			
reserve to the DSG adjustment account	(1,056)	-	-	-	-	1,056
Total adjustments	(76,769)	13,332	3,500	(28,648)	-	88,585

Revaluation losses on property, plant and equipment Movements in the fair value of investment properties Capital grants and contributions applied 25,772 75,026 (100,798) Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing requirement Lease and PFI repayment 5,173 252 (5,425) Repayment of premiums 241 824 (1,065) Capital expenditure charged against the General Fund and HRA balances 825 20,640 (21,465) Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive 2,022 37,707 - (39,729) - Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Isse of the capital receipts reserve to finance new	2020-21	ო General Fund 00 balance	Housing B Revenue O Account	# Major repairs ceserve	Capital m receipts o reserve	Capital ଫ grants o unapplied	Movement in musable reserves
Charges for depreciation and impairment of non- current assets Revaluation losses on property, plant and equipment Movements in the fair value of investment properties Capital grants and contributions applied 25,772 75,026 - (100,798) Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing requirement Lease and PFI repayment 5,173 252 - (4,253) Repayment of premiums 241 824 - (1,065) Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing	Adjustments primarily involving the capital adju	stment acc	ount:				
current assets Revaluation losses on property, plant and equipment (21,067) (38,833) - 59,900 Movements in the fair value of investment properties Capital grants and contributions applied 25,772 75,026 - (100,798) Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing 4,563 - (4,563) Lease and PFI repayment 5,173 252 - (5,425) Repayment of premiums 241 824 - (1,065) Capital expenditure charged against the General 825 20,640 - (21,465) Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive 2,022 37,707 - (39,729) - (39,729) - (12,912) Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve to finance the payments to the government capital (4,267) - 4,267 - 4,267 - Free Contribution from the capital financing Provision to reduce the capital financing		mprehensive	e Income an	d Expend	iture Staten	nent:	
equipment Movements in the fair value of investment properties Capital grants and contributions applied 25,772 75,026 (100,798) Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing requirement Lease and PFI repayment 5,173 252 - (5,425) Repayment of premiums 241 824 - (1,065) Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing		(36,676)	(57,436)	-	-	-	94,112
properties Capital grants and contributions applied 25,772 75,026 (100,798) Revenue expenditure funded from capital under statute Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing requirement Lease and PFI repayment 5,173 252 (4,563) Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive 2,022 37,707 - (39,729) Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset (12) (443) - 455		(21,067)	(38,833)	-	-	-	59,900
Revenue expenditure funded from capital under statute (11,153) (4,832) (15,985) Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement (66,019) (13,562) 79,581 Expenditure Statement (66,019) (13,562) 79,581 Expenditure Statement (66,019) (13,562) 79,581 Expenditure Statement (79,581) Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing requirement (7,563) (4,563) Lease and PFI repayment (7,517) 252 (5,425) Expenditure charged against the General Fund and HRA balances (1,065) Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing		(3,315)	(15,928)	-	-	-	19,243
statute Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing equirement Lease and PFI repayment L	Capital grants and contributions applied	25,772	75,026	-	-	-	(100,798)
disposal to the Comprehensive Income and Expenditure Statement Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: Provision to reduce the capital financing requirement Lease and PFI repayment 5,173 252 (5,425) Repayment of premiums 241 824 (10,665) Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts reserve: Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts ool Provision to reduce the capital financing		(11,153)	(4,832)	-	-	-	15,985
Provision to reduce the capital financing requirement Lease and PFI repayment Lease and PFI repayment S,173 S252 (5,425) Repayment of premiums Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing	disposal to the Comprehensive Income and	(66,019)	(13,562)	-	-	-	79,581
requirement Lease and PFI repayment Lease and PFI repayment Solution Solution Solution Lease and PFI repayment Solution Solution	Insertion of items not debited or credited to the	Compreher	nsive Incom	e and Exp	enditure St	atement:	
Repayment of premiums Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing	•	4,563	-	-	-	-	(4,563)
Capital expenditure charged against the General Fund and HRA balances Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive 2,022 37,707 - (39,729) - Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset (12) (443) - 455 - disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing	1 1			-	-	-	(5,425)
Adjustments primarily involving the capital receipts reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive lncome and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital (4,267) - 4,267 - 4		241	824	-	-	-	(1,065)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing		825	20,640	-	-	-	(21,465)
the gain/loss on disposal to the Comprehensive Income and Expenditure Statement Transfer from deferred debtors to usable capital receipts Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing	Adjustments primarily involving the capital rece	eipts reserve) :				
Use of the capital receipts reserve to finance new capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset disposals Contribution from the capital receipts reserve to finance the payments to the government capital receipts pool Provision to reduce the capital financing 12,912 - (12,912) - (12,912) - (443) - 455 4,267 - 4,267 4,267	the gain/loss on disposal to the Comprehensive	2,022	37,707	-	(39,729)	-	-
capital expenditure Contribution from the capital receipts reserve towards administrative costs of non-current asset (12) (443) - 455 - disposals Contribution from the capital receipts reserve to finance the payments to the government capital (4,267) - 4,267 - receipts pool Provision to reduce the capital financing		-	-	-	-	-	-
Contribution from the capital receipts reserve towards administrative costs of non-current asset (12) (443) - 455 - disposals Contribution from the capital receipts reserve to finance the payments to the government capital (4,267) - 4,267 - receipts pool Provision to reduce the capital financing		-	-	-	12,912	-	(12,912)
finance the payments to the government capital (4,267) 4,267 - receipts pool Provision to reduce the capital financing	Contribution from the capital receipts reserve towards administrative costs of non-current asset	(12)	(443)		455	-	-
	finance the payments to the government capital	(4,267)	-	-	4,267	-	-
	•	-	-	-	-	-	-

Adjustments primarily involving the major repairs reserve: MRR credited with an amount equal to the depreciation charged to the HRA To transfer from the HRA to the MRR for excess depreciation. Use of the major repairs reserve to finance new capital expenditure Satzener of the major repairs reserve to finance new capital expenditure Adjustments primarily involving the financial instruments adjustment account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs (3,708) (603) - 4,311 Statement are different from finance costs (3,708) (603) - 4,311 Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits expenditure Statement accounts and Expenditure Statement are debited or credited to the Comprehensive Income and Expenditure Statement is Employer's pensions contributions and direct payments to pensioners payable in the year and expenditure Statement is different from council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) - 25,431 Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) - 25,431 Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from council tax income Calculated for the year in accordance with statutory requirements Adjustment primarily involving the Dedicated schools grant adjustment account: Movement of negative	2020-21	General B Fund O balance	Housing B Revenue Account	Major B repairs c reserve	Capital B receipts C reserve	Capital By grants Ounapplied Movement in Capital	o reserves
MRR credited with an amount equal to the depreciation charged to the HRA to the MRR for excess depreciation charged to the HRA to the MRR for excess depreciation (Large of the major repairs reserve to finance new capital expenditure) Adjustments primarily involving the financial instruments adjustment account: Amount by which finance costs charged to the Comprehensive income and Expenditure Statement are different from finance costs (3,708) (603) - 4,311 statutory requirements Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits debited or credited to the Comprehensive income and Expenditure Statement are different from finance costs (60,961) (14,291) - 75,252 Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which folicer remuneration charged to the Comprehensive income and Expenditure Statement on an accordance with statutory requirements Adjustment primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account Movement of negative Dedicated schools grant reserve to the DSG adjustment account		2000	2000	2000	2000	2000 20	
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depreciation Use of the major repairs reserve to finance new capital expenditure Adjustments primarily involving the financial instruments adjustment account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs (3,708) (603) 4,311 Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement are supported by the pensions contributions and direct payments to pensioners payable in the year (60,961) (14,291) 75,252 Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from council it ax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from council it ax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account	depreciation charged to the HRA	-	50,458	(50,458)	-	-	-
Adjustments primarily involving the financial instruments adjustment account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs (3,708) (603) 4,311 chargeable in the year in accordance with statutory requirements Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year (60,961) (14,291) 75,252 Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) 25,431 Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) 25,431 Adjustment primarily involving the accumulated absences account: Andurt by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) 25,431 Adjustment primarily involving the accumulated absences account: Adjustment primarily involving the accumulated absences account: Adjustment primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account Movement of DSG adjustment account	depreciation	-	3,500	(3,500)	-	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Adjustment primarily involving the Dedicated schools grant adjustment account: Adjustments primarily involving the Dedicated schools grant adjustment account: Adjustment primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account		-	-	52,726	-	- (52,72	26)
Comprehensive Income and Expenditure Statement are different from finance costs (3,708) (603) 4,311 statutory requirements Adjustments primarily involving the pensions reserve (note 37): Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year (60,961) (14,291) 75,252 Adjustments primarily involving the Collection Fund adjustment account: Adjustments primarily involving the Collection Fund adjustment account: Adjustment is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from conforting the interprint from conforting the primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from conforting the primarily involving the accumulated absences account: Adjustment primarily involving the Dedicated schools grant adjustment account: Adjustments primarily involving the Dedicated schools grant adjustment account: Adjustment of negative Dedicated schools grant reserve to the DSG adjustment account	Adjustments primarily involving the financial in	struments a	djustment a	account:			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which form council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is non an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with	(3,708)	(603)	-		- 4,3	311
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement Employer's pensions contributions and direct payments to pensioners payable in the year Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which form council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is non an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	Adjustments primarily involving the pensions re	eserve (note	37):				
payments to pensioners payable in the year Adjustments primarily involving the Collection Fund adjustment account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) 25,431 calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income			-	-	- (41,04	48)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) 25,431 Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	· ·	(60,961)	(14,291)	-	-	- 75,2	252
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income (25,431) 25,431 Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	Adjustments primarily involving the Collection	Fund adjust	ment accou	ınt:			
to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements Adjustment primarily involving the accumulated absences account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (25,431) 25,431 25,431 22,431	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with		-	-	-	- 4,0	160
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with	(25,431)	-	-	-	- 25,4	31
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from (1,616) (626) 2,242 remuneration chargeable in the year in accordance with statutory requirements Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	Adjustment primarily involving the accumulated	l absences a	account:				
Adjustments primarily involving the Dedicated schools grant adjustment account: Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in			-	-	- 2,2	<u>'</u> 42
Movement of negative Dedicated schools grant reserve to the DSG adjustment account (20,595) 20,595	accordance with statutory requirements						
reserve to the DSG adjustment account (20,595) 20,595	Adjustments primarily involving the Dedicated	schools grai	nt adjustme	ent accoun	t:		
Total adjustments (185,499) 48,116 (1,232) (22,095) - 160,710	_	(20,595)	-	-	-	- 20,59) 5
	Total adjustments	(185,499)	48,116	(1,232)	(22,095)	- 160,7	'10

12. USABLE RESERVES

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to usable reserves in 2021-22, they include:

- General Fund reserve to cushion the impact of unexpected events or emergencies
- Earmarked reserves to provide financing to meet known or predicted future general fund expenditure plans
- Schools reserves amounts set aside for future expenditure in schools
- HRA reserves amounts specifically required by statute to be set aside and ring-fenced for future investment in HRA
- Capital reserves includes capital receipts and capital grants set aside to finance future capital spending plans

	1 April 2021 £000	Transfer out 2021 £000	Transfer in 2021 £000	31 March 2022 £000	1 April 2020 £000	Transfer out 2020 £000	Transfer in 2020 £000	31 March 2021 £000
General Fund reserve	(21,002)	4,000	(5,443)	(22,445)	(21,002)	-	-	(21,002)
Earmarked reserves								
Corporate projects and priorities reserves	(22,803)	(4,803)	8,730	(18,876)	(19,541)	12,975	(16,237)	(22,803)
Service reviews and improvement reserves	(30,144)	(15,169)	10,759	(34,554)	(19,350)	4,078	(14,872)	(30,144)
Capital programme and other capital investment reserves	(24,497)	(13,715)	1,489	(36,723)	(23,247)	-	(1,250)	(24,497)
Strategic financial risk reserves	(54,324)	(37,702)	26,429	(65,597)	(50,506)	107	(3,925)	(54,324)
Technical liabilities and smoothing reserves	(19,420)	(7,553)	355	(26,618)	(34,430)	15,184	(174)	(19,420)
Covid-19 reserves	(53,425)	(15,656)	43,209	(25,872)	-	-	(53,425)	(53,425)
Subtotal	(204,613)	(94,598)	90,971	(208,240)	(147,074)	32,344	(89,883)	(204,613)
Schools reserves								
Schools DSG reserve	- (40.040)	-	(=0, =0, ()	-	18,525	(18,525)	(0.400)	-
Schools balances	(13,813)	51,926	(52,504)	(14,391)	(11,085)	3,735	(6,463)	(13,813)
Subtotal	(13,813)	51,926	(52,504)	(14,391)	7,440	(14,790)	(6,463)	(13,813)
HRA reserves								
HRA general reserve	(28,346)	3,728	(1,512)	(26,130)	(23,012)	841	(6,175)	(28,346)
Major repairs reserve	(3,500)	55,046	(51,546)	(=0,100)	(2,268)	52,726	(53,958)	(3,500)
Subtotal	(31,846)	58,774	(53,058)	(26,130)	(25,280)	53,567	(60,133)	(31,846)
Capital reserves	(74 774)	40.050	(00.007)	(400,440)	(40.070)	47.000	(00.704)	(74 774)
Capital receipts reserve	(71,771)	40,959	(69,607)	(100,419)	(49,676)	17,699	(39,794)	(71,771)
Subtotal	(71,771)	40,959	(69,607)	(100,419)	(49,676)	17,699	(39,794)	(71,771)
Total	(343,045)	61,061	(89,641)	(371,625)	(235,592)	88,820	(196,273)	(343,045)

13. PROPERTY, PLANT AND EQUIPMENT (PPE)

This note summarises the changes that have taken place during the year to the carrying amounts of the council's net book value of property, plant and equipment.

2021-22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community	Surplus assets	Assets under construction	Total	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross book value									
Opening balance	3,548,128	979,664	107,031	474,928	18,151	125,436	311,510	5,564,848	86,672
Additions	83,237	18,691	8,667	25,465	231	10,290	152,222	298,803	1,569
Revaluation increases/(decreases) recognised in the revaluation reserve	4,525	11,540	-	-	-	18,013	-	34,078	1,020
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(69,061)	(33,707)	-	-	-	(1,029)	-	(103,797)	-
Derecognition – disposals	(6,185)	-	-	-	-	-	(1)	(6,186)	-
Derecognition – other	(11,054)	(12,863)	-	-	-	(490)	-	(24,407)	-
Assets reclassified	(10,670)	1,280	-	-	-	(26,244)	34,214	(1,420)	-
Balance as at 31 March	3,538,920	964,605	115,698	500,393	18,382	125,976	497,945	5,761,919	89,261
Depreciation and impairment									
Opening balance	13	8,784	74,339	152,080	901	94	36	236,247	9,184
Depreciation charge	49,978	16,589	5,969	18,330	-	25	-	90,891	2,028
Depreciation written out on revaluations recognised in the revaluation reserve	(40,000)	(13,462)	-	-	-	-	-	(53,462)	(853)
Depreciation written out on revaluations recognised in the (surplus)/deficit on the provision of services	(9,391)	(2,565)	-	-	-	-	-	(11,956)	-
Derecognition – disposals	(154)	-	-	-	-	-	-	(154)	_
Derecognition – other	-	(290)	-	-	_	-	-	(290)	-
Assets reclassified	(160)	-	-	-	-	-	160	-	-
Balance as at 31 March	286	9,056	80,308	170,410	901	119	196	261,276	10,359
Net book value as at 31 March	3,538,634	955,549	35,390	329,983	17,481	125,857	497,749	5,500,643	78,902

13. PROPERTY, PLANT AND EQUIPMENT (PPE)

2020-21	Council	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community	Surplus assets	Assets under construction	Total	PFI assets included in property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross book value	0.400.005	4 0 4 4 0 4 4	00.400	450 550	40.070	455.404	450 400	- 044 -00	00.077
Opening balance	3,428,265	1,041,314	99,400	450,559	16,672	155,104	150,422	5,341,736	86,877
Additions	78,164	13,459	7,631	24,369	1,479	14,554	169,358	309,014	509
Revaluation increases/(decreases) recognised in the revaluation reserve	81,379	(37,210)	-	-	-	1,957	-	46,126	(714)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(52,096)	(21,405)	-	-	-	(4,197)	-	(77,698)	-
Derecognition – disposals	(6,652)	-	-	-	-	(57,630)	(8,389)	(72,671)	-
Derecognition – other	(43)	(343)	-	-	-	(91)	-	(477)	-
Assets reclassified	19,111	(16,151)	-	-	-	15,739	119	18,818	-
Balance as at 31 March	3,548,128	979,664	107,031	474,928	18,151	125,436	311,510	5,564,848	86,672
Depreciation and impairment									
Opening balance	61	9,556	68,986	134,655	901	372	36	214,567	8,033
Depreciation charge	48,882	15,419	5,353	17,425	-	55	-	87,134	1,998
Depreciation written out on revaluations recognised in the revaluation reserve	(39,782)	(11,966)	-	-	-	(320)	-	(52,068)	(847)
Depreciation written out on revaluations recognised in	(9,057)	(3,086)	_	_	-	(755)	-	(12,898)	_
the (surplus)/deficit on the provision of services		, , ,				` '			
Derecognition – disposals	(91)	(0.46)	-	-	-	-	-	(91)	-
Derecognition – other	-	(343)	-	-	-	746	-	(343)	-
Assets reclassified	-	(796)	-	-	-	742	-	(54)	-
Balance as at 31 March	13	8,784	74,339	152,080	901	94	36	236,247	9,184
Net book value as at 31 March	3,548,115	970,880	32,692	322,848	17,250	125,342	311,474	5,328,601	77,488

13. PROPERTY, PLANT AND EQUIPMENT (PPE) continued

The valuation of assets has been carried out by the council's internal valuation service, led by Matthew Jackson MRICS BSc. The effective date of annual revaluation of council dwellings is 31 December of the relevant accounting period. Other land and buildings (OLB) and surplus assets are valued at 31 December on a 20% rolling basis to ensure valuation of all assets in this category within five years. Assets held for sale and investment properties (General Fund and Housing Revenue Account) are valued at 31 March of the relevant accounting period. The entire housing stock, assets held for sale and investment properties are valued on an annual basis. Review of assets under construction as well as general impairments to assets are also carried out on an annual basis.

The effective date of valuations arising from in-year capital expenditure of £400k and above, physical impairment or material changes in the value of assets in any category is 31 March of the relevant accounting period. Further details on the gross book value of PPE assets and the year of valuations and asset reclassifications are detailed in the tables as follows:

		Property Plan	Investment Property (Note 14)	Assets Held for Sale (Note 15)			
	Council Dwellings	Other Land and Buildings	Surplus Assets	Assets Under Construction	Total		
	£000	£000	£000	£000	£000	£000	£000
Land - Flaxyard site, Sumner road	-	-	(9,800)	9,800	-	-	-
161-179 Manor Place SE17	-	-	(4,900)	4,900	-	-	-
Southwark Park day centre	-	-	(4,880)	4,880	-	-	-
Cator Street development site	-	-	(5,684)	5,684	-	-	
Land - Kennington workshops	-	-	-	3,920	3,920	-	(3,920)
Hostels (regeneration programme)	(42,341)	-	-	42,341	0		
Copeland - for private sale	-	-	-	(5,600)	(5,600)	-	5,600
Copeland - social housing	9,417	-	-	(9,417)	-	-	-
Lakanal new build	7,858	-	-	(7,858)	-	-	-
Daniels road car park	5,035	-	-	(5,035)	-	-	-
Acorn development	9,521	-	-	(9,521)	-	-	-
Other transfers	-	1,280	(980)	(40)	260	(260)	-
Net book value	(10,510)	1,280	(26,244)	34,054	(1,420)	(260)	1,680
Assets reclassified (Gross book value)	(10,350)	1,280	(26,244)	33,894	(1,420)		
Less: assets reclassified (depreciation and impairment)	(160)	-	-	160	-		
Net book value	(10,510)	1,280	(26,244)	34,054	(1,420)		

	⊛ Council 000dwellings	Other land B and buildings	Vehicles, plant, furniture and equipment	⇔ Infrastructur 0 e assets	⊛ Community 6 assets	3 Surplus assets	# Asset under construction	0003 Tota
Held at historic cost and at depreciated historic cost	17,718	1,888	115,698	500,393	18,382	14,360	497,945	1,166,384
Different valuations are applied to different valuation classes								
31 March 2021	3,521,202	850,787	_	-	-	87,705	-	4,459,694
31 March 2020	-	28,891	-	-	-	11,099	-	39,990
31 March 2019	-	39,759	-	-	-	2,741	-	42,500
31 March 2018	-	24,142	-	-	-	7,561	-	31,703
31 March 2017	-	19,138	-	-	-	2,510	-	21,648
Total	3,538,920	964,605	115,698	500,393	18,382	125,976	497,945	5,761,919

At 31 March 2022, the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021-22 and future years budgeted to cost £399.1m. Similar commitments at 31 March 2021 were £270.5m.

The commitments are as below:

	£m
General Fund	67.8
Housing Revenue Account	331.3
Total	399.1

The highest value contractual commitments are:

General Fund

	£m
Canada Water Leisure Centre	24.1
Elephant and Castle, Transport for London works	21.3
Total	45.4

Housing Revenue Account

	£m
Aylesbury First Development Site - new build	95.6
Flaxyard/Sumner Road	31.9
Albion new homes - construction	25.6
Commercial Way	16.9
Petrol Station, Old Kent Road	14.9
Total	184.9

14. INVESTMENT PROPERTIES

The income and expenditure on investment assets:

	2021-22	2020-21
	£000	£000
Rental income from investment property	(20,913)	(19,189)
Fair value adjustments	(9,407)	19,243
Direct operating expenses arising from investment property	5,440	5,822
Net (gain)/loss included in financing and investment income in CIES	(24,880)	5,876

Fair value adjustments: negative figure equals upwards revaluation; positive figure equals downwards revaluation.

The movement in the fair value of investment properties held:

	2021-22	2020-21
	£000	£000
Opening balance	328,544	343,805
Additions	473	390
Disposals	-	-
Net gains/(losses) from fair value adjustments	9,407	(19,243)
Transfers (to)/from property, plant and equipment	(260)	3,592
Balance as at 31 March	338,164	328,544

As at 31 March 2022 there were a number of downward valuations of investment properties with the most significant adjustment being due to legislative changes aimed at facilitating electronic connectivity reducing future income potential.

The council owns a valuable commercial estate of over 700 properties, including shops, business premises and other miscellaneous properties. The vast majority of these assets have been in the council's ownership for many years having originally been acquired as part of major house building programmes from the 1950s onwards, as part of jobs and industry initiatives in the 1980s or statutorily vested with the council from strategic bodies. The assets are now managed to generate income and market rents are charged.

15. ASSETS HELD FOR SALE

	Current		Non-current	
	2021-22	2020-21	2021-22	2020-21
	£000	£000	£000	£000
Opening balance	11,344	19,654	3,920	22,320
Additions	523	636	-	4,063
Transfers (to)/from property, plant and equipment	5,600	-	(3,920)	(22,463)
Revaluation loss taken to surplus or deficit on the provision of services	(25)	(2,079)	-	-
Assets sold	(2,911)	(6,867)	-	-
Balance as at 31 March	14,531	11,344	-	3,920

16. CASH AND CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of cash and cash equivalents is made up of the elements set out below. The bank overdraft is a function of the council's utilisation of multiple pooled bank accounts and is integral to the day-to-day cash management of the council. The bank overdraft includes all outstanding and unpresented items.

	31 March	31 March
	2022	2021
	£000	£000
Cash held by the council	-	-
Short-term funds in money markets	54,420	38,992
Subtotal	54,420	38,992
Bank current accounts (bank overdraft)	(6,968)	(16,620)
Total cash and cash equivalents	47,452	22,372

17. DEBTORS

	31 March 2022		31 March 2021	
	Short-term debtors	Long-term debtors	Short-term debtors	Long-term debtors
	£000	£000	£000	£000
Central government bodies	47,164	-	76,019	-
Other local authorities	34,894	-	67,176	-
National Health Service bodies	3,444	-	8,622	-
Public corporation and trading funds	485	-	320	-
Private entities and individuals	192,741	24,896	159,365	24,017
Subtotal before impairment	278,728	24,896	311,502	24,017
Impairment	(85,719)	-	(77,702)	-
Total debtors net of impairment	193,009	24,896	233,800	24,017

The amount due from central government bodies and other local authorities includes the GLA's share and central government's share of the Collection Fund deficit.

18. CREDITORS

	31 March 2022		31 March 2021	
	Short-term creditors	Long-term creditors	Short-term creditors	Long-term creditors
	£000	£000	£000	£000
Central government bodies	(120,913)	-	(98,931)	-
Other local authorities	(36,705)	-	(27,360)	-
NHS bodies	(6,569)	-	(10,177)	-
Public corporation and trading funds	(75)	-	(356)	-
Private entities and individuals	(141,137)	(7,648)	(135,123)	(8,248)
Total	(305,399)	(7,648)	(271,947)	(8,248)

The council was given the GLA and central government's share of a section 31 grant to help with cash flow related to business rates reliefs but the grant should be returned to central government in 2022-23. The grant owed is £38.9m.

19. PROVISIONS

2021-22	1 April 2021	(Increase) / decrease in year	Utilised during year	31 March 2022
	£000	£000	£000	£000
. ,				
Long-term provisions				
Insurance provision	(9,030)	-	-	(9,030)
Water refund provision	(1,636)	538	-	(1,098)
Business rates appeals	(11,213)	1,118	-	(10,095)
Employee remuneration related	(878)	863	-	(15)
Southwark Business Services employment terms	(828)	-	-	(828)
Public Health	-	(1,476)	-	(1,476)
Housing & Modernisation provisions	-	(377)	-	(377)
Civil refunds	-	(356)	-	(356)
Total	(23,585)	310	-	(23,275)
Short-term provisions				
Business rates appeals	(867)	98	-	(769)
Southwark Business Services employment terms	(354)	354	-	-
Total	(1,221)	452	-	(769)

The insurance provision represents amounts set aside to meet known liabilities but where settlements have not been agreed. Payment for these claims will be made over a number of years. The provision includes an amount in respect of Municipal Mutual Insurance (MMI). The council is responsible for its share of any claims where the incident occurred prior to 31 March 1996.

2020-21	1 April 2020	(Increase) / decrease in year	Utilised during year	31 March 2021
	£000	£000	£000	£000
Long-term provisions				
Insurance provision	(9,030)	-	-	(9,030)
Water refund provision	(1,636)	-	-	(1,636)
Business rates appeals	(5,050)	(6,163)	-	(11,213)
Employee remuneration related	-	(878)	-	(878)
Southwark Business Services employment terms	-	(828)	-	(828)
Total	(15,716)	(7,869)	-	(23,585)
Short-term provisions				
Business rates appeals	(3,874)	3,007	-	(867)
Southwark Business Services employment terms	-	(354)	-	(354)
Total	(3,874)	2,653	-	(1,221)

20. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant provided by the education and skills funding agency (ESFA), the dedicated schools grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School and Early Years Finance (England) Regulations 2013. The schools budget includes elements for a range of educational services provided on an authority wide basis and for the individual schools budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021-22 are as follows:

	Central expenditure	Individual schools budgets	Individual schools budgets	e 5 6 2021-22	 Б О С 2020-21
	£000	£000	£000	£000	
Final DSG before academy and high needs recoupment			(350,214)	(332,614)	
Academy and high needs figure recouped			151,158	135,552	
Total DSG after academy and high needs recoupment			(199,056)	(197,062)	
Brought forward from previous year			-	18,525	
Agreed initial budgeted distribution for the year	(50,006)	(149,050)	(199,056)	(178,537)	
In year adjustments	573	-	573	89	
Final budget distribution for the year	(49,433)	(149,050)	(198,483)	(178,448)	
Less: actual central expenditure	50,489	-	50,489	42,643	
Less: actual individual school budget (ISB) deployed to schools	-	149,050	149,050	156,400	
Plus: local authority contribution	-	-	-	-	
Carry-forward deficit	1,056	-	1,056	20,595	

The final DSG before academy recoupment figure includes a provision for the early years block. Final DSG allocations are announced in June following the end of each financial year based on census figures at the preceding January.

The in year deficit of £1.056m has been transferred to the dedicated schools grant adjustment account to total £21.651m (an unusable reserve).

21. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement

Statement.		·
	2021-22	2020-21
	£000	£000
Credited to taxation and non-specific grant income		
Capital grants and contributions	(68,031)	(100,798)
Revenue support grant	(36,649)	(36,448)
Business rates (top up)/tariff	(35,854)	(35,854)
Business rates relief/section 31 grants	(25,295)	(33,758)
Covid-19 general funding	(14,984)	(33,913)
New homes bonus	(8,202)	(14,359)
Lower tier support grant	(1,264)	_
Covid-19 tax income guarantee	121	(10,959)
Subtotal	(190,158)	(266,089)
Credited to provision of services		
ordanda to providen di convicco		
Dedicated Schools grant	(199,327)	(197,062)
Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants	(63,233)	(68,072)
Housing Benefits Subsidy - rent allowances	(55,874)	(57,956)
Public Health	(31,541)	(28,289)
Housing Benefits Subsidy - non-housing revenue account rent rebates	(19,757)	(16,673)
Better Care Fund	(18,143)	(17,218)
Improved Better Care Fund	(17,323)	(17,323)
Social Care Support grant	(12,142)	(9,161)
The Private Finance Initiative (PFI)	(9,935)	(9,935)
Pupil Premium grant	(9,198)	(8,916)
Homelessness prevention grant	(6,792)	-
Covid-19 Infection control grant	(5,176)	(2,259)
Covid-19 Additional restrictions grant	(3,876)	(5,060)
Covid-19 Mass testing grant	(3,341)	-
Winter support grant	(2,969)	-
Rough Sleeper	(2,927)	(1,896)
Housing Benefit / Council Tax administration	(2,237)	(2,223)
School sixth form funding	(2,037)	(1,800)
Universal Infant free school meals	(1,825)	(2,324)
Adult Education Budget (Greater London Authority)	(1,644)	(1,409)
Tackling troubled families	(1,511)	(1,379)
Adoption support fund	(1,485)	-
Discretionary housing payment	(1,341)	(1,157)
Household support grant	(1,291)	-
Unaccompanied asylum seeking children care leavers grant	(1,179)	-
Unaccompanied Asylum Child grant	(1,161)	(1,616)
Physical education and Sports grant	(1,127)	(1,172)
Covid-19 Contain outbreak management fund	(1,121)	(7,697)
Teachers' grants		(6,234)
-		
Covid-19 Local restrictions support grant	-	(5,463)
Flexible Homelessness support grant	-	(3,616)
Covid-19 Hardship fund	-	(3,476)
Covid-19 Discretionary grant fund	-	(3,421)
Covid-19 Self-isolation payments funding		(1,156)
Homeless Reduction Act new burdens	-	(1,127)
Next steps accommodation programme	-	(1,019)
Other specific grants individually less than £1 million	(15,896)	(19,740)
Subtotal	(494,288)	(505,849)
Total	(684,446)	(771,938)
50	(30 1, 1 10)	(,555)

The council has received additional grant income from central government in 2021-22 to partly compensate for additional costs and lost income related to the ongoing Covid-19 pandemic.

The council has also administered the distribution of a number of Covid-19 business support grants on behalf of the Department of Business, Energy and Industrial Strategy (BEIS). The council was fully reimbursed for delivering that funding. As the council was acting as an agent of BEIS, the grant has not been reported in this note or within income and expenditure.

Capital grants received in advance and applied towards capital expenditure were:

	2021-22	2020-21
	£000	£000
Opening balance	(75,473)	(99,604)
New capital grants received in advance	(114,488)	(76,667)
Amounts released to the Comprehensive Income and Expenditure Statement (conditions met)	68,031	100,798
Balance as at 31 March	(121,931)	(75,473)

The balance of capital grants unapplied remaining as receipts in advance were:

	2021-22	2020-21
	£000	£000
Planning gains	(69,955)	(53,998)
New homes	(1,497)	(8,305)
Schools	(1,198)	(5,541)
Education	(7,431)	(1,860)
Disabled facilities grant (DLUHC)	(33,843)	(1,454)
Transport for London (TFL)	(2,131)	(1,224)
Other grants individually less than £1 million	(5,876)	(3,091)
Balance as at 31 March	(121,931)	(75,473)

22. POOLED BUDGETS

Better Care Fund (BCF)

Southwark council and NHS South East London Clinical Commissioning Group (CCG) are partners in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under Section 75 of the National Health Service Act 2006. The BCF provides various services to residents of Southwark who benefit from specific targeted interventions, as well as supporting hospitals to treat people closer to their homes and communities. The council is the lead authority for the arrangement.

The arrangement is made in accordance with Section 75 (S75) of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed as per the BCF planning group. The pooled budget includes all income and expenditure relating to the Better Care Fund (BCF), whether funded by the local authority or the NHS. It is hosted by Southwark council; however not all transactions pass through the council's accounting system.

	2021-22		2020-21	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
Council	19,009		19,009	
Clinical commissioning group	25,168		23,883	
		44,177		42,892
Expenditure met from the pooled budget:				
Council	37,151		36,227	
Clinical commissioning group	7,026		6,665	
		44,177		42,892
Net (surplus)/deficit arising on the pooled budget		-		-

Integrated community equipment store (ICES)

Southwark council and the CCG also operate pooled fund arrangements for an integrated community equipment service. The council is the lead authority for the arrangement. Expenditure met from the pooled budget was £2.57m in 2021-22 (£2.21m in 2020-21).

23. UNUSABLE RESERVES

Unusable reserves are those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.' Unusable reserves comprise:

	31 March 2022	31 March 2021
	£000	£000
Capital adjustment account	(2,522,356)	(2,527,048)
Revaluation reserve	(1,991,470)	(1,948,914)
Pensions reserve	407,852	687,568
Collection Fund adjustment account	34,509	49,450
Financial instruments adjustment account	28,039	30,681
Dedicated schools grant adjustment account	21,651	20,595
Accumulated absences adjustment account	8,112	9,488
Financial instruments revaluation reserve	370	(82)
Total unusable reserves	(4,013,293)	(3,678,262)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

	2021-22		2020)-21
	£000	£000	£000	£000
Opening balance		(2,527,048)		(2,555,432)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	94,297		94,112	
Revaluation losses on property, plant and equipment and AHFS	88,462		59,900	
Revenue expenditure funded from capital under statute	12,057		15,985	
Movements in the market value of investment properties	(9,407)		19,243	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	33,058		79,581	
		218,467		268,821
Continued				

	202	1-22	2020)-21
	£000	£000	£000	£000
Adjusting amounts written to the capital adjustment account for disposals and restatements	(16,325)		(14,703)	
Adjusting amounts written out of the revaluation reserve for the difference between fair value depreciation and historical cost depreciation	(28,660)		(27,845)	
Net written out amount of the cost of non-current assets		(44,985)		(42,548)
Capital financing applied in the year:				
Use of the capital receipts reserve to finance new capital expenditure	(13,709)		(12,912)	
Use of the major repairs reserve to finance new capital expenditure	(55,046)		(52,726)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(68,031)		(100,798)	
Provision for the financing of capital investment charged against the General Fund and HRA balances	(15,689)		(9,988)	
Capital expenditure charged against the General Fund and HRA balances	(16,315)		(21,465)	
Total		(168,790)		(197,889)
Balance as at 31 March		(2,522,356)		(2,527,048)

Financial instruments adjustment account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out in the Movement in Reserves Statement. Over time the expense is posted back through the Movement in Reserves Statement in accordance with statutory arrangements for spreading the burden on council tax. As a result, the balance on the account at 31 March 2022 includes £13.6m premiums (£14.6m at 31 March 2021) to be discharged in future.

		2020-21
	£000	£000
Opening balance	30,681	27,434
Proportion of premiums to be charged against the General Fund balance in accordance with statutory requirements	(1,065)	(1,065)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(1,577)	4,312
Balance as at 31 March	28,039	30,681

Revaluation reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The revaluation reserve contains only revaluation gains accumulated since 1 April 2007, the date that the revaluation reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

	2021-22		2020-21	
	£000	£000	£000	£000
Opening balance		(1,948,914)		(1,893,268)
Upward revaluation of assets	(154,699)		(153,987)	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	67,159		55,793	
Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		(87,540)		(98,194)
Adjusting amounts written to the capital adjustment account for disposals and restatements		16,325		14,703
Difference between fair value depreciation and historical cost depreciation		28,659		27,845
Balance as at 31 March		(1,991,470)		(1,948,914)

Pensions reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021-22	2020-21
	£000	£000
Opening balance	687,568	606,640
Remeasurements of the net defined benefit liability	(336,528)	46,724
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	100,046	75,252
Employer's pension contributions and direct payments payable to pensioners in the year	(43,234)	(41,048)
Balance as at 31 March	407,852	687,568

Collection Fund adjustment account

	2021-22	2020-21
	£000	£000
Opening balance	49,450	19,959
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(14,941)	29,491
Balance as at 31 March	34,509	49,450

The Collection Fund adjustment account is analysed into council tax and business rates:

Collection Fund adjustment account - council tax

	2021-22	2020-21
	£000	£000
Opening balance	5,348	1,288
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,027)	4,060
Balance as at 31 March	2,321	5,348

Collection Fund adjustment account - business rates

	2021-22	2020-21
	£000	£000
Opening balance	44,102	18,671
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(11,914)	25,431
Balance as at 31 March	32,188	44,102

Due to the reduced impact of Covid-19, the Collection Fund has a lower in year deficit for 2021-22 resulting in lower values in the Collection Fund adjustment account compared with 2020-21 (refer to the Collection Fund).

Dedicated schools grant adjustment account

	2021-22	2020-21
	£000	£000
Opening balance	20,595	-
Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account.	-	18,525
In year dedicated schools grant deficit	1,056	2,070
Balance as at 31 March	21,651	20,595

The Local Authorities (Capital Finance and Accounting) regulations were amended on 29 November 2020. New accounting treatment is required for local authorities' schools budget deficits relating to its accounts for a financial year beginning 1 April 2020, 1 April 2021 and 1 April 2022. Local authorities are not permitted to charge the value of the deficit to the general fund. Any historical deficit and in year deficit is to be recorded in a dedicated schools grant adjustment account, an unusable reserve.

24. CASH FLOW FROM OPERATING ACTIVITIES

	2021-22	2020-21
	£000	£000
Adjustment to surplus or deficit on the provision of services for non-cash movement		
Depreciation and impairment of non-current assets	94,297	94,112
Upward/(downward) revaluations	79,055	79,143
Increase/(decrease) in impairment for credit losses (bad debts)	6,818	6,312
Increase/(decrease) in creditors	33,465	113,784
(Increase)/decrease in debtors	31,071	(80,062)
(Increase)/decrease in inventories	552	(594)
Movement in pension liability	56,812	34,204
Movement in provisions	880	5,216
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	33,058	79,581
Other non-cash items charged to the net surplus or deficit on the provision of services	(765)	(197)
Total	335,243	331,499

	2021-22	2020-21
	£000	£000
Adjustment for items included in the net surplus or deficit on the provision of services that are		
investing and financing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(47,212)	(39,729)
Capital grants included in 'taxation and non-specific grant income'	(68,031)	(100,798)
Total	(115,243)	(140,527)

The cash flows from operating activities include the following interest amounts:

	2021-22	2020-21
	£000	£000
Interest received	(3,109)	(3,656)
Interest paid	37,471	38,275
Net interest	34,362	34,619

25. CASH FLOW FROM INVESTING ACTIVITIES

	2021-22	2020-21
	£000	£000
Purchase of PPE, investment property and intangible assets	(298,748)	(316,656)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	47,212	39,729
Proceeds from sale of short-term investments (not considered to be cash equivalents)	(1,378)	(996)
Capital grants and contributions received	114,488	76,667
Net cash flows from investing activities	(138,426)	(201,256)

Short and long-term investments are instruments held as part of the cash management activities of the council, not as an investment activity in its own right. The figures above are the net movements in investments held, not gross purchases and sales.

26. CASH FLOW FROM FINANCING ACTIVITIES

	2021-22	2020-21
	£000	£000
Cash payments for the reduction of the outstanding liability relating to a finance lease and on Balance Sheet PFI contracts	(6,781)	(5,042)
Cash receipts of short and long-term borrowing	225,199	315,617
Repayments of short and long-term borrowing	(214,907)	(242,697)
Net cash flows from financing activities	3,511	67,878

RECONCILIATION BETWEEN OPENING AND CLOSING LIABILITIES ARISING FROM FINANCING ACTIVITIES (IAS 7)

	Long-term borrowings	Short-term borrowings	Lease liabilities	Total
	£000	£000	£000	£000
Opening balance	(683,989)	(207,370)	(86,484)	(977,843)
Cash flows:				
Repayment	17,907	197,000	6,582	221,489
Proceeds	(50,000)	(175,000)	-	(225,000)
Subtotal	(32,093)	22,000	6,582	(3,511)
Non-costs:				
Acquisition	-	-	(1,569)	(1,569)
Fair value	-	-	-	-
Reclassification	13,611	(13,810)	-	(199)
Subtotal	13,611	(13,810)	(1,569)	(1,768)
Balance as at 31 March	(702,471)	(199,180)	(81,471)	(983,122)

27. EXTERNAL AUDIT COSTS

	2021-22	2020-21
	£000	£000
Fees payable for external audit services carried out by the appointed auditor for the year	253	258
Additional fees payable for external audit services carried out by the appointed auditor for 2020-21	-	32
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	45	47
Additional fees payable to the appointed auditor for the certification of grant claims and returns for 2020- 21	14	8
Fees payable in respect of other non-audit services not covered above	10	10
Total	322	355

28. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2021-22 was £1,350,800 (£1,386,140 in 2020-21).

29. OFFICER REMUNERATION

In accordance with regulations, it is necessary to report on the remuneration of senior employees. Senior employees are defined as those who are members of the Chief Officer Team or those whose remuneration is £150,000 or more per year.

The following table sets out this information for 2021-22 and 2020-21.

Restated

	2021-22		2020-21	
Postholder	Remuneration	Council's contributions to the Pension Fund	Remuneration	Council's contributions to the Pension Fund
	£	£	£	£
Chief Executive - E Kelly	213,431	19,636	217,687	20,027
Strategic Director of Environment & Leisure - C Bruce	176,643	32,502	168,492	31,003
Strategic Director of Housing and Modernisation - M Scorer	188,519	34,687	179,778	33,079
Strategic Director of Finance and Governance - D Whitfield	194,780	17,920	191,901	17,655
Strategic Director of Children's and Adults - D Quirke-Thornton	188,519	34,687	179,778	33,079

Remuneration reflects actual payments made to the postholders in the financial years and the related pension fund contributions made in respect of the Local Government Pension Scheme (LGPS) during the same year.

Remuneration figures represent gross pay for the postholder before that individual's personal contributions to the Southwark Pension Fund. They include basic salary plus any contracted additions paid during the financial year.

The Strategic Director of Finance and Governance performs Returning Officer duties for elections; there was a GLA election during 2021-22 and £5,500 remuneration.

The Chief Executive E Kelly was asked on a temporary basis to join the national programme to roll out the Covid-19 vaccine, as the Local Authority Officer Advisor. This was a part time role carried out in two separate periods from January 2021 to April 2021 and then from October 2021 to January 2022. The council is being compensated for these secondments.

During 2021-22 the council employed staff whose taxable remuneration, including payment on termination of employment was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

	Schools and non-school analysis		Number of employees	Number of employees
Band (£)	Schools	Non-school	2021-22	2020-21
50.000 - 54.999	151	255	406	402
55,000 - 59,999	105	71		
60,000 - 64,999	46	53	_	
65,000 - 69,999	30	71	101	123
70,000 - 74,999	36	26	62	43
75,000 - 79,999	11	31	42	50
80,000 - 84,999	22	12	34	29
85,000 - 89,999	12	4	16	15
90,000 - 94,999	8	8	16	22
95,000 - 99,999	6	16	22	19
100,000 - 104,999	4	-	4	9
105,000 - 109,999	1	4	5	5
110,000 - 114,999	1	-	1	5
115,000 - 119,999	-	2	2	
120,000 - 124,999	1	4	5	6
125,000 - 129,999	2	3	5	
130,000 - 134,999	1	2	3	2
135,000 - 139,999	-	6	6	6
140,000 - 144,999	-	-	-	-
145,000 - 149,999	-	-	-	-
Total	437	568	1,005	1,049

For the financial year 2021-22, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employment) was 23 (2020-21, 25).

30. TERMINATION BENEFITS

Exit package cost band		Number of exit packages Schools		Number of exit packages Non-school		ber of exit ages	Total cos packages	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
	No. staff	No. staff	No. staff	No. staff	No. staff	No. staff	£000	£000
£0 - £20,000	59	72	27	42	86	114	514	828
£20,001 - £40,000	5	4	10	4	15	8	416	204
£40,001 - £60,000	-	1	4	-	4	1	196	47
£60,001 - £80,000	-	-	3	1	3	1	215	62
£80,001 - £100,000	-	-	-	1	-	1	-	90
Total	64	77	44	48	108	125	1,341	1,231

Forty-one compulsory redundancies were made by schools in 2021-22 totalling £268,934 with 39 within the £0 to £20,000 exit package band and 2 in the £20,001 to £40,000 exit package cost band (2020-21 twenty-three compulsory redundancies totalling £103,033).

31. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central government

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding. Grants received from government departments during the year and receipts outstanding at 31 March 2022 are set out in note 21 to the accounts.

Members and chief officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2021-22 is shown in note 28. Information regarding reportable transactions has been collated by requiring all members and chief officers to declare any related party transactions. A review of the register of members' interests has been conducted, including the register of declarations at committee meetings.

Related party interests for which transactions exist for financial outflow in 2021-22 were declared by 13 councillors and 1 submission from chief officers (21 and 1 respectively in 2020-21):

with voluntary bodies or charitable organisations that received funding totalling an estimated value of £0.2 million (£0.2 million in 2020-21).

with businesses or other organisations that have contracted for goods and services with the council to the estimated value of £0.6 million (£1.6 million in 2020-21).

Related party interests for which transactions exist for financial inflows in 2021-22 were declared by 9 councillors and no submissions from chief officers (10 and 1 respectively in 2020-21):

from businesses or other organisations that the council have contracted for goods and services with to the estimated value of £0.8 million (£0.8 million in 2020-21).

In addition to the above, many members have relationships or hold positions with other public bodies and voluntary organisations, e.g. schools, with which the council does not have a financially material relationship, but with which the council has a non-financial or influential relationship.

Pensions

The council is the administering authority of the Pension Fund. The council charged the fund £0.9 million (£0.9 million in 2020-21) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and private finance initiatives (PFI)/public private partnership (PPP) contracts, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

	2021-22	2020-21
	£000	£000
Opening capital financing requirement	1,219,890	1,084,341
Capital investment		
Property, plant and equipment (including assets held for sale)	299,325	313,713
Revenue expenditure funded from capital under statute (REFCUS)	12,057	15,985
Long-term debtors	-	3,350
Investment property	473	390
Total capital investment	311,855	333,438
Sources of capital finance		
Capital receipts	(13,708)	(12,912)
Government grants and other contributions	(68,031)	(100,798)
Direct revenue contributions	(16,315)	(21,465)
Major repairs reserve	(55,046)	(52,726)
Minimum revenue provision (MRP) / loans fund principal	(15,689)	(9,988)
Total capital investment financed	(168,789)	(197,889)
Closing capital financing requirement	1,362,956	1,219,890
Explanation of movement		
Increase in underlying need to borrow	141,498	135,040
Assets acquired under private finance initiative (PFI) contracts	1,568	509
Net movement in year	143,066	135,549

33. LEASES

The council as lessee - operating leases

The council pays rent on property leases, of which some are sublet.

Expenditure charged to services in the Comprehensive Income and Expenditure Statement (CIES) during the year in the use of operating leases:

	2021-22	2020-21
	£000	£000
Minimum lease payments	2,722	2,628
Less sub-lease payments	(490)	(425)
Total	2,232	2,203

The council has obligations to make minimum lease payments in future periods of:

	31 March 2022	31 March 2021
	£000	£000
Within 1 year	2,603	2,502
Within 2 to 5 years	5,365	6,452
After 5 years	8,703	9,448
Total	16,671	18,402

The council as lessor - operating leases

The council has industrial and commercial units which it lets out. It also lets out workshops and property for shops, community and commercial use.

The future minimum rentals receivable under these leases are set out below:

	31 March 2022	31 March 2021
	£000	£000
Within 1 year	17,586	17,904
Within 2 to 5 years	56,308	57,853
After 5 years	69,471	58,883
Total	143,365	134,640

34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

Private finance initiatives (PFI) and similar contracts typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time, in return for a series of payments over the period of the arrangement.

A contract is determined to meet the definition of a service concession arrangement where the following two tests are met:

- the council controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price
- the council controls any significant residual interest in the property at the end of the term of the arrangement (typically through ownership or beneficial entitlement)

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost an interest charge on the outstanding Balance Sheet liability, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement
- contingent rent increases in the amount to be paid for the property arising during the contract, debited to interest payable and similar charges in the Comprehensive Income and Expenditure Statement.
- payment towards liability applied to write down the Balance Sheet liability towards the PFI operator, and
- lifecycle replacement costs debited to the relevant service in the Comprehensive Income and Expenditure Statement

The following schemes have been accounted for as PFI or similar contracts:

- St Michael's is a new build secondary school, which became operational in January 2011. The school has been built and is operated over a 25 year contract by 4 Futures Ltd., the majority shareholder of which is Education Investments Holdings Limited. St Michaels is an Academy school.
- St Thomas is a new build secondary school, which became operational in February 2012. The school has been built and is operated over a 25 year contract by 4 Futures Ltd., the majority shareholder of which is Education Investments Holdings Limited. St Thomas is a voluntary aided school.
- Sacred Heart Catholic school is a new build secondary school, which became operational in September 2014. The school has been built and is operated over a 25 year contract by 4 Futures Ltd., the majority shareholder of which is Education Investments Holdings Limited. Sacred Heart is an Academy school.
- In February 2008 the council entered into a 25-year PFI contract with Veolia Environmental Services for the collection and disposal of waste in the borough. Veolia are to provide high specification facilities to receive transfer and treat waste under the PFI contract from a facility at Old Kent Road, a site the council has leased to the company since September 2008. The integrated waste management facility at the Old Kent Road became operational in February 2012. The £682 million contract will enable the council to deliver government targets for waste minimisation, landfill diversion and recycling.
- In July 2013 the council entered into the Heat Supply PFI Arrangement, which involved the contractor putting in place piping and associated facilities to deliver heating to council residents and related services in order to fulfil the council's mandate of delivering services to the public. The heat supply arrangement with Veolia became operational in November 2013.
- Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for
 operating the three schools and reimbursement of the capital expense incurred, the council does not have an
 interest in the assets.

The movements in liabilities resulting from PFI (or similar) contracts were as follows:

	St Michael's Catholic college	St Thomas the Apostle college	Sacred Heart Catholic school	Integrated waste management facility	Heating supply arrangement	Total
	£000	£000	£000	£000	£000	£000
Opening balance	13,689	17,854	17,146	38,425	4,286	91,400
New liability incurred	-	-	-	412	97	509
Repayments made in year	(369)	(534)	(513)	(3,757)	(252)	(5,425)
Balance as at 31 March 2021	13,320	17,320	16,633	35,080	4,131	86,484
Opening balance	13,320	17,320	16,633	35,080	4,131	86,484
New liability incurred	-	-	-	1,469	100	1,569
Repayments made in year	(471)	(551)	(526)	(4,762)	(272)	(6,582)
Balance as at 31 March 2022	12,849	16,769	16,107	31,787	3,959	81,471

The following has been recognised in the Balance Sheet in respect of PFI (or similar) arrangements:

	B Other land and buildings	Vehicles, plant, pruniture and g equipment	P Infrastructure 9 assets	Total
	2000	2000	2000	2000
Net book value as at 1 April 2020	59,466	14,947	4,431	78,844
Additions	-	412	97	509
Depreciation and impairment	(847)	(957)	(194)	(1,998)
Revaluations	133	-	-	133
Net book value as at 31 March 2021	58,752	14,402	4,334	77,488
Net book value as at 1 April 2021	58,752	14,402	4,334	77,488
Additions	-	1,469	100	1,569
Depreciation and impairment	1,873	(978)	(197)	698
Revaluations	(853)	-	-	(853)
Net book value as at 31 March 2022	59,772	14,893	4,237	78,902

The projected payments under the agreements are as follows:

	1 year	2-5 years	6-10 years	11-15 years	16-20 years	Tota
	£000	£000	£000	£000	£000	£000
St Michael's Catholic college						
Liability	243	1,842	4,964	5,800	-	12,849
Interest	1,636	5,993	5,477	1,716	-	14,822
Service charges	835	3,275	4,379	3,885	-	12,374
St Thomas the Apostle college						
Liability	700	2,857	5,588	7,624	-	16,769
Interest	1,762	6,336	5,876	2,109	-	16,083
Service charges	312	1,301	1,873	1,499	-	4,985
Lifecycle payments	31	518	1,079	1,178	-	2,806
Sacred Heart Catholic school						
Liability	649	2,374	5,066	8,018	(1)	16,106
Interest	1,616	5,859	5,589	2,468	-	15,532
Service charges	480	2,084	2,989	4,011	-	9,564
Lifecycle payments	61	695	771	1,652	-	3,179
Integrated waste management facility						
Liability	3,241	12,435	13,378	2,733	_	31,787
Interest	1,756	5,494	3,628	324	-	11,202
Service charges	21,320	92,252	135,293	24,572	_	273,437
Lifecycle payments	2,252	11,360	17,419	3,538	-	34,569
Heat supply arrangement						
Liability	194	1,031	2,142	592		3,959
Interest	485	1,682	1,250	86	-	3,503
Service charges	1,344	5,722	7,995	1,721	-	16,782
Lifecycle payments	102	433	605	130	-	1,270

35. OTHER LONG-TERM LIABILITIES

	31 March 2022	31 March 2021
	£000	£000
Payments due under Private Finance Initiative (PFI) schemes and similar arrangements:		
St Michaels Catholic college	(12,606)	(12,849)
St Thomas the Apostle college	(16,069)	(16,769)
Sacred Heart Catholic school	(15,457)	(16,106)
Integrated waste management facility	(26,295)	(30,318)
Heat supply arrangement	(3,663)	(3,859)
Total	(74,090)	(79,901)

36. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES (NHS AND TEACHERS)

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Education and Skills Funding Agency. The scheme provides teachers with specified benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. As part of its public health responsibilities the council employs staff who are members of the NHS Pension Scheme.

The schemes are technically defined benefit schemes. However, both schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of underlying financial position and performance of the schemes with sufficient reliability for accounting purposes. For the purposes of the council's statement of accounts, they are therefore accounted for on the same basis as a defined contribution scheme.

In 2021-22 the council paid £13.3m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.6% of pensionable pay (£13.7m and 23.6% respectively in 2020-21). It also paid £0.032m to the NHS Pension Scheme representing 14.4% of pensionable pay (£0.046m 2020-21, representing 14.4% of pensionable pay). In 2021-22 the employer contribution rate was 20.7% of pensionable pay (including levy). Employers are responsible for paying 14.4% of contributions, with the remaining 6.3% being funded by government. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 37.

37. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in two pension fund schemes, the London Borough of Southwark Pension Fund (council) and the London Pension Fund Authority Pension Fund (LPFA). Both are funded schemes, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension fund's liabilities with investment assets.

		2021-22			2020-21	
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Cost of services						
- Current service cost	82,900	364	83,264	60,700	311	61,011
- Past service costs	2,800	-	2,800	700	-	700
Financing and investment income and	l expenditure					
- Net interest expense/(income)	14.100	(110)	42 002	13,600	(E0)	12 544
- Net interest expense/(income)	14, 100	(118)	13,982	13,600	(59)	13,541
Total post employment benefit charged to the surplus or deficit on	99,800	246	100,046	75,000	252	75,252
the provision of services						
Other post employment benefit charge	ad to the comi	nrahansiva ir	ncome and e	ynanditura s	tatement	
Other post employment benefit charge	ed to the comp	prenensive n	icome and e	xperiulture s	tatement	
Remeasurement of the net defined bene-	fit liability comp	orisina				
- Return on plan assets (excluding		g				
amount included in the net interest expense)	(151,600)	(7,619)	(159,219)	(347,000)	(8,439)	(355,439)
Astronial gains and leases spining an						
- Actuarial gains and losses arising on changes in demographic assumptions	(25,300)	-	(25,300)	-	(533)	(533)
- Actuarial gains and losses arising on	(159,200)	(1,325)	(160,525)	421,600	7,827	429,427
changes in financial assumptions	(133,200)	(1,323)	(100,323)	421,000	7,027	723,721
- Actuarial gains and losses arising on changes in liability experience	8,400	116	8,516	(26,000)	(731)	(26,731)
- Other actuarial gains and losses on assets	-	-	-	-	-	-
Total post employment benefit charged to the comprehensive income and expenditure statement	(227,900)	(8,582)	(236,482)	123,600	(1,624)	121,976
Movement in reserves statement						
Daniel (c. t.)						
- Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	99,800	246	100,046	75,000	252	75,252
Actual amount charged against the Ge	eneral Fund ba	alance for pe	nsions in the	e year		
- Employers' contributions payable to the scheme	43,100	134	43,234	40,900	148	41,048

Transactions relating to post employment benefits

The council recognises the cost of retirement benefits in the Comprehensive Income and Expenditure Statement (CIES) when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the CIES and the General Fund balance via the Movement in Reserves Statement during the year:

Pensions assets and liabilities recognised in the balance sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	31 March 2022			31 March 2021		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Fair value of plan assets	2,085,400	67,328	2,152,728	1,901,000	61,349	1,962,349
Less present value of defined benefit obligation	2,508,100	52,480	2,560,580	2,594,700	55,217	2,649,917
Net asset / (liability) arising from defined benefit obligation	(422,700)	14,848	(407,852)	(693,700)	6,132	(687,568)

Reconciliation of present value of the scheme assets

		2021-22		2020-21			
	Council	LPFA	Total	Council	LPFA	Total	
	£000	£000	£000	£000	£000	£000	
Opening balance	1,901,000	61,349	1,962,349	1,524,000	54,712	1,578,712	
Interest income on assets	39,900	1,140	41,040	35,000	1,075	36,075	
Remeasurement gains/(losses) on assets	151,600	7,619	159,219	347,000	8,439	355,439	
Other actuarial gains/(losses)	-	-	-	-	-	-	
Administration expenses	-	(80)	(80)	-	(71)	(71)	
Employer contributions	43,900	134	44,034	41,700	148	41,848	
Contribution by participants	13,000	44	13,044	12,700	46	12,746	
Net benefits paid out	(64,000)	(2,878)	(66,878)	(59,400)	(3,000)	(62,400)	
Closing balance as at 31 March	2,085,400	67,328	2,152,728	1,901,000	61,349	1,962,349	

Reconciliation of present value of the scheme liabilities

		2021-22		2020-21			
	Council	LPFA	Total	Council	LPFA	Total	
	£000	£000	£000	£000	£000	£000	
Opening balance	2,594,700	55,217	2,649,917	2,135,000	50,352	2,185,352	
Current service cost	82,900	284	83,184	60,700	238	60,938	
Interest cost	54,000	1,022	55,022	48,600	1,016	49,616	
Contributions by scheme participants	800	-	800	13,500	46	13,546	
Change in financial assumptions	13,000	44	13,044	421,600	7,827	429,427	
Change in demographic assumptions	(159,200)	(1,325)	(160,525)	-	(533)	(533)	
Experience loss/(gain) on defined benefit obligation	(25,300)	-	(25,300)	(26,000)	(731)	(26,731)	
Benefits paid	8,400	116	8,516	(59,400)	(3,000)	(62,400)	
Past service costs	(64,000)	(2,878)	(66,878)	700	2	702	
Balance as at 31 March	2,505,300	52,480	2,557,780	2,594,700	55,217	2,649,917	

Scheme assets comprised

	31	March 2022		31 March 2021			
	Council	LPFA	Total	Council	LPFA	Total	
	£000	£000	£000	£000	£000	£000	
Quoted							
- Equities	1,138,629	37,785	1,176,414	1,152,006	33,332	1,185,338	
- Government bonds	177,259	-	177,259	171,090	-	171,090	
- Corporate bonds	189,771	-	189,771	193,902	-	193,902	
- Target return portfolio	-	14,307	14,307	-	14,439	14,439	
- Multi-asset pooled funds	35,452	-	35,452	38,020	-	38,020	
Subtotal	1,541,111	52,092	1,593,203	1,555,018	47,771	1,602,789	
Unquoted							
- Infrastructure	27,110	-	27,110	-	5,199	5,199	
- Property	-	6,725	6,725	239,526	5,583	245,109	
- Cash	319,066	5,880	324,946	60,832	2,796	63,628	
- Multi-asset pooled funds	72,989	2,631	75,620	45,624	-	45,624	
Subtotal	419,165	15,236	434,401	345,982	13,578	359,560	
Total	1,960,276	67,328	2,027,604	1,901,000	61,349	1,962,349	

Basis for estimating assets and liabilities

The scheme assets, as shown above, are those attributable to the council from its membership of the Local Government Pension Scheme (LGPS) for both the London borough of Southwark Pension Fund and the London Pension Fund Authority (LPFA). The value of the assets is provided by fund actuaries. The LGPS valuation is based on asset values at 31 March 2022. The LPFA actuary uses market values at 31 January 2022, then indexed for market movements to arrive at a valuation for 31 March 2022.

Liabilities for the council and LPFA schemes have been assessed by Aon Hewitt and Barnett Waddingham respectively. Both have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The estimates are based on data relating to the latest full valuations as at 31 March 2019 and rolled forward.

Principal assumptions used by the actuaries

	Council		LPF/	A
	2021-22	2020-21	2021-22	2020-21
Mortality assumptions				
Longevity at 65 for current pensioners				
Men (years)	20.7	20.9	20.9	21.2
Women (years)	23.6	23.7	23.7	23.8
Longevity at 45 for future pensioners				
Men (years)	22.6	22.8	22.4	22.8
Women (years)	25.4	25.6	25.6	25.7
Principal financial assumptions				
Rate of inflation - consumer price index (CPI)	3.0%	2.7%	3.4%	2.9%
Rate of increase in salaries	4.5%	4.2%	4.4%	3.9%
Rate of increase in pensions	3.0%	2.7%	3.4%	2.9%
Rate of pension accounts revaluation	3.0%	2.7%	0%	
Rate for discounting scheme liabilities	2.7%	2.1%	2.6%	1.9%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table below. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

Assumption	Imp	act of increas	se	Impact of decrease			
	Council	LPFA	Total	Council	LPFA	Total	
	£000	£000	£000	£000	£000	£000	
Present value of total obligation							
Longevity (+/- 1 year)	2,595,900	56,157	2,652,057	2,422,800	49,066	2,471,866	
Rate of increase in salaries (+/- 0.1%)	2,513,200	52,508	2,565,708	2,503,100	52,452	2,555,552	
Rate of increase in pensions (+/- 0.1%)	2,553,200	53,108	2,606,308	2,465,500	51,860	2,517,360	
Rate for discounting scheme liabilities (+/- 0.1%)	2,460,400	51,827	2,512,227	2,558,300	53,142	2,611,442	
Projected service cost							
Longevity (+/- 1 year)	80,700	280	80,980	74,400	256	74,656	
Rate of increase in salaries (+/- 0.1%)	77,500	268	77,768	77,500	267	77,767	
Rate of increase in pensions (+/- 0.1%)	80,200	272	80,472	74,900	262	75,162	
Rate for discounting scheme liabilities (+/- 0.1%)	74,900	262	75,162	80,200	273	80,473	

Impact on the council's cash flows

The objective of the schemes are to achieve a funding level of 100%, with funding levels monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022. The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £2,561m (£2,650m at 31 March 2021) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net liability of £408m (£688m at 31 March 2021). However, statutory arrangements for funding the deficit mean that the council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the actuaries.

As members of the Local Government Pension Scheme, both the council and LPFA schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government's Pension Scheme may not provide benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The anticipated service cost in 2021-22 is £77.5m for the council scheme and £0.3m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 19.5 years (19.5 years 2020-21) and 13 years for LPFA scheme members (13 years 2020-21).

38. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes (business rates and council tax) and government grants, do not give rise to financial instruments.

Financial liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets. The following categories of financial instrument liabilities are carried in the Balance Sheet:

All of the council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and the Mayors Energy Efficiency Fund
- short-term loans from other local authorities
- overdraft with the National Westminster Bank
- Private Finance Initiative contracts
- trade payables for goods and services received

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Long-term	Long-term	Short-term	Short-term
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
amortised cost	(702,471)	(683,989)	(199,180)	(207,370)
sed cost	-	-	(6,967)	(16,620)
s				
cost	(74,090)	(79,901)	-	-
amortised cost	(7,648)	(8,248)	(266,943)	(238,741)
sed cost	-	-	(6,582)	(6,582)
	(7,648)	(8,248)	(273,525)	(245,323)
	(784,209)	(772,138)	(479,672)	(469,313)

The total short-term borrowing includes £24.2m (£10.4m at 31 March 2021) representing accrued interest and principal payments due within 12 months on long-term borrowing.

The creditors lines in the balance sheet include £31.9m (£26.6m at 31 March 2021) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash or other instruments. The financial assets held by the council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) comprising:

- cash in hand and at bank
- certificates of deposit and covered bonds issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- loans made for service purposes
- lease receivables
- trade receivables for goods and services provided

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows and sell the instrument) comprising:

- bonds issued by banks, building societies, the UK Government, multilateral development banks and large companies that the council holds to sell if cash flow needs demand

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by three fund managers.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Long-term	Long-term	Short-term	Short-term
	31 March	31 March	31 March	31 March
	2022	2021	2022	2021
	£000	£000	£000	£000
Investments				
At fair value through other comprehensive income	19,994	29,597	86,156	76,072
At amortised cost	-	-	985	88
Total Investments	19,994	29,597	87,141	76,160
Cash and Cash Equivalents				
At fair value through profit and loss	-	-	54,419	38,992
Debtors				
Trade receivables at amortised cost	24,896	24,017	137,664	137,914
Total financial assets	44,890	53,614	279,224	253,066

Short-term debtors in the balance sheet include £55.3m (£95.9m at 31 March 2021) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

38. FINANCIAL INSTRUMENTS

Financial instruments – gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items.

			2021-22			2020-21				
	Financial Liabilities at amortised Cost	Financial Assets at amortised cost	Financial Assets at fair value through OCI	Financial Assets at fair value through P&L	Total	Financial Liabilities at Amortised Cost	Financial Assets at Amortised cost	Financial Assets at fair value through OCI	Financial assets at fair value through P&L	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense Other charges	29,812 7,395	-	-	-	29,812 7,395	29,825 406	-	-	-	29,825 406
Total expenses in surplus or deficit on the provision of services	37,207	-	-	-	37,207	30,231	-	-	-	30,231
Interest income	-	(3,507)	(356)	(55)	(3,918)	-	(2,944)	(442)	(13)	(3,399)
Total income in surplus or deficit on the provision of services	-	(3,507)	(356)	(55)	(3,918)	-	(2,944)	(442)	(13)	(3,399)
(Surplus) / deficit arising on revaluation of financial assets in other Comprehensive Income & Expenditure		-	452	-	452	-	-	(460)	-	(460)
Net (gain) / loss for year	37,207	(3,507)	96	(55)	33,741	30,231	(2,944)	(902)	(13)	26,372

39. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the council approves a treasury management strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The treasury management strategy includes an annual investment strategy in compliance with the Department of Levelling Up, Housing and Communities guidance on local government investments. The strategy emphasises that priority is given to security and liquidity, rather than yield. The council's treasury management strategy and its treasury management practices seek to achieve a suitable balance between risk and return on cost.

The council's treasury investments are primarily delegated to two external fund managers with an internal operation to manage short-term liquidity.

The main risks covered are:

- Credit risk: the possibility that the counterparty to a financial asset will fail to meet its contractual obligations causing a loss to the council
- Liquidity risk: the possibility that the council might not have the liquid assets available to make contracted payments on time
- Market risk: the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or asset prices

Credit risk - investments

The council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the treasury management strategy. These include commercial entities with a minimum long-term credit rating of A, the UK government, other local authorities, and organisations without credit ratings upon which the council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The council is able to utilise the expertise of external fund managers to seek to mitigate credit risk in the construction of a well diversified treasury portfolio. Limits are set on the amount of money that can be invested with a single counterparty (other than the UK government) and no more than 50% of total investments can be for a period longer than one year.

The council's exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

The maximum exposure to credit risk is represented by the sums held in investments. The maturity and ratings of investments held at 31 March 2022 is set out below:

	Α	AA	AAA	Total	Α	AA	AAA	Total
	£000	£000	£000	£000	%	%	%	%
Up to 1 year	50,189	27,898	63,474	141,561	31%	17%	39%	87%
1 - 2 years	3,099	4,419	6,533	14,051	2%	3%	4%	9%
2 - 5 years	3,558	-	2,385	5,943	2%	0%	2%	4%
Total investments	56,846	32,317	72,392	161,555	35%	20%	45%	100%

Credit risk - receivables

Trade receivables arise from the provision of goods and services and the carrying out of the council's functions. The credit quality of debtors is reflected in the level of the impairment allowance for trade debtors shown in note 5.

In the normal course of carrying out its operations, the council is exposed to the potential risk of default from individuals, firms and organisations that it deals with. Credit is assessed prior to being granted in commercial transactions, for example commercial rents. Debts arising are actively managed and collection targets are used to raise receipts. Debt outstanding is pursued and in appropriate cases further credit is suspended. A charge may be placed on property for debt, but the bulk of the exposure is unsecured and subject to credit risk and notably concentrated within the council's geographical boundary.

Liquidity risk

The council has access to long-term loan facilities from the Public Works Loans Board to fund maturing debt and capital financing requirements. Investment may also be realised for working capital requirements.

The council is exposed to the risk that refinancing of maturing debt may occur at times of unfavourable external borrowing rates. To mitigate this risk the council has a diversified debt maturity profile limiting the amount of debt required to be refinanced in the course of any one financial year.

The maturity analysis of principal sums borrowed is as follows:

	2021-22	2020-21
	£000	£000
Less than 1 year	193,279	209,418
Between 1 and 5 years	85,855	59,565
Between 5 and 10 years	79,029	66,609
Between 10 and 20 years	42,558	105,035
Over 20 years	495,361	445,361
Total	896,082	885,988

Market risk

The council has exposure to interest rate movements in its borrowing and investments.

Outstanding long-term council debt at 31 March 2022 is primarily from the PWLB with short-term borrowing from other local authorities. The debt is at fixed rates, with an average maturity of 29.5 years (21 years at 31 March 2021). The maturity profile of the debt is shown in the table above. The council may draw further loans from the PWLB if needed. A 1% rise in discount rates at Balance Sheet date would lower the fair value by £112m. As the debt is held at amortised cost there would be no impact on the Comprehensive Income and Expenditure Statement from such a change, unless the debt was extinguished. Legislation would then require a charge to be taken to the financial instruments adjustment account.

Investments are held in short-term deposits or certificate of deposits with major banks and building societies. Money is also held in money market funds, treasury bills and bonds, and investments of more than one year are usually held in UK government gilts or supranational banks.

The overall weighted average life of council's investments is 0.8 years. Within that, the weighted average life of investments measured at fair value through other comprehensive income is 0.7 years. A 1% change in discount rates on these investments would change the fair value by £0.9m and would be reflected in other comprehensive income or the surplus or deficit on the provision of services as appropriate.

40. FAIR VALUE - ASSETS AND LIABILITIES

Fair value - basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset or liability	Held on balance sheet as	Valuation hierarchy	Basis of Valuation	Observable and unobservable inputs
Market quoted investments (money market funds, equity funds, corporate, covered government bonds)	Fair value	1	Published bid market price ruling on the final day of the accounting period	Not required
Long-term loans from PWLB / MEEF	Amortised cost	2	Discounting of contractual cash flows over the remaining life of the instrument at an appropriate market rate	The attributable market derived discount rate for each individual loan
Lease Payable and PFI Liabilities	Amortised cost	2	Projected discounted future Unitary contractual payments	Payments determined by contractual agreement, discounted at an appropriate market derived corporate bond yield.
Investment Property	Fair value	2		
Assets held for sale	Fair value	2		
Surplus Assets	Fair value	2	Valued at Fair Value at year end by Head of Property, taking into account the characteristics of the assets, nature of the relevant market for those assets and behaviours of those participating in these markets, assuming the highest and best use for the asset. The valuations employ a market approach technique.	Quoted rents, yields etc. for comparable assets transacted in active markets, subject to adjustment as necessary in valuer's judgement to equate the evidence with the subject of the valuation.

The fair value of certain financial assets and liabilities including debtors and creditors is assumed to be approximate to the carrying amount.

Financial and non-financial assets and liabilities measured at fair value are classified in accordance with three levels as shown below:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 inputs - unobservable inputs for the asset

The following table provides an analysis of the financial liabilities grouped into the level at which fair value is observable:

	Fair value	31 Marci	h 2022	31 Marc	h 2021
	level	Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	(709,570)	(763,323)	(677,150)	(860,780)
Other long-term loans	2	(6,511)	(5,684)	(6,839)	(6,538)
Private finance initiative liabilities	2	(74,090)	(150,809)	(79,901)	(174,352)
Subtotal		(790,171)	(919,816)	(763,890)	(1,041,670)
Liabilities for which fair value is not disclosed		(505,585)		(504,185)	
Total financial liabilities		(1,295,756)		(1,268,075)	
Balance sheet:					
Short-term creditors		(305,399)		(271,947)	
Short-term borrowing		(199,180)		(207,370)	
Bank overdraft		(6,968)		(16,620)	
Long-term creditors		(7,648)		(8,248)	
Long-term borrowing		(702,471)		(683,989)	
Other long-term liabilities		(74,090)		(79,901)	
Total financial liabilities		(1,295,756)		(1,268,075)	

The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to be approximate to the carrying amount.

The following table provides an analysis of the financial assets grouped into the level at which fair value is observable:

	Fair value level	31 Marc	ch 2022	31 Mar	ch 2021
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial assets held at fair value					
Money market funds	1	54,420	54,420	38,992	38,992
Corporate, covered and government bonds	1	107,135	107,135	105,757	105,757
Subtotal		161,555	161,555	144,749	144,749
Assets for which fair value is not disclosed		217,905		257,817	
Total financial assets		379,460		402,566	
Recorded on balance sheet as:					
Short-term debtors		193,009		233,800	
Short-term investments		87,141		76,160	
Long-term debtors		24,896		24,017	
Long-term investments		19,994		29,597	
Cash and cash equivalents		54,420		38,992	
Total financial assets		379,460		402,566	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

SUPPLEMENTARY FINANCIAL STATEMENTS

2021-22

HOUSING REVENUE ACCOUNT

COLLECTION FUND

PENSION FUND

HOUSING REVENUE ACCOUNT 2021-22

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the account is prescribed by statute. The Housing Revenue Account is 'ring-fenced' and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

		2021-22	2020-21
	Note	£000	£000
Income		/	
Dwelling rents		(199,038)	(197,353)
Non-dwelling rents		(5,817)	(5,665)
Charges for services and facilities		(56,702)	(62,562)
Contributions towards expenditure		(2,963)	(3,146)
Total income		(264,520)	(268,726)
Expenditure			
Repairs and maintenance		56,452	54,116
Supervision and management		123,269	113,547
Rents, rates, taxes and other charges		10,743	9,137
Depreciation, impairment and revaluation losses of non-current assets	3	113,606	96,270
Debt management costs		264	329
Increase in provisions for bad debts		1,060	951
Revenue expenditure funded from capital under statute	4	-	4,832
Total expenditure		305,394	279,182
Net cost of HRA services as included in the whole authority Comprehensive Income and Expenditure Statement		40,874	10,456
HRA share of corporate and democratic core		1,106	1,106
Net cost of HRA services		41,980	11,562
Gains and losses on the sales of HRA non-current assets		(23,265)	(23,702)
Interest payable and similar charges		23,303	22,924
Interest and investment income		(2,472)	(2,198)
Income, expenditure and changes in the fair value of investment properties	14	(10,064)	10,386
Pensions interest cost and expected return on pensions assets		2,432	2,604
Capital grants and contributions receivable		(43,030)	(75,026)
Total (surplus)/deficit for the year		(11,116)	(53,450)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This is a reconciliation statement summarising the differences between the outturn on the HRA Income and Expenditure Statement and the HRA balance.

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources generated and used in the last twelve months. However, a number of items have to be included or removed from the HRA Income and Expenditure Statement to comply with the statutory requirements of accounting for the HRA.

	Note	2021-22	2020-21
		£000	£000
(Surplus)/deficit for the year on HRA services		(11,116)	(53,450)
Net additional amounts required by statute	5	13,332	48,116
(Increase)/decrease in the HRA balance		2,216	(5,334)
HRA balance brought forward		(28,346)	(23,012)
Balance carried forward	6	(26,130)	(28,346)

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

The Housing Revenue Account is a record of expenditure on, and income from, the provision of local authority housing, and the form and content of the account is prescribed by statute. The Housing Revenue Account is 'ringfenced' and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of Dwelling		Number of bedrooms			Total	Total	
		1	2	3+	Other	31 March 2022	31 March 2021
Houses and bungalows	31 March 2022	370	719	2,847	-	3,936	
	31 March 2021	378	720	2,838	-		3,936
Low rise flats	31 March 2022	2,781	614	365	-	3,760	
	31 March 2021	2,801	614	365	-		3,780
Medium rise flats	31 March 2022	6,559	7,125	6,142	-	19,826	
	31 March 2021	6,527	7,097	6,104	-		19,728
High rise flats	31 March 2022	2,673	4,653	1,712	-	9,038	
	31 March 2021	2,730	4,708	1,757	-		9,195
Non-permanent	31 March 2022	-	-	-	-	-	
	31 March 2021	-	-	-	-		-
Multi-occupied	31 March 2022	-	-	-	96	96	
	31 March 2021	-	-	-	279		279
TOTALS	31 March 2022	12,383	13,111	11,066	96	36,656	
	31 March 2021	12,436	13,139	11,064	279		36,918

In addition to the numbers shown in the table above, as at 31 March 2022 there were also 803 void properties (678 at 31 March 2021). These are mostly decanted properties within the major redevelopment projects currently underway; but whilst having been made secure, they have not yet been demolished.

The vacant possession value of buildings as at 31 March 2022 was £14.0bn (£13.9bn as at 31 March 2021). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

The further reduction of multi-occupied properties is the result of an on-going programme to decommission and redevelop hostels following a review of hostel accommodation commissioned in 2017.

3. DEPRECIATION, IMPAIRMENT AND REVALUATION LOSSES OF NON-CURRENT ASSETS

	2021-22	2020-21
	£000	£000
Dwellings depreciation	49,980	48,882
Other property depreciation	1,567	1,576
Revaluation losses on non-current assets	62,059	45,812
Total	113,606	96,270

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

REFCUS is a class of expenditure that may meet statutory definitions of capital expenditure, but is of a nature that is not consistent with the accounting standards definitions of additions to property, plant and equipment. Examples include expenditure incurred on assets that are not owned by the council, often referred to as a capital grant. Expenditure is charged to the Income and Expenditure Account as it arises, but is then charged to the capital adjustment account to be financed from capital resources. For the HRA this expenditure would include cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the council necessarily relocates tenants to other accommodation.

In 2021-22, no expenditure was incurred in the HRA as REFCUS (£4.832m in 2020-21).

5. MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE, NET ADDITIONAL AMOUNTS REQUIRED BY STATUTE

The following table shows Items included in the HRA Income and Expenditure Account but which are excluded from the movement on HRA balance for the year:

	2021-22	2020-21
	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	1,292	221
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(10)	(626)
Gain or loss on the sale of HRA non-current assets	23,265	23,702
HRA share of contributions to or from the pension reserve	(11,107)	(8,028)
Capital expenditure funded by the HRA	14,602	20,640
Transfer to/from the major repairs reserve	51,546	53,958
Transfer to/from the capital adjustment account	(66,256)	(41,751)
Net additional amount required by statute to be charged to the HRA	13,332	48,116

6. HRA BALANCE

HRA reserves at 31 March 2021 are £28.346m (£23.012m at 31 March 2020) and are allocated as follows:

	31 March 2022 £000	31 March 2021 £000
Modernisation, service and operational improvement reserve	(3,655)	(3,849)
Financial risk reserve	(22,475)	(24,497)
Total	(26,130)	(28,346)

The modernisation, service and operational improvement reserve of £3.6m comprises £0.6m for IT transformation, and £3.0m for investment in energy infrastructure.

The financial risk reserve, £22.5m, includes £7.5m contingency, broadly representing 2.3% of gross HRA revenue spend and housing investment programme spend. The reserve also provides £1.3m to self-insure against the risks of subsidence and significant fire damage to the council's housing stock, £1.0m heating account reserve, which represents the cumulative balance available to mitigate energy cost pressures and smooth heating charge volatility, £0.6m for estate parking and £5.6m relating to debt financing. There is also a residents participation reserve of £0.4m. The repairs and maintenance transition is £2.2m and the great estates reserve remains at £1.1m. In 2020-21 new reserves were created relating to service charges which has remained at £1.9m and a HRA operational reserve which has been reduced slightly to £0.1m.

7. MAJOR REPAIRS RESERVE

	2021-22	2020-21
	£000	£000
Balance 1 April	(3,500)	(2,268)
Transfers from the capital adjustment account	(51,546)	(50,458)
Transfer (from) / to the HRA	-	(3,500)
Financing of capital expenditure	55,046	52,726
Balance as at 31 March	-	(3,500)

8. CAPITAL EXPENDITURE AND FINANCING

	2021-22	2020-21
	£000	£000
Capital investment		
Non-current assets	210,751	210,549
REFCUS	-	4,832
Total	210,751	215,381
Funding source:		
Direct revenue contributions	14,602	20,640
Capital receipts	10,590	10,904
Government grants and other contributions	43,030	75,025
Major repairs reserve	55,046	52,726
Borrowing	87,483	56,086
Total	210,751	215,381

9. CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

	2021-22	2020-21
	£000	£000
Council dwellings		
Right to Buy	(25,027)	(15,129)
Non Right to Buy	-	(22,117)
Other receipts		
Land sales	(12,770)	(13)
Mortgages	(5)	(5)
Subtotal	(43,505)	(37,264)
Less: pooled (paid to central government)	4,266	4,267
Total	(39,239)	(32,997)

10. HOUSING TENANTS ACCOUNTS

	2021-22	2020-21
	£000	£000
Gross arrears as at 1 April	27,578	24,819
Prior year payments	(14,038)	(13,053)
Arrears as at 1 April	13,540	11,766
Charges due in the year	229,935	227,856
Rent rebates	(63,374)	(66,770)
Write-offs	(477)	(1,162)
Adjustments	(6,046)	(5,699)
Cash collected	(158,267)	(152,451)
Net arrears as at 31 March	15,311	13,540
Payments in advance	14,322	14,038
Gross arrears as at 31 March	29,633	27,578

The arrears position comprises all dwelling stock and non-residential properties, hostels and Browning Estate Management Board. It excludes temporary accommodation, i.e. bed and breakfast, private sector leasing, and travellers' sites, as these are General Fund services.

11. IMPAIRMENT OF DEBTORS

	2021-22	2020-21
	£000	£000
Rents	14,096	12,978
Income from hostels	1,423	1,304
Court costs	879	846
Commercial rents	3,665	3,150
Penalty charge notices and parking warrants	4,219	2,572
Total	24,282	20,850

12. PENSIONS COSTS

The HRA is charged with the costs of pensions for its employees in accordance with IAS 19. The costs are then reversed out of the HRA to the pension reserve. The values have no net effect on rents or other HRA income.

The apportionment of charges to the HRA under IAS 19 is based on the ratio of employer payroll costs incurred by the council for staff charged to the HRA against those employed for the council as a whole. This apportionment is also applied to actuarially assessed items such as pensions interest cost, the expected return on pension assets, and actuarial gains and losses.

	2021-22	2020-21
	£000	£000
Current service cost	8,675	5,423
Interest on pension scheme liabilities	2,432	2,604
Actuarial (gains)/losses	(57,431)	9,189
Total IAS 19 charges	(46,324)	17,216
Less pensions costs attributable to the HRA	6,447	6,263
Movement on the pension reserve	(39,877)	23,479

13. WATER CHARGES

In March 2016, the High Court (Chancery Division) found that the council had been overcharging a tenant for water supplies via Thames Water, contrary to the Water Resale Order 2006. Refunds to current and former tenants commenced in 2016-17, and the council made appropriate provision in its accounts for this purpose. This process has continued during subsequent years, with the amount provided for reduced accordingly. The balance on the water refund provision at 31 March 2022 was £1.1m.

Under the terms of the Water Resale Order 2006, the refunds are net of a daily administrative charge, but inclusive of interest at a rate determined by the regulations.

During 2021-22 the council received further legal advice to the effect that the refund process could be brought to a conclusion, both in terms of the interest period applied and the receipt of applications. Both elements remained in force as at 31 March 2022.

14. INCOME, EXPENDITURE AND CHANGES IN THE FAIR VALUE OF INVESTMENT PROPERTIES

This disclosure identifies expenditure, rental/investment income and changes in the fair value of HRA shops and other HRA assets classified on the balance sheet as investment properties.

The net gain included in the HRA Income and Expenditure Statement in 2021-22 is £10.064m compared to a net loss in 2020-21 of £10.386m. The major reason for the gain reported in 2021-22 is due to gently improving market conditions, with slightly stronger rents and yields on which our capital valuations are based.

COLLECTION FUND 2021-22

COLLECTION FUND

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates (NDR).

INCOME AND EXPENDITURE ACCOUNT

	Notes	Council tax	Business rates	Business rate supplement	2021-22	2020-21
		£000	£000	£000	£000	£000
Income						
Income from council tax	1	(164,664)			(164,664)	(150,926)
Transfer from the General Fund		(245)			(245)	(3,175)
Income from business rates	2		(249,280)		(249,280)	(224,183)
Transitional protection payments from DLUHC			(214)		(214)	(4,368)
Income from business rate supplement (BRS)	3			(7,640)	(7,640)	(6,969)
Contribution from preceptors towards previous years Collection Fund deficit		(4,833)	(107,808)		(112,641)	(26,127)
Total income		(169,742)	(357,302)	(7,640)	(534,684)	(415,748)
Expenditure						
Precepts and demands:						
Greater London Authority (GLA)		38,431			38,431	35,294
London borough of Southwark		123,024			123,024	117,849
Share of business rates:						
Greater London Authority (GLA)			119,163		119,163	124,970
London borough of Southwark			96,619		96,619	101,327
Department of Levelling Up, Housing and Communities (DLUHC)			106,280		106,280	111,460
Transitional protection payment to DLUHC					-	-
Cost of collection allowance (NDR)			773		773	769
Business rate supplement (BRS):	3					
Payment to GLA				7,625	7,625	6,953
Administrative costs				15	15	16
Council tax impairment of debts:						
Increase/(decrease) allowance for non-collection		2,079			2,079	994
Write-offs		2,311			2,311	3,384
NDR impairment of debts / appeals / refunds:						
Increase/(decrease) allowance for non-collection			999		999	7,581
Write-offs	5		318		318	1,084
Appeals / change in provision for alteration of VoA list and appeals			(4,053)		(4,053)	21,672
Contribution to preceptors towards previous years Collection Fund surplus	4				-	1,853
Total expenditure		165,845	320,099	7,640	493,584	535,206
Net (surplus)/deficit for the year		(3,897)	(37,202)	-	(41,100)	119,458
(Surplus)/deficit at 1 April		6,944	144,496	-	151,440	31,983
(Surplus)/deficit at 31 March	2	3,047	107,294	-	110,340	151,441

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council tax is a property-based tax, which is assessed on the value of residential property. For this purpose, the Valuation Office Agency (VoA) has set residential properties into eight valuation bands (A to H) using estimated market value at 1 April 1991. The council tax charges are calculated by estimating the amount of income required from the Collection Fund by the council and preceptors for the forthcoming year, and dividing this by the council tax base, which is the estimated total number of properties liable to tax, expressed as a band D equivalent.

In 2021-22 the estimated income required from all preceptors for the Collection Fund was £161.5m (2020-21 £153.1m). The amount of council tax for a band D property was £1,527.80 in 2021-22 inclusive of the GLA precept (2020-21 £1,440.88) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2021-22 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 105,678. The table below shows how the council tax base was set and the resulting band D council tax.

Band	Estimated number of properties after discounts		Ratio	Equivalent num prope	
	2021-22	2020-21		2021-22	2020-21
Α	7,469	7,666	6/9	4,979	5,110
В	26,361	26,416	7/9	20,503	20,546
С	27,223	27,342	8/9	24,198	24,304
D	21,629	21,721	9/9	21,629	21,721
E	16,032	16,185	11/9	19,594	19,782
F	6,378	6,431	13/9	9,212	9,289
G	4,225	4,241	15/9	7,041	7,068
Н	783	763	18/9	1,566	1,526
Total	110,100	110,765		108,722	109,346
Less adjustment for collection rate				(3,044)	(3,062)
Council tax base for year	105,678	106,284			
Estimated income required from Coll	£ 161,454,848	£ 153,142,490			
Band D council tax				£ 1,527.80	£ 1,440.88

The in year movement on the council tax Collection Fund surplus of £3.9m was largely due to factors related to the easing of the Covid-19 pandemic, with a higher level of income generating an in year surplus. At the year-end, the volume of write-offs was £2.3m and an increase in the allowance for non collection by £2m. The council tax position is a cumulative deficit of £3.0m for 2021-22 (2020-21 £6.9m).

2. NON-DOMESTIC RATES

Non-domestic rates (NDR), known as business rates are collected from local businesses by the council. From 1 April 2013 the business rates retention scheme was introduced nationally.

For 2021-22, the regulations meant the council could retain 30% business rates income, with the remainder allocated to the Greater London Authority at 37% and the Department of Levelling Up, Housing and Communities (DLUHC) 33%.

Business rates are based on local rateable values set by the Valuation Office Agency (VoA) and a multiplier set by central government (DLUHC). The non-domestic rating multiplier and the small business non-domestic rating multiplier for England in 2021-22 were:

- non-domestic rating multiplier 51.2p, (2020-21 51.2p)
- small business non-domestic rating multiplier 49.9p, (2020-21 49.9p)

Local businesses pay NDR calculated by multiplying their rateable value (RV) by the appropriate multiplier and subtracting any relevant reliefs. The total VoA rateable value in Southwark at 31 March 2022 was £757.2m (at 31 March 2021 £770.9m).

An NDR cumulative deficit of £107.3 million has arisen in the Collection Fund for 2021-22 (2020-21 £144.5m deficit), mainly due to the continuing financial consequences of the impact of Covid-19 pandemic. The government supported certain types of businesses with 100% relief from business rates. The NNDR3 in year deficit of £70.6m can be accounted for due to lower levels of NDR income, an increase in reliefs, write-offs £0.3m, and an increase in bad debt provision by £1m offset by a decrease in appeals provisions of £4.1m. Notes 7 and 8 explain how the Collection Fund NNDR3 in year deficit is partially met by government grants.

In 2020-21 the council had membership of the London boroughs 67% business rates retention scheme, a business rates pooling arrangement, with a no detriment / no worse-off clause for being a member. At 31 March 2022 the council has incurred an additional cost of £1.3m due to the draft 2020-21 overall London deficit position; there was also a deficit of £1.7m paid by Southwark council to the London pool in 2020-21, with final pool NNDR3 results being available later in the autumn 2022. No levy was payable by the council as a result of membership of the London business rates pool. For 2021-22, Southwark council is not part of a business rates pool.

3. BUSINESS RATE SUPPLEMENT

Business rate supplements (BRS) are collected from local businesses by the council, on behalf of the GLA for the Crossrail project in London. For 2021-22, the levy remains set at 2p per pound of rateable value (RV), (unchanged since its inception in 2010) on non-domestic properties with a rateable value greater than £70,000. The last rateable value change from £55,000 to £70,000 occurred in 2016-17.

4. CONTRIBUTION TO / FROM PRECEPTORS OF THE PREVIOUS YEAR'S ESTIMATED COLLECTION FUND SURPLUS / DEFICIT

As a billing authority, the council is required to make an estimate of the surplus or deficit for the Collection Fund; for council tax by the 15 January and for non-domestic rates by 31 January each year. The estimated surplus or deficit is used in setting the council tax for the following year, by reducing council tax if there is a surplus or increasing council tax if there is a deficit. In January 2021, the council estimated an accumulated collection fund deficit balance of £112.6m for 2020-21, (council tax £4.8m deficit and NDR £107.8m deficit), as follows:

	Council tax	Business rates	Total
	£000	£000	£000
(Surplus) / deficit as at 31 March 2020	(1,853)	26,127	24,274
Estimated (surplus) / deficit for 2020-21	6,686	81,681	88,367
Estimated (surplus) / deficit as at 31 March 2021	4,833	107,808	112,641

The estimated surplus for council tax was apportioned between the council and the GLA based on their respective demands and precepts on the Collection Fund and the estimated surplus for business rates was apportioned between the council, the GLA and DLUHC as follows:

Authority	Overall %	Council tax	Overall % (2020-21 / 2019-20)	Business rates	Total
		£000	%	£000	£000
Southwark council	76.95%	3,719	30% / 48%	33,095	36,814
Greater London Authority (GLA)	23.05%	1,114	37% / 27%	39,471	40,585
Department of Levelling Up, Housing and Communities (DLUHC)			33% / 25%	35,242	35,242
Estimated (surplus) / deficit for 2020-21 redistributed in 2021-22		4,833		107,808	112,641

5. PROVISION FOR ALTERATION OF LISTS AND APPEALS

The introduction of the business rates retention scheme in 2013 allows the council to retain a share of any growth in non-domestic rates (NDR) income, but also transfers some of the risks of losses.

As at 31 March 2022, 43 appeals cases remain unsettled and outstanding with the VoA. Following the 2017 revaluation, a check, challenge, and appeals policy was introduced by central government to reform the business rates appeals system applicable to the new rating list effective on 1 April 2017. The check and challenge system is designed to make the business rates appeals assessment and application process more stringent to reduce the level of unsubstantiated appeals lodged with the VoA.

The provision for alteration of lists and appeals as at 31 March 2022 is £36.2m (£40.3m at 31 March 2021), a decrease of £4.1m based on consideration of recent case law, potential unlodged appeals cases and other factors including check and challenge cases information from the VoA - Southwark council's share being £10.9m.

Share of provision	Southwark council	GLA	DLUHC	Total
	30%	37%	33%	100%
	£m	£m	£m	£m
2021-22	(10.9)	(13.4)	(11.9)	(36.2)
2020-21	(12.1)	(14.9)	(13.3)	(40.3)

6. COVID-19 ADDITIONAL RELIEF FUND (CARF) AND COUNCIL TAX ENERGY REBATE

As part of its Covid-19 funding for local government, the government distributed the Covid-19 Additional Relief Fund (CARF) to Southwark council for awarding to business rate payers as a relief on their business rates bills. The total CARF grant received in 2021-22 was £18.6m which was accounted for as a creditor receipt in advance and plans are to award the CARF relief in 2022-23, funded by the grant.

The £150 per household council tax energy rebate totalling £17.4m was accounted for in 2021-22 as receipt in advance for 2022-23 and is being successfully distributed to Southwark residents in accordance with council bands A-D eligibility criteria by the council from between April to 30 September 2022.

	£m
Covid-19 Additional Relief Fund (CARF)	(18.6)
Council tax energy rebate	(17.4)

7. SECTION 31 GRANTS FOR IN YEAR NON DOMESTIC RATES COLLECTION FUND DEFICIT

During 2021-22, in relation to the second year of the Covid-19 pandemic, the council forecast Covid-19 non-domestic rates (NDR) discretionary reliefs of £53.3m for expanded retail reliefs and £0.6m for nursery reliefs, funded by the government through section 31 grants. £53.9m of grant was received on account, of which £38.9m is now due back to DLUHC to cover their and GLA's share to reconcile the grant received with the actual final entitlement for Southwark council. The Southwark council share of section 31 grant of £15m is accounted for in the general fund (not Collection Fund) and has been set aside in an earmarked reserve to carry forward and apply against the 2021-22 Collection Fund deficit in the general fund in 2022-23 in accordance with regulatory requirements.

	Grant received	Grant due	Reconciliation
	£m	£m	£m
Expanded retail discount grant	(53.3)	(14.8)	(38.5)
Nursery discount grant	(0.6)	(0.2)	(0.4)
Total	(53.9)	(15.0)	(38.9)

Regulations requiring 2020-21 Collection Fund in year deficits to be spread over three years came into force in December 2020.

PENSION FUND 2021-22

LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT Restated

Note 2021-22 2020-21

I UND ACCOUNT					Restateu
	Note	202	1-22	2020	0-21
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	6	(62,851)		(60,237)	
Transfers in from other pension funds	7	(8,419)		(9,475)	
Subtotal			(71,270)		(69,712)
Benefits	8	65,135		61,446	
Payments to and on account of leavers	9	6,915		6,134	
Subtotal			72,050		67,580
Net reduction/(addition) from dealing with members of the fund			780		(2,132)
Management expenses	10		8,973		7,699
Net additions including fund management expenses			9,753		5,567
Returns on investments					
Investment income	11	(7,425)		(10,036)	
Taxes on income	11	2,058		539	
Profit and losses on disposal of investments and changes in market value of investments	12a	(181,118)		(363,153)	
Net return on investments			(186,485)		(372,650)
Net (increase)/decrease in the net assets					
available for benefits during the year			(176,732)		(367,083)
Opening net assets of the scheme			(1,948,624)		(1,581,541)
Net assets of the scheme available to fund benefits as at 31 March			(2,125,356)		(1,948,624)

NET ASSETS STATEMENT

Restated

		31 March	31 March
	Note	2022	2021
		£000	£000
Long Term Investments		150	150
Investment assets	12	2,102,141	1,930,820
Total Net Investments		2,102,291	1,930,970
Current assets	13	28,223	21,824
Current liabilities	13	(5,158)	(4,170)
Net assets of the scheme available to fund benefits as at 31 March		2,125,356	1,948,624

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The estimated actuarial present value of promised retirement benefits is disclosed at note 19.

NOTES TO THE PENSION FUND STATEMENTS

1. INTRODUCTION

The Pension Fund (the fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Southwark Council (the council).

The following description of the fund is a summary only. For more detail, reference should be made to the pension fund annual report and the underlying statutory powers underpinning the scheme, namely the Public Service Pension Act 2013 and the LGPS Regulations.

a) General

The scheme is governed by the Public Service Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

It is a contributory defined benefit scheme that provides pensions and other benefits for former employees of the council and other admitted organisations.

The overall investment strategy is the responsibility of the council as the administering authority of the fund. This responsibility is delegated to the Strategic Director of Finance and Governance, taking account of the advice of the pensions advisory panel. In line with the provisions of the Public Services Pensions Act 2013, the council has set up a local pension board to assist the council in its role as scheme manager of the Pension Fund. The board meets on a quarterly basis and has its own terms of reference. Board members are independent of the pensions advisory panel.

b) Membership

Membership of LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the fund include:

- Scheduled bodies, which are largely academies and similar bodies whose staff are automatically entitled to be members of the fund
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of participating organisations and their contributions for the financial year is included within the pension fund annual report. This is available from the council website.

	31 March 2022	31 March 2021
Number of contributors to the fund	6,995	7,126
Number of contributors and dependants receiving allowances	8,167	7,988
Number of contributors who have deferred their pensions	10,067	9,883
Total contributors	25,229	24,997

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2019. For the 2021-22 financial year primary employer contribution rates ranged from 7.3% to 18.4% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014 the scheme became a career average scheme.

	Service pre 1 April 2008	Service post 31 March 2008	From 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is accrued at 1/49 of pensionable pay for the year
	Automatic lump sum of 3 x pension.	No automatic lump s	sum.
Lump sum	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given	free cash payment. A lump sum of £12 is paid for each £ pension given up.	

In June 2020 the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing of pension uplifts due to a payroll issue. The issue was resolved and all increases and arrears were paid in July 2021

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2021-22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account - Revenue Recognition

a) Contributions income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. The employer payroll contribution percentage rates are set by the fund based on advice of the fund actuary. Employee rates are set in Regulations.

Deficit funding contributions as advised by the fund actuary are accounted for on an accruals basis.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Scheme Regulations. Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset. Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and or losses during the year.

d) Fund account - benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Fund account - taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff costs of pensions administration are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net Asset Statement

g) Financial assets

Investment assets are included in the net assets statement on a fair value or amortised cost basis as at the reporting date. Cash held by fund managers and the funds own cash are at amortised cost.

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 13. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

Property assets have been included in the accounts at fair value as at 31 March each year. The valuation of direct property managed by Nuveen is carried out annually by an independent valuer.

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

The fund recognises financial liabilities at fair value or amortised cost as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

I) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 19).

m) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts but are disclosed as a note (note 6).

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. There were no such critical judgements made during 2021-22.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as indicated in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	 an 0.1% change in the discount rate would be +/- £51m an 0.1% change in the rate at which salaries are projected to increase would be +/- £5m
Freehold and leasehold property and pooled property	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 3.6% would be an increase or decrease in the value of property of £12m, on a fair value of £323m.

6. CONTRIBUTIONS RECEIVABLE

Contributions represent the total amount receivable from employees and employers of the scheme.

		1 /		,		
		2021-22			2020-21	
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
ark council	(13,422)	(43,435)	(56,857)	(12,463)	(42,334)	(54,797)
bodies	(243)	(736)	(979)	(315)	(884)	(1,199)
lled bodies	(1,365)	(3,650)	(5,015)	(1,229)	(3,012)	(4,241)
	(15,030)	(47,821)	(62,851)	(14,007)	(46,230)	(60,237)

Contributions receivable from employers are shown below:

	2021-22	2020-21
	£000	£000
Normal	(33,732)	(36,416)
Early retirement strain	(3,422)	(2,221)
Deficit funding	(10,667)	(7,593)
Total contributions from employers	(47,821)	(46,230)
Contributions from employees	(15,030)	(14,007)
Total	(62,851)	(60,237)

During 2021-22 employees made additional voluntary contributions (AVCs) of £0.2m (£0.3m in 2020-21). The value of the AVCs at 31 March 2022 was £3.6m (£3.6m at 31 March 2021).

7. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

	2021-22 £000	2020-21 £000
Individual transfers	(8,419)	(9,475)
Total	(8,419)	(9,475)

8. BENEFITS PAYABLE

The table below shows the types of benefit payable by category:

	2021-22	2020-21
	£000	£000
Pensions	53,130	53,003
Commutation of pensions and lump sum retirement benefits	9,588	7,147
Lump sums - death benefits	2,417	1,296
Total	65,135	61,446

The table below shows the total benefits payable grouped by entities:

	2021-22	2020-21
	£000	£000
Southwark council	61,941	58,722
Admitted bodies	2,316	2,106
Scheduled bodies	878	618
Total	65,135	61,446

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2021-22 £000	2020-21 £000
Refund of contributions	263	121
Individual transfers out to other schemes	6,652	6,013
Total	6,915	6,134

10. MANAGEMENT EXPENSES

Restated

	2021-22 £000	2020-21 £000
Administrative costs	1,891	3,690
Investment and management expenses	6,531	3,522
Oversight and governance costs	551	487
Total	8,973	7,699

The 2021-22 fee for external audit services for the pension fund is £21K (£36K in 2020-21). Revised fees for both 2019-20 and 2020-21 are as agreed with the external auditor and the Public Sector Audit Appointments Ltd (PSAA).

The Pension Fund incurred expenses of £0.9m in relation to services provided by the council during 2021-22 (£0.9m during 2020-21).

The table below provides an analysis of investment and management expenses by asset class.

Restated

		2021-22			2020-21	. 10010100
	Fees	Transaction costs	Total	Fees	Transaction costs	Total
	£000	£000	£000	£000	£000	£000
Fixed Income	303	-	303	465	-	465
Equity	2,228	16	2,244	1,373	-	1,373
Private Equity	1,701	534	2,235	-	-	-
Property	1,114	-	1,114	1,199	214	1,413
Infrastructure	152	-	152	159	-	159
Other	125	258	383	-	-	-
Sub-Total	5,623	808	6,431	3,196	214	3,410
Custody costs			100			112
Total			6,531			3,522

Performance fees in 2021-22 were nil (nil in 2020-21).

11. INVESTMENT INCOME

Restated 2021-22 2020-21 £000 £000 Dividends from equities (4,171)(4,278)Pooled funds (849)(523)Pooled property funds (650)(538)Net rent from properties (6,072)(4,675)Interest on cash deposits (22)Debtor adjustments 4,317 Total before taxes (7,425)(10,036)Taxes on income 2,058 539 **Total after taxes** (5,367)(9,497)

11a. PROPERTY INCOME

	2021-22 £000	2020-21 £000
Rental Income	(7,950)	(7,814)
Direct operating expenses	1,878	3,139
Net rent from properties	(6,072)	(4,675)

12. INVESTMENT ASSETS

Restated 31 March 31 March 2022 2021 £000 £000 **Long Term Investments** Equities 150 150 150 Total 150 **Investment Assets Equities** 256,900 233,525 **Pooled Funds** Fixed Income 132,310 135,739 **Equities** 480,221 256,004 **Diversified Growth** 191,389 192,740 Property 92,879 67,784 Infrastructure 96,403 41,248 Private Equity 28,123 Other 73,407 **Unitised Insurance Policy** Fixed Income 180,108 159,852 **Equities** 651,065 335,240 **Property** 230,600 187,470 Other investment balances 4,561 5,393 **Total Investment Assets** 2,102,141 1,930,820 **Net Investments** 2,102,291 1,930,970

12a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The table below shows the movement in investment assets and the change in market value for the year:

		Purchases	Sales	Change in market value	31 March 2022
	£000	£000	£000	£000	£000
Equities	233,525	144,070	(145,490)	24,795	256,900
Pooled funds	625,731	618,057	(286,529)	44,594	1,001,853
Pooled property funds	67,784	21,802	(857)	4,150	92,879
Unitised insurance policy	810,917	12,119	(381,343)	73,655	515,348
Property	187,470	9,226	-	33,904	230,600
	1,925,427	805,274	(814,219)	181,098	2,097,580
Other investment balances	5,393			20	4,561
Total	1,930,820			181,118	2,102,141

Restated

	Opening balance £000	Purchase £000	Sales £000	Change in market value £000	31 March 2021 £000
Bonds	6,177	8,731	(14,642)	(266)	-
Equity	165,920	54,707	(48,963)	61,861	233,525
Pooled funds	494,070	19,208	(5,828)	118,281	625,731
Pooled property funds	56,420	17,765	(5,403)	(998)	67,784
Unitised insurance policy	626,535	11,563	(15,902)	188,721	810,917
Property	189,550	2,012	(120)	(3,972)	187,470
Derivatives	222	1,051	(799)	(474)	-
	1,538,894	115,037	(91,657)	363,153	1,925,427
Other investment balances	2,524			-	5,393
Total	1,541,418			363,153	1,930,820

The Pension Fund does not hold derivatives as a main asset class, but they are used by Newton Investment Management, the council's active equity fund manager, to hedge the currency risk of holding global equities. The currency forward contracts are traded over the counter.

The valuation of direct property managed by Nuveen is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation took place on 31 March 2022. All properties have been valued at market value.

The investment strategy statement can be accessed on the council's website.

12b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets (excluding cash and other investment balances) managed by the investment managers at the balance sheet date 31 March 2022 is set out in the table below. The fund has no investment assets managed by the regional asset pool, the London Collective Investment Vehicle (LCIV).

Restated

	31 Marc	31 March 2022		n 2021
	£000	%	£000	%
BlackRock	843,247	41%	852,375	44%
Legal and General Investment Managers	427,128	21%	546,514	27%
Newton Investment Management	256,898	13%	233,526	11%
Nuveen	234,299	11%	189,772	13%
Comgest	97,913	5%	-	0%
Temporis	50,054	2%	23,818	1%
M&G	42,927	2%	22,421	1%
Invesco	31,432	1%	30,271	1%
BTG Pactual	30,380	1%	-	0%
Blackstone	28,123	1%	-	0%
Darwin	20,428	1%	-	0%
Glennmont	19,930	1%	13,940	1%
Frogmore	8,011	0%	7,365	1%
Brockton Capital	6,810	0%	5,425	0%
Total	2,097,580	100%	1,925,427	100%

The following investments represent more than 5% of investment assets at 31 March 2022.

Name of investment	Fund manager	31 March 2022	% of investment assets	31 March 2021	% of investment assets
		£000	%	£000	%
Low Carbon Target	BlackRock	382,308	18%	167,117	9%
Low Carbon Target	Legal and General	335,240	16%	365,710	19%
Diversified Growth Fund	BlackRock	191,389	9%	192,740	9%
Absolute Return Bond Fund	BlackRock	132,310	6%	135,739	7%
US Equity Fund	BlackRock	-	-	107,691	6%

12c. PROPERTY HOLDINGS

	31 March 2022 £000	31 March 2021 £000
Opening balance	187,470	189,550
Additions:		
Purchases	7,130	-
Subsequent expenditure	2,096	2,012
Disposals	-	(120)
Net increase in market value	33,904	(3,972)
Closing Balance	230,600	187,470

13. CURRENT ASSETS AND LIABILITIES

The current assets of the fund are analysed as follows:

Restated

	31 March 2022 £000	31 March 2021 £000
Contribution due from employers	3,642	5,789
Other current assets	300	280
Tax	26	-
Cash at managers	13,705	10,568
Cash and bank	10,550	5,187
Total	28,223	21,824

The current liabilities of the fund are analysed as follows:

	31 March	31 March
	2022	2021
	£000	£000
Benefits	(6)	-
Professional fees	(131)	(1,964)
Investment fees	(4,391)	(1,518)
Taxes	(558)	(687)
Other	(72)	(1)
Total	(5,158)	(4,170)

14. RELATED PARTY TRANSACTIONS

The Pension Fund is required to disclose details of its financial relationship with related third parties. This has been defined as relationships that might materially prevent the fund from pursuing its separate interests or that might allow the fund to prevent another party from pursuing its interests independently, with material effect for the fund.

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 21-22 (£0.9m in 2020-21). Management of the Pension Fund is the responsibility of the council's Strategic Director of Finance and Governance and a small proportion of the costs of this post were apportioned to the fund in 2021-22 and 2020-21.

No officers' remuneration is paid directly by the fund; costs are instead recovered as part of the costs disclosed in note 10.

The pension advisory panel (PAP) offers advice to the Strategic Director of Finance and Governance. Councillor members of the PAP make an annual declaration of their interests which is available on the council's website.

The council is also the single largest employer of members of the Pension Fund and contributed £43.4m to the fund in 2021-22 (£42.3m in 2020-21).

15. FAIR VALUE HIERARCHY

The valuation of financial instruments has been classified into three levels in accordance with IFRS 13, according to the quality and reliability of information used to determine fair values.

Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 are those where at least one input that could have a significant effect on the instruments valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled Investments - property unit trusts and limited partnerships	Level 3	Valued at fair value as provided by the fund manager.	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Unitised Insurance Policies	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

The following table shows the fair value valuation hierarchy of fund assets and liabilities.

Value as at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	256,900	150	-	257,050
Pooled Funds				
Fixed Income	-	132,310	-	132,310
Equities	-	480,221	-	480,221
Diversified Growth	-	191,389	-	191,389
Property	-	-	92,879	92,879
Infrastructure	-	20,428	75,975	96,403
Private Equity	-	-	28,123	28,123
Other	-	43,027	30,380	73,407
Unitised Insurance Policy				
Fixed Income	-	180,108	-	180,108
Equities	-	335,240	-	335,240
Total Financial Assets	256,900	1,382,873	227,357	1,867,130
Non-financial assets at fair value through profit and loss				
Property	-	-	230,600	230,600
Grand Total	256,900	1,382,873	457,957	2,097,730

Value as at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	233,375	150	-	233,525
Pooled Funds				
Fixed Income	-	135,739	-	135,739
Equities	-	256,004	-	256,004
Diversified Growth	-	192,740	-	192,740
Property	-	-	67,784	67,784
Infrastructure	-	-	41,248	41,248
Unitised Insurance Policy				
Fixed Income	-	159,852	-	159,852
Equities	-	651,065	-	651,065
Total Financial Assets	233,375	1,395,550	109,032	1,737,957
Non-financial assets at fair value through profit and loss				
Property	-	-	187,470	187,470
Total	233,375	1,395,550	296,502	1,925,427

The following table shows the reconciliation of fair value measurements within level 3.

	Opening balance £000	Purchase £000	Sales £000		Unrealised gain/(loss) £000	31 March 2022 £000
Financial assets at fair value throug	h profit and	loss				
Pooled Funds						
Property	67,784	21,801	(857)	184	3,966	92,878
Infrastructure	41,248	42,360	(11,498)	225	3,641	75,976
Private Equity	-	29,078	(1,283)	(146)	474	28,123
Other	-	29,532	-	-	848	30,380
Non-financial assets at fair value thr	ough profit	and loss				
Property	187,470	9,226	-	-	33,904	230,600
Total	296,502	131,997	(13,638)	263	42,833	457,957
	Opening				Unrealised	31 March
	balance	Purchase			gain/(loss)	2021
	£000	£000	£000	£000	£000	£000
Financial assets at fair value throug	h profit and	loss				
Pooled Funds						
Property	74,988	17,765	(5,403)	3,005	(, ,	86,352
Infrastructure	31,803	10,549	(2,030)	(260)	1,186	41,248
Non-Financial assets at fair value th	rough profit	and loss				
	189,550	2,012	(120)	93	(4,065)	187,470
Property	109,550	_,0	, ,			
, ,	,	,	, í			
Property Total	296,341	30,326	(7,553)	2,838	(6,882)	315,070

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2022	Assessed valuation range	Valuation as at 31 March 2022 £000	Value on increase	Value on decrease
Pooled Funds				
Property	3.6%	92,878	96,222	89,534
Infrastructure	3.2%	75,976	78,407	73,545
Private Equity	3.2%	28,123	29,023	27,223
Other	3.2%	30,380	31,352	29,408
Property	3.6%	230,600	238,902	222,298
Total		457,957	473,906	442,008

16. FINANCIAL INSTRUMENTS

The following table shows the classification of the Pension Fund's financial instruments:

	31 March 2022 £000	31 March 2021 £000
Financial assets		
Fair value through profit and loss		
Equities	257,050	233,525
Pooled Investments	1,001,853	625,731
Pooled Property Investments	92,879	67,784
Unitised Insurance Policy	515,348	810,917
Amortised cost		
Cash	24,255	15,755
Other Investment Balances	4,561	5,393
Debtors	300	280
Total	1,896,246	1,759,385
Financial liabilities		
Amortised cost		
Creditors	(4,522)	(3,482)
Net Total	1,891,724	1,755,903

17. CONTINGENT LIABILITIES AND CONTRACTUAL ARRANGEMENTS

Outstanding capital commitments (investments) at 31 March 2022 totalled £101.6m (31 March 2021: £65.6m).

These commitments relate to outstanding call payments due on property and infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

The Pension Fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Strategic Director of Finance and Governance advised by the pensions advisory panel. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All security investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Potential price changes are determined based on historical data and volatility of asset class returns. For example, 'riskier' assets such as equities will display greater potential volatility than bonds. The following table demonstrates the change in the net assets available to pay benefits, if the market price had increased or decreased. In consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible:

2021-22 - asset type	31 March 2022	Change	Value on increase	Value on decrease
,	£000	%	£000	£000
Fixed Income	312,418	5.4%	329,289	295,547
Equities	1,072,511	13.0%	1,211,937	933,085
Diversified Growth	191,389	6.3%	203,447	179,331
Property	92,879	3.6%	96,223	89,535
Infrastructure	96,403	3.2%	99,488	93,318
Private Equity	28,123	3.2%	29,023	27,223
Other	73,407	3.2%	75,756	71,058
Total	1,867,130		2,045,162	1,689,098

2020-21 - asset type	31 March 2021 £000	Change %	Value on increase £000	Value on decrease £000
Fixed Income	295,591	5.8%	312,735	278,447
Equities	1,140,744	13.2%	1,291,322	990,166
Diversified Growth	192,740	6.0%	204,304	181,176
Property	67,784	2.2%	69,275	66,293
Infrastructure	41,248	3.0%	42,485	40,011
Total	1,738,107		1,920,123	1,556,091

The potential changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table above.

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Fixed interest securities are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%:

Assets exposed to interest rate risks	Market value £000	Value on 1% rate increase £000	Value on 1% rate decrease £000
As at 31 March 2022	312,418	315,542	309,294
As at 31 March 2021	295,591	298,547	292,635

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

The fund's currency risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 7.3% strengthening or weakening of the pound against foreign currencies.

			Value on	Value on
			foreign	foreign
Access avenaged to assumence wield	Value	Change	exchange	exchange
Assets exposed to currency risk			rate	rate
			increase	decrease
	£000	%	£000	£000
As at 31 March 2022	638,721	7.3%	685,348	592,094
As at 31 March 2021	519,270	6.1%	550,945	487,595

Credit risk

This is the risk the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. For example a stock may lose value or a dividend due may not be paid. The fund's entire investment portfolio is therefore exposed to some form of credit risk. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund has set out a series of restrictions in each investment manager's agreement. These restrictions are intended to limit the risks from each individual investment and prevent unsuitable investment activity. The Fund also employs a global custodian to ensure that all transactions are settled in a timely manner.

Liquidity risk

This is the risk that the Pension Fund may not have the funds available to meet payments as they fall due. Historically the Fund has been cash positive (i.e. contributions received have been greater than benefits paid out). However, in recent years this has reversed with benefits paid now surpassing contributions received. The reduction in active members and a resulting change in the membership profile have increased the liquidity risk of the Fund going forward.

The Fund currently has two bank accounts. One is held by the global custodian and holds cash relating to investment activities, the other is the Pension Fund bank account, which holds the cash relating to member activities.

There is a strategy in place to forecast all income and expenditure for the Fund to ensure that sufficient funds will be made available to meet short-term commitments. In the event that there are insufficient available assets to meet liabilities when they fall due, the Fund would be able to redeem investment assets and recall cash resources from investment managers at short notice to meet this requirement.

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

IAS 26 (retirement benefit plans) requires the 'actuarial present value of promised retirement benefits' to be disclosed in the Pension Fund Accounts using the most recent actuarial valuation. The fund was last valued as at 31 March 2019.

	31 March	31 March
	2019	2016
	£m	£m
Fair value of net assets	1,642	1,256
Actuarial present value of promised retirement benefits	(2,192)	(1,671)
Surplus/(deficit) in the fund as measured for IAS 26	(550)	(415)

20. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2022

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

- 1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £1,642.0m) covering 103% of the liabilities allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay, and for other membership for future pension revaluation and increases.
- 2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
 - 18.3% p.a. of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

an allowance of 1.5% p.a. of pensionable pay for McCloud and Cost Management - see paragraph 9 below,

Less

- 1.5% p.a. of pensionable pay to remove surplus, over a recovery period of 20 years from 1 April 2020 (which together with the allowance above for McCloud and Cost Management comprises the secondary rate).
- 3. In practice, each individual employer's or group of employers' position is assessed separately taking into account other factors (see note 4 below) and contributions are set out in Aon's report dated 30 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities such as those arising from early retirements and ill-health retirements will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2020	21.8	0.03
2021	21.6	-
2022	21.1	-

- 4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate and stepping of contribution changes and grouping of employer contributions as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).
- 5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	4.05% p.a.
Discount rate for periods after leaving service	4.05% p.a.
Rate of pay increases	3.60% p.a.
Rate of increase to pension accounts	2.10% p.a.
(in excess of Guaranteed Minimum Pension)	2.10% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2 Heavy mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a long-term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	20.7	23.5
Future pensioners aged 45 at the valuation date	22.5	25.4

- 7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.
- 8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 30 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

Increases to Guaranteed Minimum Pensions (GMPs):

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer-term solution to achieve equalisation for GMPs as required by the High Court Judgement in the Lloyds Bank case. The response set out its proposed longer-term solution, which is to extend the interim solution further to those reaching SPA after 1 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer-term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

Cost Management Process and McCloud judgement

Initial results from the Scheme Advisory Board (SAB) 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS due to this judgement was issued in July 2020.

On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 1.5% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the details of the LGPS changes arising from the McCloud judgement and (if applicable) arising from the 2016 cost management process have been finalised .

Goodwin

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details the context and limits of the actuarial valuation.

Aon does not accept any responsibility or liability to any party other than our client, the London Borough of Southwark, the Administering Authority of the Fund, in respect of this Statement.

11. The report on the actuarial valuation as at 31 March 2019 is available on request from the London Borough of Southwark, the Administering Authority of the Fund.

Aon Hewitt Limited May 2022

21. POST BALANCE SHEET EVENTS

No such material events have occurred.

GLOSSARY

ACCOUNTING STANDARDS

These are the 'proper accounting practices' that the council must follow. They comprise laws and regulations, which are set out in Acts of Parliament and in codes of practice recommended by professional bodies.

ACCRUAL

An accounting principle where income and expenditure is recognised as it is earned or spent rather than when money is received or paid. This concept is reflected in the accounts by the inclusion of debtors and creditors.

ACTUARIAL GAINS AND LOSSES

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations or the actuarial assumptions have changed.

AMORTISED COST

A way of measuring financial instruments that ignores changes in fair value. Defined as the amount at which a financial instrument is measured when it is first brought onto the Balance Sheet, adjusted for:

- repayments of principal (minus), and
- cumulative amortisation of any difference between the initial amount and the maturity amount (using the effective interest method) (plus or minus).

These differences might arise (e.g.) from transaction costs being set off against the principal amount of a loan or interest being payable at less than market rates.

ASSFT

An item having value to the council in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the council and to the services it provides for a period of more than one year and may
 be tangible e.g. a community centre, or intangible, e.g. computer software licences.

BALANCES (OR RESERVES)

These represent accumulated funds available to the council. Some balances (reserves) may be earmarked for specific purposes for funding future initiatives or meeting identified risks or liabilities. There are a number of unusable reserves which are established for technical purposes, it is not possible to utilise these to provide services.

BUDGET

A forecast of the council's planned expenditure and income, either over a set period or for a specific project.

CAPITAL ADJUSTMENT ACCOUNT

An account recording financing and disposals transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

CARRYING AMOUNT

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses

CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CAPITAL EXPENDITURE

Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

CAPITAL FINANCING

Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)

The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

CAPITALISATION

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

CIPEA

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

CAPITAL RECEIPTS

Income received from the sale of land, buildings and other capital assets. These can be used to finance new capital expenditure within rules and limits set by the government, but they cannot be used to finance day to day spending.

COLLECTION FUND

This is a statutory account, which records income and expenditure on council tax, National Non Domestic Rates and the sums paid to precepting authorities.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control.

CONTINGENT LIABILITY

A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control; or

A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CONTRACT ASSET

An asset arising from a contract for the purchase of goods and/or services from the council, where the council has met some of its performance obligations but is not yet entitled unconditionally to receive payment.

CONTRACT LIABILITY

A liability arising from a contract for the purchase of goods and/or services from the council, where the council has received payment but has yet to meet the performance obligations relating to that payment.

COUNCIL TAX

The main source of local taxation to local authorities. It is levied on households within the council's area and the proceeds are paid into the Collection Fund for distribution to precepting authorities and to the council's own General Fund.

CREDIT LOSSES

A measure of how much the council would lose if the amounts owed to it by debtors and borrowers are not repaid. Defined as the shortfall between all the cash flows that are due contractually to the council under a financial asset and those that it actually expects to receive (discounted using the investment's effective interest rate).

CREDITORS

Amounts owed by the council for goods and services received but not paid for as at 31 March.

CURRENT SERVICE COST

An estimate of the true economic cost of employing people in a financial year.

DEBTORS

Amounts owed to the council for goods and services provided but where the associated income was not received as at 31 March.

DEFERRED CAPITAL RECEIPTS

These represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

DEFINED BENEFIT SHEME

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

DEFINED CONTRIBUTION SCHEME

A pension or other retirement benefit scheme into which an employer pays regular fixed contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

DEPRECIATION

A measure of the cost of the economic benefits of the tangible non-current assets consumed during the period.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EXPECTED CREDIT LOSSES

Weighted average of credit losses with the respective risks of a default occurring as the weights.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable.

FAIR VAI UF

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the council's income as they arise but only when the investment matures or is sold. Defined as financial assets:

- held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments,
- which have the form of a basic lending arrangement (ie, contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS

Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

FINANCE AND OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FINANCIAL ASSET

A financial asset is any asset that is:

- a) cash
- b) an equity instrument of another entity
- c) a contractual right:
- i) to receive cash or another financial asset from another entity, or
- ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the authority
- d) a contract that will or may be settled in the entity's own equity instruments and is:
- i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
- ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Note: in practice d) is not applicable to local authorities as they do not issue equity instruments. However, it may apply to an authority's group accounts.

FINANCIAL INSTRUMENT

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

GENERAL FUND

This is the main revenue account of the council and includes the net cost of all services (except council housing) financed by local taxpayers and government grants.

HOUSING REVENUE ACCOUNT (HRA)

This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the council's housing stock. Under the Local Government and Housing Act 1989, this account is kept separate from the General Fund and the account must balance. The council is not allowed to make up any deficit in the HRA from the General Fund.

IAS19 EMPLOYEE BENEFITS

International Accounting Standard 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

IMPAIRMENT

A reduction in the value of a non-current asset, greater than normal depreciation, through economic consumption or through a fall in price.

INFRASTRUCTURE ASSETS

A classification of non-current assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

INTANGIBLE ASSETS

Non-financial assets that do not have physical substance but are identifiable and are controlled by the council, for example, purchased software licences, patents and trademarks.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS.

INVESTMENT PROPERTIES

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

LEVIES

Payments to levying bodies such as the London Pension Fund Authority, Lee Valley Park Authority and Environment agency. The cost of these bodies is borne by local authorities in the area concerned, based on their council tax base and is met from the General Fund.

LOSS ALLOWANCE

An allowance made by setting funds aside to cover the expected credit losses calculated for a financial asset.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the council on behalf of itself, the greater London Authority (GLA) and central government.

NET BOOK VALUE

The amount at which non-current assets are include in the balance sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.

NET REALISABLE VALUE

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NON OPERATIONAL ASSETS

Non-current assets held by the council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

Refer to finance and operating leases.

OPERATIONAL ASSETS

Non-current assets held, occupied, used or consumed by the council in the direct delivery of its services.

PERFORMANCE OBLIGATION

A promise in a contract with a service recipient for the council to deliver goods and/or services.

PRIVATE FINANCE INITIATIVE (PFI)

A government initiative that enables authorities to carry out capital projects through partnership with the private sector.

PRFCFPT

These are demands made upon the Collection Fund, by the Greater London Authority (GLA), for monies which it requires to finance the services it provides.

PROVISIONS

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure that is not related to the council's non-current assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Comprehensive Income and Expenditure Statement as it arises.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests: or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.
- the parties, or any member of a group of which it is a part, provides key management personnel services to the other, or to the parent of the other, reporting entity.

RELATED PARTY TRANSATION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made.

REVENUE EXPENDITURE

Day to day payments on the running of council services such as salaries and wages, operating costs and charges for the use of assets

REVENUE SUPPORT GRANT (RSG)

A grant paid by central government in aid of local authority services in general as opposed to specific grants that may only be used for specific purposes.

SERVICE RECIPIENT

A person or an organisation that has contracted with the council (as part of the council's normal business) to obtain goods and/or services in return for payment (or in exchange of goods/services to the council).

TRANSACTION PRICE

The amount the council expects to be entitled to under contract in exchange for transferring promised goods and/or services to a service recipient.

USEFUL LIFE

The period over which the council will derive benefits from the use of a fixed asset.

WRITE-OFFS

Income is recorded in the council's accounts on the basis of amounts due. When money owing to the council cannot be collected the income is already showing in the accounts and has to be reduced or written off.

APPENDIX 1

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SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2021-22

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Item No. 11.	Classification: Open	Date: 17 October 2022	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual Governance Statement 2021-22	
Ward(s) or groups affected:		d: All	
		Strategic Director of Finance and Governance	

RECOMMENDATION

1. That the audit, governance and standards committee approve the Annual Governance Statement (AGS) 2021-22 as attached at Appendix 1.

BACKGROUND INFORMATION

- The Accounts and Audit Regulations 2015 require that the annual governance statement be presented to and approved by an appropriate committee of the council. Under the constitution, the audit, governance and standards committee is the body that formally receives the annual governance statement.
- 3. The 2015 Regulations require the annual governance statement to accompany the signed and dated accounts and to be approved at the same time as the statement of accounts. The draft annual governance statement for 2021-22 was reviewed by audit, governance and standards committee in July 2022. Formal approval of the statement is now sought.
- 4. Following this approval, the annual governance statement should be signed by the most senior member of the council and most senior officer, who are the leader of the council and the chief executive.

KEY ISSUES FOR CONSIDERATION

- 5. Every year, each local authority is required by law to conduct a review of the effectiveness of its system of internal control and to publish a statement reporting on the review, the annual governance statement, with its financial statements. The draft statement, this year, has included consideration of the impact on council services of the coronavirus pandemic.
- 6. The annual governance statement is therefore a mandatory statement that recognises, records and publishes the council's governance arrangements as defined in the CIPFA/SOLACE framework for good governance in local authorities. It reflects how the council conducts its business, both internally and in its dealings with others. Its objective is to provide assurance on the effectiveness of the corporate governance arrangements and to identify significant governance issues requiring management action.

- 7. The draft AGS has been circulated to strategic directors. An early draft was considered by the corporate governance panel (CGP) in April 2022 and a final draft agreed by the Panel in August 2022.
- 8. The statement is produced following a review of the council's governance arrangements and system of internal control. The review consists of an evaluation of the council's governance arrangements against the best practice described in the CIPFA guidelines. This includes an assessment of the systems and processes for:
 - establishing the council's principal statutory obligations and organisational objectives and applying the six CIPFA/SOLACE core principles of good governance
 - identifying the principal risks to the achievement of the council's objectives
 - identifying and evaluating key controls to manage the council's principal risks
 - obtaining assurances on the effectiveness of key controls.
- 9. The statement has also been reviewed by Grant Thornton, the council's external auditor.

Community, equalities (including socio-economic) and health impacts

Community impact statement

10. This report and the accompanying annual governance statement are not considered to have a direct impact on local people and communities. However, good governance arrangements are important to the delivery of local services and to the achievement of outcomes.

Equalities (including socio-economic) impact statement

11. This report is not considered to contain any proposals that would have a significant equalities impact.

Health impact statement

12. This report is not considered to contain any proposals that would have a significant health impact.

Climate change implications

13. This report is not considered to contain any proposals that would have a significant impact on climate change.

Resource implications

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

Consultation

15. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

16. None required.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Financial and Information	Finance and Governance,	Geraldine
Governance files	Second Floor, Tooley Street	Chadwick

APPENDICES

No.	Title
Appendix 1	Annual Governance Statement 2021-22

Audit Trail

Lead Officer	Duncan Whitfield,	Strategic Director of F	inance and		
	Governance				
Report Author	Geraldine Chadw	ick, Interim Technical A	Accountant		
Version	Final				
Dated	5 October 2022				
Key Decision?	No				
CONSULTAT	ION WITH OTHER	OFFICERS / DIRECT	ORATES /		
	CABINET	MEMBER			
Office	r Title	Comments Sought	Comments included		
Director of Law a	nd Democracy	No	N/A		
Strategic Director of		N/A	N/A		
Finance and Governance					
Cabinet Member N/A		N/A			
Date final report sent to Constitutional Support					
Services					

Appendix 1

Annual Governance Statement 2021-22

Introduction and acknowledgement of responsibility

- 1.1 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. To achieve this the council has to ensure that they have a governance framework that supports a culture of transparent decision making.
- 1.2 The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, 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

2.1 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 arrangements

- 3.1 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 council has a separate code of governance, which is consistent with the principles of the CIPFA/SoLACE framework (2016). This is updated each year and evidence actively collated and assessed for compliance. Compliance with the code will be reported to the audit governance and standards committee in September 2022.
- 3.2 The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report' Addressing cultural and governance failings in local authorities: lessons from recent interventions'.
- 3.3 For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust internal challenge through strengthening audit committees and internal challenge.
- 3.4 The diagram below highlights the value an audit committee can add across an organisation.



Source: Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018)

3.5 'The CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, to improve the financial resilience of organisations by embedding enhanced standards of financial management. Although the implementation of the FM Code was mandatory only from 2021-22, the

council assessed compliance with the Code a year before this, in 2020-21, to ensure full compliance in 2021-22.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2022 and up to the date of the approval for the statement of accounts. Table 2 outlines the governance framework.

Table 2 – Overview of the council's governance framework

Council, Cabinet and Leader

- Provide leadership, approve the budget, develop and set policy
- Approve the constitution which sets out how the council operates
- Agree borough plan priorities, developed in consultation with residents and stakeholders

Decision making

- All decisions made in compliance with law and council constitution
- Meetings have either been held in public or access has been arranged for the public to attend virtual meetings
- Decisions are recorded on the council website

Scrutiny and review

- Scrutiny commissions review council policy and can challenge decisions
- Audit, governance and standards committee reviews governance and promotes and maintains high standards of conduct by councillors

Risk Management

- Risk management strategy ensures proper management of risks
- Risk registers identify both strategic and operational risks

Chief Officers Team

- 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 Governance 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.

Constitution and Committees

- 3.7. The <u>Council Assembly</u> 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 leader, Councillor Kieron Williams was appointed in September 2020.
- 3.8 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.
- 3.9 The overview and scrutiny committee and its scrutiny commissions 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.
- 3.10 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
- 3.11 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.

Borough Plan

- 3.12 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 **Borough 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 borough 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.
- 3.13 The Borough Plan is a key reference tool for the Fairer Future medium term financial strategy 2022-23 to 2026-27 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. The Borough Plan for the period to May 2022 was approved by council assembly in November 2020. A new Borough Plan to 2030 will be developed over 2022-23. In addition, a Council Delivery Plan to 2026, setting out specifically what the Council will deliver, is expected to be agreed in September 2022.

3.14 From the Borough 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.

Performance, Policies, Risk and Financial Arrangements

- 3.15 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.
- 3.16 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.
- 3.17 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.
- 3.18 The council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2016). 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.
- 3.19 The council's assurance arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Head of Internal Audit in Public Service Organisations" (2019). 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.
- 3.20 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.) manages 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.

Review of effectiveness

- 4.1 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.
- 4.2 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.
- 4.3 The key elements of the review of effectiveness are:
- 4.3.1 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.
- 4.3.2 An annual self-assessment and management assurance statement signed by strategic directors, confirming that the Code of Conduct, Financial Standing Orders and Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.
- 4.3.3 The audit executive opinion to members on the adequacy and effectiveness of the internal control system, the council's risk management and governance process. Due to the Covid-19 pandemic, audits that were delayed in 2020-21 were rescheduled so that the plan could be rolled forward to the first quarter of 2021-22. All work relating to the 2020-21 plan has been completed and was reported to the audit governance and standards committee in November 2022.
- 4.3.4 The opinion based on the draft annual audit report 2021-22 provides an overall assurance of moderate. This denotes that the overall audit work conducted significantly meets expectations and provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review.
- 4.3.5 Internal audits have strengthened local and corporate wide arrangements. The council's improvement plan has been further embedded to enhance the risk management arrangements.
- 4.3.6 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.

- 4.3.7 The audit, governance and standards (AGS) committee is independent and separate from the scrutiny function delivery through the Oversight and Scrutiny Committee and from the decision making committees. The audit committee provides an oversight on a range of core governance and accountability arrangements.
- 4.3.8 The annual report on the corporate risk register and risk management arrangements which were presented to the 7 February 2022, audit, governance and standards committee for discussion. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Each department reviews their risk registers on a quarterly basis. Each risk is accompanied by a mitigation setting out the controls in place to manage risk. The total number of risks has seen a very slight decrease since 2020-21. The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require most proactive management actions to control and mitigate these risks. The high level risks highlighted in January 2022 were:
 - Post pandemic recovery
 - Cyber security, IT, Data Information management
 - Acute socio- economic factors
 - Welfare reform
 - Medium term financial planning
 - Transformation and major projects
 - Legal and regulatory- Government policy
 - Unforeseen Major event
 - Asset management
 - Failure of key provider
 - Climate emergency
 - Fraud
 - Health and Safety
- 4.3.9 The AGS committee formal review of their performance. The February 2022 meeting concluded that the work programme in place had enabled the committee to carry out its functions effectively. The committee had continued to ask questions and raise issues on matters before it, in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it had resulted in increased focus on the implementation of action plans. In particular, through the 2021-22 work programme, Members were able to be assured that:-
 - (i) the council's system of risk management was adequate to identify risk and to allow the council to understand the appropriate management of those risks;
 - (ii) there were no areas of significant duplication or omission in the systems of governance in the council that have come to the committee's attention and not been adequately resolved.

- 4.3.10 Departmental governance conversations. In 21-22, the AGS committee invited Strategic Directors and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' have provided details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed Members to discuss and challenge particular governance issues.
- 4.3.11 Review of governance issues in other councils. In June 2021, the committee received a report on the 'public interest reports' which brought to their attention the grant Thornton report 'lessons from recent Public Interest reports' which summarised the findings from the Public Interest reports (PIRs) at Nottingham City Council, LB Croydon, and Northampton Borough Council. The report suggested that in all cases there was a lack of challenge and scrutiny and recommended a establishing a healthy management culture, which can be achieved by compliance with the CIPFA FM code and have a clear strategy of maintaining adequate reserves
- 4.3.12 The review of compliance with the CIPFA FM Code 2021-22. The purpose of the code is to provide a strong foundation to manage financial resilience, to meet unforeseen demands on services and to manage unexpected shocks in financial circumstances. Although implementation was not compulsory in 2020-21, the council reviewed compliance a year early, as the impact of the Covid-19 pandemic provided an example of an unexpected financial shock that tested the financial resilience of the council.
- 4.3.13 Review of the council's financial sustainability. The council reviewed sustainability against the CIPFA financial resilience index over 2 years scoring as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year.

Assurance statement

- 5.1 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.
- 5.2 The council has been impacted for a second year by the coronavirus pandemic, issues relating to the pandemic are raised in the 'Governance issues' section and have been highlighted in the 'Areas of Significant Change' section.

Governance issues

Governance issues highlighted in 2020-21

6.1 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.

- 6.2 There was a continued focus on the following significant governance issues highlighted last year:
 - 6.2.1 The nature of the council's business activities means that there are ongoing information governance risks, including cyber security and IT network security, which continues to require careful management, particularly in the context of the IT shared service arrangements. The audit, governance and standards committee requested an update on the Shared Technology Services (STS) governance arrangements in November 2021. The committee received assurance on the Inter Authority Agreement and 'Major Incident' processes that are in place in the event of a significant technical failure or outage.
 - 6.2.3 The commitment to ensure Southwark is carbon neutral by 2030. The council has delivered a climate change strategy and action plan and continues to invest substantial resources in projects that contribute to this key priority, including the commitment to build energy efficient new homes, to provide efficient heating systems in council homes, to plant trees and to improve air quality.
 - 6.2.4 The continued management rigour in ensuring strong and effective governance of the council's ambitious housing delivery programmes, including the regeneration programme.
 - 6.2.5 The funding of local government after years of austerity and the uncertainty around funding from 2023-24 due to a lack of a multi year settlement continue to subject the council to considerable risk. An update on the council's medium term financial strategy together with further analysis of the impact on the council of Covid 19 was presented to cabinet and council assembly in February 2022.
- 6.3. An external review of the Waste & Cleaning Service was undertaken by the Association of Public Service Excellence during 2021/22. This review provided a number of recommendations around the provision of in-house cleaning services to improve cost effectiveness and management of services.

Impact of the Covid-19 pandemic in 2021-22

- Specifically highlighted in the 2020-21 Annual Governance Statement was the impact on council services of the Covid-19 pandemic. This continued to be a significant risk throughout 2021-22, but key governance processes and functions have been maintained and have been found to be robust over the past two years during the Covid-19 pandemic.
- 6.5 The impact of the Covid-19 pandemic continued to be the most significant governance event for all council departments. To ensure full transparency, the financial impact of the Covid 19 pandemic have been brought to every audit, governance and standards (AGS) committee since July 2020.
- 6.6 Emergency response arrangements to plan and manage our Covid response were stood down in February 2022. This followed agreement by government to lift remaining restrictions and move forward with their 'Living with Covid' planning document. The council continues to monitor the impact of Covid and acting on the advice of the Director of Public Health, will stand up emergency response arrangements in the event of a significant variation in the impact of the virus on the borough's residents and services.

- 6.7 In order to protect Southwark's residents, Public Health established strong outbreak prevention control measures such as local testing facilities including targeted 'surge' testing for 'Variants of Concern', local contact tracing, a response centre for outbreaks and incident management and community prevention schemes such as community health ambassadors. The impact of the pandemic on Southwark's population was reviewed using national and local surveillance data to identify lessons to inform the development of actions and policies with regard to tackling health inequalities and Black Lives Matter.
- 6.8 The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. These meeting have reverted to being in person from May 2021, which has required careful planning to resume 'some kind of normality' but with social distancing and safe ways of working continuing to be in place.
- Additional demands were made on IT systems and staff with most office based staff continued to work remotely throughout 2021-22. Ways of working were adapted across all functions to learn from the benefits (and limitations) created by the pandemic. No service has been detrimentally impacted in terms of delivery of priority outcomes in line with the Borough Plan. In 2022-23, further changes will be made to working patterns as the council plans to gradually bring all staff back to the office for part of the week to facilitate efficient team working. This will need to be carefully managed.
- 6.10. The council has continued to tailor service provision and resources to vulnerable residents, support local businesses and communities as well as maintaining essential services. A needs assessment was carried out on food poverty to inform the development of a network of food insecurity measures such as food banks, community larders and holiday hunger programmes. The Southwark Emergency Support Scheme will continue into 2022-23 with a renewed focus on supporting vulnerable residents through the cost of living crisis.
- 6.11 Environmental Regulatory Services worked with residents and businesses to engage, support and enforce social distancing and covid-safe workplaces. And highways and network management teams implemented street space initiatives or Low Traffic Neighbourhoods (LTNs). These programmes have been in accordance with the council's contract standing orders, financial regulations and scheme of management and have been reviewed by independent consultants, approved by Cabinet, and included an extensive consultation process with all stakeholders inclusive of protected characteristic groups and ethnic minorities.
- 6.12 The pandemic and the resultant imposition of lockdowns have had a fundamental impact on the operation and financial performance of the council's leisure facilities. Income reduced and financial support was required to keep the facilities open. The council continues to prioritise the health and wellbeing of Southwark residents. In September 2021, Cabinet approved the in-sourcing of the council's leisure facilities which will take place in June 2023. This decision and the overall process presents many opportunities for the council and its residents but also presents significant concomitant financial risk, particularly in the post-Covid leisure environment. The council recognises this risk and over 2022-23, while the council prepares the process of in-sourcing, it will manage this

through the departmental revenue monitoring process and through presentation of progress reports to cabinet.

6.13 But despite all these challenges and adaptations in 2021-22, the council has continued to maintain consistent essential services for residents. The council's strong collaborative approach has continued to be effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The continued ability of the council to adapt and change to the changes in the pandemic have added assurance to the effectiveness of the council's business continuity plans, communications strategy and governance arrangements.

The risks moving forward have been detailed in the Areas of Significant Change.

Areas of significant change

7.1 The council also faces a number of areas of significant change that will require consideration and action as appropriate in 2022-23 and the medium-term. Significant issues identified include:

Impact of Coronavirus pandemic on council services 2022-23

- 7.2 The covid pandemic has seen a large disruption to the economy, which in turn, impacted on council communities, services and finances. The government's plan 'Covid-19 response: Living with Covid' outlines the government's plan for living with covid. It aims to remove regulations and restrictions and replace this with public health measures and guidance. The council will face new challenges deciding what services continue virtually, which return to face to face, and which are delivered through a hybrid or alternative approach.
- 7.3 To reflect the easing of restrictions, as per the government's roadmap, Covid council wide emergency response arrangements and associated meetings ceased from February 2022. Looking forward, all decisions will be made in line with the Council's normal governance and decision making processes.
- 7.4 The council received £11 million to support the ongoing financial impact of the pandemic. This was to support the extra costs that were expected between April and June 2021. No further general funding was received in 2021-22, and it has been confirmed by central government that no further 'Covid specific' funding will be received in 2022-23.
- 7.5 Southwark Stands Together (SST) affirms our commitment and pledge as a council to tackle inequality in our workforce and communities and has therefore been embedded into our practices to ensure that equality, diversity and inclusion (EDI) is treated as a business critical issue. Our leaders have a responsibility to engage with our workforce to adopt a positive action approach to achieve sustainable improvements in the EDI space. The pandemic has highlighted the increased risk to many of our vulnerable employees who may be more likely to suffer from adverse impacts should they contract the virus. We continue to work with our public health colleagues to increase awareness and take up of the vaccine particularly in hesitant communities where take up is low.
- 7.6 SST remains a priority for our workforce as we embed the outcomes of the programme into business as usual. However, there will be on-going oversight of progress around EDI which is being

monitored by our Chief Officer Team. This will ensure that we continue to improve the experience of our Black, Asian and ethnic minority colleagues to eliminate discriminatory practices across the council whilst we to continue protect the health and well-being of our workforce through the adoption of anti-racist interventions and strategies.

Other significant changes in 2022-23

- 7.7 A new Chief Executive, Althea Loderick, was appointed by the Council Assembly on 23 March 2022. She will start in May 2022, which together with the changes resulting from the local council elections on 5 May 2022 represent a significant change to the leadership and management of the council. Given these changes, the audit plan has been agreed for 6 months in 2022-23 with an indicative strategic plan for the latter six months of 2022-23 and for 2023-24. This will be extended to include 2024-25 when the full internal audit plan for 2022-23 is prepared.
- 7.8 The council has embarked on a comprehensive programme of induction for new (and returning) Members to ensure they have a good understanding of the council's governance programme and to maintain high standards of conduct They will be inducted into their roles in council business, decision-making and how to be effective councillors when exercising their community leadership role.

Economic uncertainties

- 7.9 The specific uncertainties in the funding of local government are exacerbated by high current levels of inflation. ONS data puts inflation at 7% in the 12 months to March 2022, the highest since 1992. The Bank of England rate in June 2022 was higher at 9.1%. There has been significant price volatility during the pandemic due to disruption in global supply chains and currently the economy is facing a period of high energy prices, due to depleted gas storage supplies in Europe and a shortage of supply due to the war between Ukraine and Russia, which is the key driver of the recent increases in inflation. Despite the government announcing measures to respond to high energy prices, inflation is still expected to increase more quickly than post tax incomes. And higher inflation rates will have a higher proportionate impact on poorer households, as energy will account for a higher share of their budget.
- 7.10 Recent changes to Universal Credit also mean that many benefit claimants will be worse off. The £20 a week increase, brought in to help recipients whose income suffered as a result of the pandemic, ended in September 2021. The Institute of Government suggest that even with changes to in-work benefits, three quarters of households on Universal Credit are set to receive less from April 2022 than in the previous year. And for recipients who do not work at all, they will lose the entire Covid uplift, amounting to £1,040 a year.
- 7.11 The tax increases announced at the Spring Statement 2022 were larger (as a share of national income) than those announced in any year since 1993. The income tax personal allowance and higher rate threshold were frozen for four years from April 2022, instead of increasing in line with inflation as planned. The Institute for Fiscal Studies (IFS) has calculated that wages would need to increase by 9% in April to prevent real post-tax wages from falling.

- 7.12 Inflation and tax increases are contributing to a 'cost of living crisis' as real income falls as a combination of high inflation outstrips wage increases and post April 2022 tax increases have squeezed incomes for many households. The increase in the cost of living will impact disproportionately on the most vulnerable residents, as reductions in disposable income is likely to increase food poverty. In the 2022-23 budget, the council has allocated additional resources to support those facing food poverty. The council will have to create a future strategy to support the vulnerable over the longer term.
- 7.13 High levels of inflation will also reduce the spending power of councils. Council revenue through council tax collection and rent payments and other sales, fees and charges may deteriorate as households face competing demands on their income. It will potentially exacerbate the funding crisis in local government.

Council Budget

- 7.14 The post pandemic landscape though not yet fully understood will continue to test financial governance arrangements and risk mitigation strategies. Despite the promise of additional funding for local government in the medium term, additional resources were only allocated for 2022-23 and mainly targeted towards the changes in adult social care. As expected, the council had to use the flexibility offered by the government to support adult social care through a precept equivalent to 2%, (on the basis that these additional funds will be used exclusively for adult social care) and to set a 1.99% increase in council tax for 2022-23 to protect vital frontline services. But there remains continued financial uncertainty regarding government funding of local government beyond 2022-23, as a result of the lack of a multi-year settlement and potential changes to the way local government is funded.
- 7.15 The council budget for 2022-23 has been based on robust and realistic assumptions and have been subjected to intense budget challenge from council members. However, the uncertainties of the economic environment, the fact we are awaiting a multi-year settlement, the scale of the expenditure reductions faced over the last decade and the growing demands on services, mean that there are still significant risks facing the authority. To mitigate this risk, the budget challenge process will continue to start early in 2022-23 to ensure that there is time to consider options to manage future service and funding risks. A Budget Recovery Board has been established to closely monitor areas where spending has been significantly higher than budgets in 2020-21. These include:
- The costs of temporary accommodation as budgets overspent by £6m in 2021-22.
- The Dedicated Schools Grant (DSG) with a £22m deficit due to significant unfunded pressures on high needs at the end of 2021-22.

Assessing Risk

- 7.16 The review of the compliance with the FM code in Southwark included reviewing financial sustainability against the CIPFA Financial Resilience Index over the previous two years. The council scored as 'low risk' on the reserve sustainability measure and 'extremely low risk' regarding the change in reserves year on year. The council will need to maintain reserves as additional and significant revenue pressures emerge. The use of General Reserves, the Financial Risk Reserve, the Business Rate Retention Risk Reserve and other reserves all form part of the mitigation strategy against future financial risks
- 7.17 The corporate risk register has been updated to include economic risks including the risk of inflation and the impact of welfare reform. This has the potential to increase demand for council services such as social care, welfare support and housing creating pressure on budgets. Budget commitments to fund these pressures to ensure service sustainability amounts to £14m in 2022-23.

Changes to council services

- 7.18 The Health and Care Act will establish statutory Integrated Care Boards and Integrated Care partnerships bringing together community health and commissioning functions and strengthening partnerships between the NHS and local government. The reforms aim to create a more integrated system that can provide longer term focus on improving population health and reducing inequalities. The council are reviewing the changes in practice and cultures that will underpin a more collaborative integrated system and prioritise equalities in access to and outcomes of healthcare for Southwark residents.
- 7.19 The council will undergo an Ofsted inspection in 2022. The previous inspection undertaken by Ofsted was in 2020 during the pandemic, the overall view was that there was an impressive council response to support children's well being and that young people continue to be safeguarded. The report noted that the areas for improvement were already known to senior managers and plans were in place to address these. These findings will be considered again at the 2022 inspection.
- 7.20 The government set out its new plan for adult social care reform which included a lifetime cap on the amount anyone will need to spend on their personal care alongside a more generous meanstest for local authority support. This will be a significant long term change for local authorities where funding from the levy is uncertain and may not cover the costs of implementation, creating a financial risk to the council and to providers of care.
- 7.21 The Southwark housing strategy has been updated to reflect changes to the Borough Plan and the New Southwark plan and plans to deliver 11,000 new council homes by 2043 (of which 2,500 delivered or started on site by March 2022); with all new homes to be carbon zero. It is a long term strategy where additional funding will be required and the council will seek to work with partners and lobby central government to bring in this additional funding in the long term.
- 7.22 The council will have to prepare for the future building safety requirements arising from the Dame Judith Hackitt review and the Grenfell inquiry recommendation. This will change how fire and building safety is managed. Keeping residents safe is a key priority, but resourcing the new requirements will be a particular challenge. New procedures will be required to ensure information is recorded and shared as required, and shared with the various new safety bodies being setup.

7.23 The Climate Emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming. The Council has published a Climate Emergency strategy setting out how the council will become carbon neutral by 2030, and committed an additional £0.5m to establish a Climate Emergency Team. The challenges will include times where the council's priorities may conflict with each other, for example, the cheapest way to improve homes or build new homes may not be the most environmentally friendly, therefore good governance will be essential to help identify the best solutions to these types of problems.

7.24 There will need to be robust governance in the shared IT service, to ensure the right balance of accessible electronic information and services is maintained with the imperative to ensure the council is 'cyber-secure', so that confidential information and vital services are not compromised.

7.25 Although council performance remains strong, a significant proportion of councils are experiencing the challenges in recruiting and retaining essential staff. Uncompetitive pay has been cited as the most common reason as local government pay scales become less attractive in inflationary periods. And the previous benefits of local authority employment (work/life balance) are being more widely on offer outside of local government. The council will have to ensure that retention and recruitment of professional and experienced staff, the implementation of a 'Smart' working programme, introducing new spaces, technology and ways of working are prioritised. This will be essential to support the ambitious council capital programme and to drive through the commitments in the Borough Plan. Interim management arrangements are in place within Human Resources and Organisational Transformation with service recovery planning in place to address vacancies and capacity gaps. This will be reviewed by the new Chief Executive following her arrival in May 2022.

Conclusion

8.1 The council has been hugely impacted by the Covid-19 pandemic for a second year. Governance arrangements have again been tested but have found to be robust and resilient in 2021-22. The recovery from the pandemic will continue to pose a threat to economic recovery, which is currently being exacerbated by the cost of living crisis which will impact on the demand for council services.

8.2 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 in these challenging times.

Signed on behalf of Southwark Council:

Althea Loderick	Kieron Williams
Chief Executive	Leader of the Council
Date:	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 antifraud strategy, whistleblowing policy, complaints procedure, contract standing orders, equality and diversity policy (including pledge made in Southwark Stands Together), member and officer protocol.

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 or access is given to attend Virtual Meetings (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.

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 borough plan sets out how we will deliver the Fairer Future vision and this is underpinned by departmental, service and business unit plans.

Priority 4 - Determining the intervention necessary to achieve intended outcomes

The council tracks performance against the fairer futures promises and borough plan themes in the borough 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 future 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

The council has a risk management process to support the management of key risks facing the council. The risk management process is supported by the council's risk management strategy. 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, and register of interests, gifts and hospitality and all items of expenditure over £250 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.

Item No. 12.	Classification: Open	Date: 17 October 2022	Decision Taker: Audit, governance and standards committee
Report titl	e:	Appointment process for independent persons	
Ward(s) o	r groups affected:	d: All	
From:		Director of Law and Governance	

RECOMMENDATION

- 1. That the committee notes the process for the appointment of independent persons to deal with member code of conduct complaints.
- 2. That the committee agrees to appoint a panel to assist the monitoring officer in interviewing applicants with a view to making appointment recommendations to Council Assembly.

BACKGROUND INFORMATION

- 3. Section 28 of the Localism Act 2011 requires provision for the appointment of at least one independent person whose views must be sought in relation to any complaint that a member has been in breach of the code of conduct.
- 4. The independent persons will advise the monitoring officer prior to any decision to investigate an allegation or complaint relating to whether a member has failed to comply with the code of conduct. They may also be consulted by a member or co-opted member of the council against whom an allegation or complaint has been made.
- Additionally, the views of the independent persons will be considered by the committee or its sub-committee if it is needing to determine the outcome of any complaints and any remedial action. The independent person will therefore be required to attend meetings of the committee or subcommittee.
- 6. The monitoring officer considers that it is important to have a minimum of three independent persons to call upon to provide the advice and assistance needed when dealing with complaints, particularly to cover for periods of absences and to avoid potential conflicts where a member wishes to obtain advice.

KEY ISSUES FOR CONSIDERATION

7. There are currently two independent persons whose appointments expire on 30 November 2022. One of these has agreed to stand for a further three

years and the other wishes to stand down but has agreed to continue for a short period to enable new appointments to be made. These two continuing appointments will be considered by the council assembly in November 2022.

- 8. The monitoring officer is in the process of making arrangements for the appointment of further independent persons. The posts will be advertised on the council's website and in other local and relevant media. As previously, the monitoring officer is requesting the assistance of at least three members nominated by the committee to act as an interview panel. The panel will make recommendations for appointment which the monitoring officer will report to council assembly for decision.
- 9. The prospective timetable for this process is as follows:

Advertisement placed by end of October 2022
Applications received by end of November 2022
Shortlisting and interviews: December 2022/January 2023
Appointment by council assembly 22 February 2023

10. A job description and specification are attached as appendix 1. Suitable applicants will need to demonstrate personal integrity and a commitment to maintaining high standards in public life. They will be required to have a knowledge of and interest in the functions of local government relating to governance, in particular the role of elected members and the Code of Conduct. They will need to show independence and impartiality and must not be, or be a relative or close friend of, a member, employee or co-opted member of the council, and not have held such a post within the previous 5 years and not be an active member of a political party.

Community, equalities (including socio-economic) and health impacts

Community impact statement

11. The appointment of independent persons is required by statute and the individuals appointed play an important part in the work of the council monitoring the probity and conduct of elected councilors for the benefit of the community that the council serves.

Equalities (including socio-economic) impact statement

12. The appointment process for independent persons is an open and transparent one that takes account of the need to ensure that council is complying with the public sector equality duty.

Health impact statement

13. There is no obvious health impact arising from this report.

Climate change implications

14. There is no obvious climate change impact arising from this report.

Resource implications

15. The annual fixed allowance per independent person and the recruitment process costs will be contained within current budgets.

Legal implications

16. The legal statutory context to this appointment process is set out above. Included in the role and functions of the committee in part 3K of the constitution is the independent assurance of the adequacy of the council's governance arrangements, including its standards regime and the provision of a framework to promote and maintain high standards of conduct by councilors. The committee's assistance with this recruitment process will contribute to this.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
reports and decisions: 8/7/2015	1	Chidilim Agada 020 7525 7225

APPENDICES

Appendix	
1	Independent person job description
2	Independent person person specification

AUDIT TRAIL

Lead Officer	Doreen Forrester-Brown, Director of Law and Governance				
Report Author	Allan Wells, Sp	Allan Wells, Specialist Governance Lawyer			
Version	Final				
Dated	6 October 2022	2			
Key Decision?	No	No			
CONSULTAT	ION WITH OTH	ER OFFICERS / DIREC	CTORATES /		
	CABINI	ET MEMBER			
Officer	Officer Title Comments Sought Comments Included				
Director of Law and Governance Yes Incorporated i			Incorporated in report		
Strategic Director of No No			No		
Finance and Governance					
Cabinet MemberNoNo					
Date final report sent to Constitutional Team6 October 2022			6 October 2022		

APPENDIX 1

SOUTHWARK COUNCIL

INDEPENDENT PERSON: JOB DESCRIPTION

Under the Localism Act 2011, the Council must promote and maintain high standards of conduct by members and co-opted members of the authority.

In accordance with these requirements, the Council has adopted a Member Code of Conduct, and has in place arrangements for dealing with any allegation that there has been a breach of the Code. These arrangements include the appointment of an Independent Person to advise on breaches of the Code.

The Independent Person may be consulted by the Monitoring Officer prior to making any decision about whether to investigate an allegation or complaint relating to whether a member has failed to comply with the Code of Conduct. This will be done by face to face meeting, telephone or on Teams. Views will need to be provided in writing.

The Independent Person's views will be obtained on any report produced following an investigation of an allegation against a member and in particular whether a matter can be reasonably dealt with by local resolution.

The Independent Person may be consulted by a member or co-opted member of the Council against whom an allegation or complaint has been made.

The views of the Independent Person will be considered by the Council's Audit Governance and Standards Sub- Committee if it meets to determine the outcome of any complaints and on any proposed remedial action. The Independent Person will be required to attend any such meetings and be available to answer questions at the Sub-Committee.

5 October 2022

APPENDIX 2

SOUTHWARK COUNCIL

INDEPENDENT PERSON: PERSON SPECIFICATION

The Independent Person will possess the following requirements, to be assessed through an application and interview process.

Essential requirements

- 1. Personal integrity and a commitment to maintaining high standards in public life.
- 2. A knowledge of and interest in the functions of local government relating to governance, in particular the role of elected members and the relevant Codes of Conduct.
- 3. Independence and impartiality: must not be, or be a relative or close friend of a member, employee or co-opted member of the London Borough of Southwark, and not have held such a post within the previous 5 years. Must not be an active member of a political party.
- 4. Excellent analytical and evaluation skills in order to advise whether a complaint about a breach of the Code of Conduct should be investigated.
- 5. Excellent communication skills, in particular the ability to provide clear rationale for decisions and to explain decision making when required.
- 6. Experience of dealing with complex and sensitive issues with objectivity and clarity.
- 7. Flexibility to deal with urgent requests
- 8. Must be reliable, responsive and committed
- 9. Basic IT skills- to compose word documents, emails, and do internet research
- 10. Aged 18 years or over.
- 11. Able to demonstrate and promote a commitment to the Council's equality and diversity policies.
- 12. No unspent convictions or cautions and no bankruptcy restrictions orders (DBS check may be required)
- 13. Two references required

6 October 2022

MUNICIPAL YEAR 2022-23

COMMITTEE: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)

Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones,
Constitutional Team on 020 7525 7055 or virginia.wynn-jones@southwark.gov.uk

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		List Updated: Septen	nber 2022