Open Agenda

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Audit, Governance and Standards Committee

Monday 17 July 2023 6.30 pm Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

Membership

Reserves

Councillor Barrie Hargrove (Chair) Councillor John Batteson Councillor Gavin Edwards Councillor Sarah King Councillor Hamish McCallum Councillor Graham Neale Councillor Andy Simmons Councillor Cassandra Brown Councillor Sam Foster Councillor Kimberly McIntosh Councillor David Watson

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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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 July 2023



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Audit, Governance and Standards Committee

Monday 17 July 2023 6.30 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 6 June 2023.

| 6. | GOVERNANCE REVIEW: FINANCE DEPARTMENT | 5 - 15 |
|-----|--|-----------|
| | Clive Palfreyman, strategic director of finance, to discuss departmental governance. | |
| 7. | INTERNAL AUDIT UPDATE: S106 | 16 - 32 |
| | Gavin Blackburn, Planning S106 Enforcement Manager, Ian Ogden, Planning Business Support & Local Land Charges Manager, and Colin Wilson, Head of Regeneration Old Kent Road, to present to the committee. | |
| 8. | INTERNAL AUDIT UPDATE: GARAGES | |
| | Louise Turff, Head of Homeownership Services, to attend the committee. | |
| 9. | INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT: JULY 2023 | 33 - 98 |
| 10. | INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE 2022-23 | 99 - 168 |
| 11. | DRAFT 2022-23 STATEMENT OF ACCOUNTS FOR SOUTHWARK COUNCIL | 169 - 318 |
| 12. | ANNUAL GOVERNANCE STATEMENT 2022-23 | 319 - 344 |
| 13. | REVIEW OF COMMUNICATION PROTOCOL | 345 - 357 |
| 14. | REVIEW OF THE MEMBERS' CODE OF CONDUCT | 358 - 375 |
| 15. | FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB- COMMITTEES FOR 2023-24: CONDUCT SUB-COMMITTEE | 376 - 378 |
| | ANY OTHER OPEN BUSINESS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT | |

Title

Page No.

EXCLUSION OF PRESS AND PUBLIC

Item No.

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 July 2023



Audit, Governance and Standards Committee

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MINUTES of the OPEN section of the Audit, Governance and Standards Committee held on Tuesday 6 June 2023 at 6.30 pm at Ground Floor Meeting Room G01A - 160 Tooley Street, London SE1 2QH

| PRESENT: | Councillor Barrie Hargrove (Chair) Councillor John Batteson Councillor Gavin Edwards Councillor Hamish McCallum Councillor Graham Neale Councillor Andy Simmons |
|---------------------|---|
| OFFICER SUPPORT: | Dominic Cain, Director of Customer and Exchequer Michelle Peake, Head of Specialist Services Ciaran McLaughlin, Grant Thornton Angela Mason-Bell, BDO Greg Rubins, BDO Geraldine Chadwick, Technical Accountant Clive Palfreyman, Strategic Director of Finance Virginia Wynn-Jones, Constitutional Team |

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Sarah King (unavailable due to another council meeting), Michael Scorer, and Nick Baker, BDO.

2. CONFIRMATION OF VOTING MEMBERS

The members present were confirmed as the voting members.

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

There were none.

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4. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

5. MINUTES

The minutes of 6 February 2023 and 20 May 2023 were agreed as a correct record.

6. GOVERNANCE CONVERSATION: MICHAEL SCORER

This item was postponed. The strategic director of housing and modernisation was invited back to a future meeting.

7. MEMBER ENQUIRIES REVIEW UPDATE

Officers introduced the report. Members had questions for the officers.

Officers undertook to:

- Confirm to members of the committee what councillors' involvement in the member enquiries review would look like
- Send an update on page 9 of the report, including updated figures for children's and adults' services
- Send a detailed breakdown of complaints per business unit and department
- Send an officer-level report on complaints to the committee.

RESOLVED:

That the audit, governance and standards committee noted the update to member enquiries.

That the audit, governance and standards committee invited officers to attend the November 2023 committee meeting to update on the performance and progress of the review detailed in the report.

8. EXTERNAL AUDIT VERBAL UPDATE

Grant Thornton updated the committee on the external audit. Members had questions for the external auditors.

Members thanked Grant Thornton for the update.

9. INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT: JUNE 2023

BDO introduced the report. Members had questions for the internal auditors.

Officers undertook to provide a written briefing to the committee, including information on:

• officers' responses to reporting fraud

- the schools work programme
- Finance report on team management
- fraud cases in children's and adults' services department.

Officers undertook to invite officers responsible for all outstanding audit responses in 2019-20 to the audit, governance and standards committee in July 2023.

RESOLVED:

That the committee noted the report.

10. INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE 2022-23: DRAFT INTERIM REPORT

BDO introduced the report. Members had questions for the internal auditors.

RESOLVED:

That the committee noted the report.

11. DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23

Officers introduced the report. Members had questions for the officers.

Officers undertook to coordinate with the head of scrutiny to consider including the outcomes of the CFGS scrutiny improvement review report in the annual governance statement.

RESOLVED:

That the committee noted the draft annual governance statement.

12. COMPLIANCE WITH CIPFA FINANCIAL MANAGEMENT CODE

Officers introduced the report. Members had questions for the officers.

Officers undertook to circulate a list of reserves of all London boroughs and changes over time.

Officers undertook to bring a report to the September audit, governance and standards committee on the processes of operational reserves.

RESOLVED:

That the committee noted the report.

13. FORMATION OF AUDIT, GOVERNANCE AND STANDARDS SUB-COMMITTEES FOR 2023-24

Officers introduced the report.

RESOLVED:

- 1. That the committee reserved their decision on the membership of the audit, governance and standards (standards) sub-committee. This item will be brought back to the July 2023 meeting.
- 2. That the committee appointed Councillors Barrie Hargrove, John Batteson, Sarh King and Graham Neale to form the audit, governance and standards (civic awards) sub-committee.
- 3. That the committee appointed Councillor Barrie Hargrove as chair of the subcommittee.
- 4. The committee also confirmed that Councillor Graham Neale would serve as the vice chair of the audit, governance and standards committee.

Meeting ended at 8.00 pm

CHAIR:

DATED:

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| Item No. 5. | Classification: Open | Date: 17 July 2023 | Meeting Name: Audit, Governance and Standards Committee | |
|-----------------------------|-------------------------|---------------------------------------|---|--|
| Report titl | e: | Governance review: Finance Department | | |
| Ward(s) or groups affected: | | All | | |
| From: | | Strategic Director of Finance | | |

RECOMMENDATION

1. That the audit, governance and standards committee notes the governance arrangements in place within the newly formed Finance department as part of the committee's ongoing review of governance within the council.

BACKGROUND INFORMATION

2. On a cyclical basis, the Audit, Governance and Standards Committee will review each Chief Officer's operation to ensure risk is adequately mitigated and operations are managed with proportional but effective governance.

KEY ISSUES FOR CONSIDERATION

3. A summary of the governance arrangements in place within the Finance Department are included within the attached report. The Committee is reminded that the department only came together into a single entity in May 2023 and as a consequence some governance activities are at an early stage of development.

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

Community impact statement

4. 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. Furthermore, many of the service's operations have a direct impact on the residents and businesses of the borough.

Equalities (including socio-economic) impact statement

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

Consultation

9. n/a

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

10. None required.

BACKGROUND DOCUMENTS

None

AUDIT TRAIL

| Lead Officer | Clive Palfreyman, Strategic Director of Finance | | | | | | |
|---|--|--|--|--|--|--|--|
| Report Author | Clive Palfreyman, Strategic Director of Finance | | | | | | |
| Version | Final | | | | | | |
| Dated | 3 July 2023 | | | | | | |
| Key Decision? | No | | | | | | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / | | | | | | | |
| CABINET MEMBER | | | | | | | |
| Officer | Officer Title Comments Sought Comments included | | | | | | |
| Assistant Chief Executive No N/A | | | | | | | |
| (Governance and | (Governance and Assurance) | | | | | | |
| Strategic Director | Strategic Director of Finance N/A N/A | | | | | | |
| Cabinet Member | Cabinet Member N/A N/A | | | | | | |
| Date final report | Date final report sent to Constitutional Team5 July 2023 | | | | | | |

Governance Discussion – Finance Department Audit, Governance & Standards Committee July 2023

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What's in a name?

Finance Department

- Technology & Digital Services (incorporating Shared Technology Services)
- Exchequer and Customer Services
- Pensions Operations & Finance too!

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2 Key statutory assurance roles

SECTION 151 OFFICER

- The Strategic Director, Finance the Council's Section 151 officer with statutory defined responsibilities for the proper management of the council's finances. The Section 151 officer formally devolves the management of the council's finances within departments to strategic directors and also provides detailed finance protocols, financial regulations, procedures and guidance whether within the department or not.
- The Section 151 Officer is so-called as a reference to the provisions made within Section 151 of the Local Government Finance Act.

SENIOR INFORNATION RISK OFFICER (SIRO)

- A SIRO is a professional who has responsibility for implementing and managing information risks and data governance within an organisation.
- The SIRO role is mandatory for public sector organisations and will inform and advise the Council on how to mitigate the risk in accordance with the organisation's risk appetite.

However, the Strategic Director's role is far broader than this and is a key role within the council's leadership team and a key liaison point for all elected members.

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Finance comprises of 4 main divisions: Professional Financial Services; Technology & Digital Services; Pensions Operations; Exchequer & Customer Services.

Professional Financial Services

The Professional Financial Services division provides corporate leadership on financial planning and financial reporting as well as performing the financial support functions within the main service departments.

• The team ensures that there is a framework in place by which the Strategic Director, Finance can discharge his <u>Section 151 responsibility</u> for proper financial administration of the council's financial affairs. Processes for discharging these responsibilities are defined in the Council's constitution and scheme of management.

• Operational decision making is delegated to the Council's budget holders and finance provide support, challenge and scrutiny to ensure sped is appropriate and provides good value for money.

• Regular reporting occurs both within the council and publically.

• The team are also obliged to develop and publish an annual set of accounts and oversee the annual budget process.

• Within this division is the Treasury Management and Pension Fund Investment team. Both are critical to the organisation's financial health but similar internal and external governance and support exists despite the Pension Fund being technically a separate legal entity to the council

The Strategic Director is also supported by an external network of formal support and advice such as through the external auditor's work and that of the internal auditor and treasury advisor. The Council's anti -fraud service is also run out of this department.

Exchequer and Customer Services:

- The Exchequer Services division is responsible for the collection of council income annually through various revenue streams, including business rates and council tax. The workload should reduce with full implementation of universal credit. However, as income reduces, this will be offset by further demand for services from the most vulnerable residents, especially during the pandemic and more recent cost of living crisis.
- In addition, collection of income from those low income households who have had additional financial pressures has been more challenging with staff working with residents to revise payment plans.
- The team are also responsible for the implementation of recent government initiative such as the 2022 energy crisis payments to eligible council tax payers.
- Debt recovery is also administered by the team through a variety of mechanisms
- As reported to the last Audit, Governance & Standards Committee, the team also have recently assumed responsibility for:
 - Corporate complaints monitoring and ombudsman cases
 - Member enquiries
 - Freedom of Information requests
 - Repairs first point of contact
- Data gathered through the team's activities are shared corporately to help underpin future decision making and resource allocation

Technology and Digital Services:

- TDS are responsible for the council's ICT infrastructure, keep us safe from cyber attacks and support the council's digital inclusion agenda.
- As part of TDS, much of the Council's ICT support is provided through the Shared Technology Services team. This is a shared service between Southwark, Lewisham and Brent. During 2023/24, Southwark are the host borough for the arrangement.
- As part of the partnership, the Shared Technology Services provide ICT helpdesk support for all Council users.
- All new starters at the Council are required to undertake mandatory information governance and ICT security training and compliance with this requirement along with data breach oversight and Information Commissioner cases are monitored at recently established "Siro" meetings (see slide 3)
- TDS support the council on our digital journey by helping services develop innovative and creative but safe digital solutions.
- However, the key role is to keep the council's safe by cyber attacks. The council is attacked many times every day through a variety of sources and regular testing is undertaken to ensure our infrastructure remains as robust as it possibly can be.

Pensions Operations:

- Our pensions team are responsible for the delivery of pension services to our 3 key cohorts:
 - Active Scheme Members (i.e. those still working)
 - Deferred Scheme Members (i.e. those not yet at pensioner age but no longer contributing to the Southwark Pension Fund)
 - Pensioners
- For the pensioner category we provide UK and overseas Payroll Services.
- For all members we provide a holistic pensions administration service and work closely with colleagues in Council Payroll and HR, and those working for the various different employers within the scheme (it is not just council staff).
- We report publicly and have to comply with statutory legislation, good governance and HMRC tax laws. External oversight falls with the Pensions Regulator. Internal scrutiny and challenge falls with the Local Pension Board and Pensions Advisory Panel.
- Underpinning the administration service is a Data and Systems team responsible for ensuring member data is accurate and up-to-date, and to ensure IT systems are fully protected and cyber secure.
- A Technical and Projects team manage all non BAU/transactional activity; including comms, website development, training and development and employer engagement (guidance on new legislation etc).
- The pensions service is brought together by a dedicated Customer Service function, a First Contact Resource team that manages all inbound enquiries from members, employers and other stakeholders.

Working collaboratively

• The department does not undertake its work in isolation. It is integral to the organisation and fulfils a variety of key governance roles.

• Most importantly, the department co-ordinates the development of the Annual Governance Statement which is reported to this Committee every year. This reviews all governance processes within the council and reports on key risks. The review will consider:

- The council's internal management processes e.g. performance monitoring, corporate policies,
- assurance statements from strategic directors,
- chief audit executive opinion, which this year was 'moderate' meaning that councils systems and controls significantly met expectations; work of the audit, governance and standards committee;
- compliance with the CIPFA code of governance;
- compliance with the CIPFA Financial Management Code;
- review of the CIPFA financial resilience index.
- The department also reports its work into 3 core Committees and must ensure those committees are sufficiently supported:
 - Audit, Governance & Standards Committee
 - Pensions Advisory Panel
 - Local Pension Board
- The Strategic Director will also attend Cabinet and Borough Assembly

Key governance risks

The department's key governance risks mirror those of the council's wider corporate risks. These include:

- Like many authorities, the sustainability of funding to support our Housing ambitions
- The delivery of a SEND transformation plan to support our High Needs budget recovery activity
- Protecting ourselves from the ongoing threat of cyber risks
- Working with departments to reduce demand into our customer contact centre

The Strategic Director's leadership team meetings regularly review to progress of actions to mitigate against such risks

Environment, Neighbours and Growth

| Planning support and land charges manager Group manager - validation and fast track March 2019 May 2019 December 2019 June 2020 March 2023 | November 2022 We were advised by the Planning support and land charges manager that there is no change, but it is expected that the service will move in 2023 to HM Land Registry as part of the move of the LLC register. We were advised by the Planning Support & Local Land Charges Manager that the team currently have to offer the personal service, but this will depart Southwark once they fully transfer the land charge register to the HM Land Registry team in 2023. | |
|--|---|---|
| | land charges manager Group manager - validation and fast track March 2019 May 2019 December 2019 June 2020 | Planning support and land charges managerWe were advised by the Planning support and land charges manager that there is no change, but it is expected that the service will move in 2023 to HM Land Registry as part of the move of the LLC register.March 2019March 2019May 2019We were advised by the Planning Support & Local Land Charges Manager that the team currently have to offer the personal service, but this will depart Southwark once they fully transfer the land charge register to the |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|---|---|---|---|
| 1) The Exacom project is completed as soon as possible and monitoring functionalities are fully utilised and reports developed to support monitoring. | 1) Planning Enforcement CIL and s106 Manager December 2020 November 2021 | 1) Infrastructure Funding Statement (IFS): Preparations of the 2020/21 report is being prepared. The report will be released before the December 2021 deadline. | IFS completed by Team Leader and published on Council website on time for 21 and 22. Previously dependent upon the input of an external consultant, the task is now completed in house. |
| 2) The Southwark bespoke 'S106/CIL Officer Exacom Manual' is finalised and implemented as soon as possible. Medium | 2) Planning Enforcement CIL and s106 Manager January 2021 November 2021 | Public Facing Module (PFM): Data relating to 2019/20 is captured and up to date. Currently preparing for completion of data 2020/21. They are working with Central Finance to capture historic data for the period 2015/16 to 2018/19. Anticipated timescale for completion of earlier years into pfm November 2021. 2) S106/CIL manual ongoing. Part of the discovery process being undertaken June 2021. Evidence pending | This task has not been possible due to central finance being unable to provide full data and data that can be exported into Exacom. Funding constraints have limited resources available for this task. A significant exercise in cross checking data held on SAP with data held on Exacom will need to take place. We are working with Exacom to find a way to properly archive monies spent historically so as to not corrupt data. We have now recruited staff to work on this. We are therefore much more confident that we can succesfully tackle and resolve this issue in 23/24. The June 2021 discovery process did not complete due to lack of staff. We have replaced this with a joint review with planning policy that will focus on the monitoring of CIL and s106 contributions and conclude in Summer 2023. This will provide a clear workflow of all s106 and CIL tasks including monitoring. |
| | | | There is no manual for Exacom. The team has expanded by the addition of three |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Lates | st Known Progress | Department Comments and Revised Date |
|---|--|-------|---|---|
| | | | | apprentices and switching part time staff to full time. Previously work was demarcated between CIL and s106 and staff did not switch between areas. Training has been expanded and there are now a pool of staff who can administer both CIL and s106 matters. At one point there was only really one member of staff who could administer CIL that has now changed and there are a number of officers trained in this field significantly improving the resilience of the team. Increased training, diversification within the team and an expanded team have brought about a transformation in the resilience of this function that is no longer dependent on one person. |
| 1) The Uniform and Exacom connector and system bug issues are resolved as soon as possible. | 1) Senior Planning Officer | 1) | There are no new issues to report re: Uniform and Exacom connectors. | The connector works well. Exacom as an inbuilt audit function that produces a daily error report monitored each day by a nominated officer. About a year ago this was producing around 20-30 errors a day, but is now down to around 6. Tidying of data on both the Exacom and Uniform sides, with the assistance of Staff at Exacom and the Councils Uniform (Planning IT database) consultant has greatly improved the interface between the two systems. |
| 2) The Planning Division monitor and report on planning application validation and determination targets to ensure they are met as far as possible. | Executive Ongoing | 2) | This is to be reported by a member of staff | the two systems. |
| 3) Please refer to finding three recommendations below that refers to key standard data to be recorded to | 2) Planning Enforcement CIL and | 3) | Ongoing - Non-financial obligations monitored through Variation of | This year the Council will publish a Section 106 and CIL SPD that will contain |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|---|---|
| enable monitoring of non-financial obligations and metrics. | s106 Manager | discharge of legal agreements (VLA) - Discovery exercise being undertaken | a charging schedule for the discharge of section 106 obligations. |
| Ongoing 3) N/A | how to deal with VLAs more effectively and if VLAs can be charged as a result of policy changes. Communicating with other Council departments in order to monitor VLAs more effectively. June 2021 | The uniform system has been changed so that discharges of obligations and variations of legal agreements are now separate catergories and can be disaggregated. | |
| | | | The Section 106 team has good communications with Highways and the Local Economies Team. Those teams keep a record of highway works and training. |
| | | | The Planning Policy team together with CIL and Section 106 team have completed audits of affordable housing and published the results on the Council website |
| 4) Planning case officers and the S106 and CIL Team ensure that fully signed S106 agreements are uploaded and filed centrally on the 'DMS' document management system on signing of agreements. | 4) Team Leader | 4) Implemented - The system is now functioning and S106 agreements are uploaded. This is an ongoing work stream. | There is currently a backlog of 16 agreements, whilst an admin officer is recruited. This will be tackled by overtime and is a temporary problem, whilst recruitment takes place. |
| 5) \$106 agreement financial obligation demand notices are issued as soon as they are due. | 5) Planning Enforcement CIL and s106 Manager | 5) Implemented - System implemented so that demand notices are now issued when due. This is an ongoing work stream. Monitored though submission of Commencement Notices and VLAs. | This system is in place. Demand notices are issued and they are chased up and paid, we have no long term overdue sums. We are looking to improve monitoring so that we can pick up on more triggers of when development starts, but also when milestones within developments are reached that trigger further contributions. |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|--|---|
| 1) The Planning Division agree on key information on financial and non- financial performance to be reported to senior management and Cabinet on a periodic basis to ensure there is oversight at executive level throughout the financial year. | Planning Enforcement CIL and s106 Manager | 1) Ongoing - Reported annually through the IFS and through public access to the PFM. PFM to be made available in 2021 reporting from 2016 to present. Anticipated timescale for uploading earlier years November 2021. | Reported annually through the IFS. A quarterly report on CIL receipts is produced. Notifications are sent to commissioning managers within Parks, Housing, Carbon reduction and Local Economy Team of significant unspent sums so that they are aware of funds available to them for projects. We have a dedicated group of officers at TfL that we work with to transfer Mayoral CIL to on a quarterly basis. We transfer annually the sums we have committed to pay TfL in respect of Infrastructure work at Elephant & Castle, which too date is our strategic CIL. |
| | | | There are significant local CIL balances which the Council's growth team are aware of. These sums have not been allocated, because a significant review is underway as to what constitutes local; ward, neighbourhood, area and the type and number of projects the Council has the capacity to deliver. This review is ongoing and due to report later this year. |
| | | | There is an established method of releasing CIL funds through Cabinet member approval and s106 through committee and delegated if the amount is less than £100k. All expenditure is accompanied by a full report with the relevant financial and legal concurrents. |
| | | | The PFM module referred to above is mentioned in previous sections, it has not been utilised, because cleaning the data within it has proved to be a much bigger task than was anticipated previously. We believe we can tackle the financial |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|---|--|--|--|
| | | | payments and contributions this year and will review the resources needed to deal with non financials. In 2020 Exacom was the only data system used in this field. In 23/24 it is likely to be joined partly by a Hitachi built system meaning that its necessary to assess which system is best top hold which data. |
| 2) A mechanism for monitoring key milestones for S106 non-financial obligations is explored and implemented by the Planning Division. | | 2) Ongoing - To arrange reporting system in Idox Uniform reporting on VLAs and through capturing the data in Exacom. Discovery exercise June 2021 | An alternative system to Exacom has been created to record affordable Housing completions. That system is complete and the audits carried out are recorded on the Councils website. This is the first system of its kind in the Country we are the only Council too not just note the affordable housing to be delivered, but to check on an annual basis that it remains in place and make the results publicly available. |
| | | 3) Ongoing - Enforcement to be managed | We have met with colleagues in Highways and the Local economy Team who are satisfied that they are receiving the in-kind obligations of training and highway works that are owed to them through section 106 agreements. We have not been able to transfer their records from their respective IT packages to our own. We have established a consistent pattern of logging all section 106 discharges of obligations on uniform. This means that our current records are largely up to date, but there is a considerable amount of missing historic data that it may not be economic to recover/recreate |
| 3) The Planning Enforcement Efficient Handling of Cases 'S106 Funds - Efficient Collection and Spending | | case by case. Efficient spending controlled through release reports agreed by Planning | This is covered above |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|---|---|--|---|
| performance indicators are finalised and implemented as soon as possible. | | Committee as well through monitoring the IFS and PFM | |
| Medium | | Evidence pending | |
| 2020/21 Community Infrastructure Levy (CIL) | | | |
| 1a. Management should conduct quarterly formal reviews on randomly selected developments where exemptions or relief are applied, to ensure the calculation of chargeable liabilities, reliefs identified and chargeable areas are calculated accurately and appropriate evidence is retained on any amendments made. 1b Where manual interventions are required to override the calculations, these should be appropriately documented in the Exacom system. | Planning Enforcement CIL and s106 Manager December 2020 July 2021 TBC | Ongoing - Undertaken through CIL Review Under Reg.113 of the CIL regulations. Case officer presentation to manager before agreeing reliefs for quality control. Functionality in exacom being used more fully to record actions on CIL cases, to provide a comprehensive audit trail. Evidence pending | Our approach since 2020 has improved we do not accept developer figures without checking them. We check all figures that developers provide when assessing CIL to ensure all liability notices are accurate on issue. We have reviewed a number of earlier assessments Social Housing relief is the main exemption claimed. The affordable housing audit allows for a relatively easy cross check of this on review. Self build exemption has seen a recent increase and we are setting up a system of checking this once developments are completed and occupied. Charity relief is relatively rare and generally self evident from the purpose of the building, be it social, educational or medical. We do not audit uses such as education where it is obvious that it forms part of a school or university with a charitable status. This is because the nature of the buildings to be built and the site as a whole make it extremely unlikely that we would find any breach. |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|---|---|
| | | | The notes system in Exacom is used for each entry so that there is an audit trail as to why any action was taken. |
| 2020/21 - EL63 Climate Change | | | |
| (i) The Climate Change, transport and movement plans should be brought together and have one climate change plan and share resources to deliver them. Medium | Climate Change Director July 2021 Action disputed | January 2023 No update since October. November 2022 We do not agree with the recommendation that these are brought together. Instead, we are ensuring they are aligned. This work is ongoing. The sustainable travel plan (which updates the transport and movement plan) is being updated at the moment. The climate change team is working with colleagues in Transport planning to ensure alignment. | As Nov 22 - we do not agree with this recommendation. As new council plans are developed it is done in conjunction with the climate change team to ensure that they align. |
| Management can ensure that effective governance are in place through the following actions: (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. (ii) Co-opt BAME representative onto the oversight 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). | Climate Change Director November 2021 | January 2023 (i) Complete - attached Governance Plan and ToR (ii) Complete - see group minutes for 15/9/22 which includes attendees. This includes participants of a black, Asian or minority ethnic background (iii) Complete - see same document includes Tim Jones, AD in Finance, and Genette Laws, Director in Children and Adults (iv) No update (v) Complete - see minutes from September with actions. | (iv) The Directors Steering Group considers risk quarterly which is included in the programme highlight report. All actions in the climate change action plan have risks identified. Evidence of completion required |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|---|--|
| (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. (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 | | November 2022 (vi)Complete - no further update (vii) Complete - while we have not coopted black and minority ethnic representation to the Director's Steering Group, the group does already include directors from a black or minority ethnic background. In other groups that we are developing including with community partners, we remain cognisant of the need for diverse representation. (i) Complete - no further action (ii) Ongoing, this is currently being developed. | |
| | | (iii) Complete - Now implemented | |
| (i) Management should review and improve the community engagement particularly with a view to increasing the response from Black and Asian groups to be more representative. | Climate Change Director September 2021 | January 2023 No change since October | The cabinet member has agreed an engagement plan for key groups which includes: • Experts • Partners • Community stakeholders • Schools • Businesses The |
| There are several options open to the Council to improve in this area such as by: | | November 2022 | community stakeholders group is being established at the moment and plan to have a first meeting before the summer. This |
| Selecting a BAME engagement company to provide the service (this would support the Council in their current and future projects / programmes also) | | Work continues on the communications and engagement strategy. Alongside this, work is taking place to reach a range of audiences. | group includes representatives from a range of organisations. To ensure diversity, organisations are being asked to nominate |
| Approaching faith groups in the borough who have a large group of BAME members to complete questionnaires and/or to take part in interviews | | A communications and engagement strategy is being developed which will include communications and engagement with the | someone to attend, and in selecting people we will ensure there is a range of diversities and backgrounds. Groups will be asked to be cognisant of that when nominating representatives. |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|---|--|---|--|
| Advertise in the local BAME press for example The Voice Newspaper. | | respective target audiences. This strategy has clear timelines and will be delivered in a phased approach. | Evidence of completion required |
| (ii) Implement a communications plans 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 | | | |
| 2021/22 - EL14 South Dock Marina | | | |
| Both the Council and Marina should work together in order to agree a solution towards paperless working. Whilst we also recognise that the Marina does not have immediate capacity to deploy resources to scan all | Harbour Master To be followed up ahead of the June | January 2023 We were advised that a review with IT and Finance ongoing regarding payment portal. | May 2023 IT, Finance, DPO review completed gateway reports to be submitted by end of |
| 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 | 2022 committee | November 2022 Draft Business Case is currently under review with IT and Finance before submitting for final review IT have meeting with HA 2/11/22. Implementation is likely to be Q4 . Payment system to be confirmed with Finance. | Q1 Action in progress |
| | | The intention is to use the Harbour Assist program that will produce electronic versions of all forms used and will be saved within the customer file. Paper documents relating to customers will be scanned in to the relevant file. The intention currently is | |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|---|---|
| | | 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. | |
| 2022/23 - EL03 Leisure Services | | | |
| a) The meeting minutes should record who is responsible for the action and the target date of implementation b) An update should always be recorded for an action where the target implementation date is in the past or at the day of the meeting c) Where an action is recorded as complete, the date of completion should be recorded for completeness. | Group Manager - Physical Activity July 2022 | January 2023 The minutes do now show all action owners and a target date Updates are regularly agreed and signed off by both the council and everyone active. The dates are put on the minutes once both parties have agreed an action is complete. | Evidence required to confirm management comments from Jan 2023 to sign off the action |
| 2022/23 - EL23 Licensing Audit | | | |
| a) The service should proactively suspend and/or collect fees for unpaid licensing applications. | Team Leader April 2023 | | The process has been reviewed and we have made improvements. Significant progress on collection of unpaid fees has improved Where appropriate licences are suspended in the correct manner and premises informed in writing. Officers are visiting premises to chase up payment. New target for Enforcement Officers to visit at least 5 premises each month to |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|---|---|
| b) Management should closely monitor payment due dates and ensure appropriate steps are taken to promptly suspend and collect fees for unpaid licenses. c) Key performance indicators for the collection of payments should be set, and monitored by management. Medium | | | chase payments and/or if premises as still operational. Please see above. Annual fee dates are closely monitored on a rolling monthly basis (now part of Regulatory Services Performance Framework) Please see above . Closely monitored on a rolling monthly basis (now part of Regulatory Services Performance Framework) |
| The service should prepare periodic reports that monitor and highlight performance against the service's KPIs such as application processing times, number of applications waiting to be processed, and collection and recovery of fees and charges. These reports should be presented to senior management to ensure oversight, monitoring, and escalation where underperformance is identified. Medium | Team Leader April 2023 | | •Please see above . •Closely monitored on a rolling monthly basis (now part of Regulatory Services Performance Framework |
| 2022/23 EL01 - Highway Maintenance | | | |
| a)The engineering Manager should enhance the K2 audit framework by: Publishing guidance outlining the content and expectations on how an audit should be conducted and the required skillset /qualification of inspectors. | Engineering Services Manager May 2022 | January 2023 there is no further development from the last update provided in November 2022, alongside examples of contract KPI targets. | Evidence provided 5/05/23: 1) Copies of training and guidance information attached 2) Training register introduced for new additions to team for 2023/24 K2 audit period - Copy of K2 Inspection Master Report 2023-24 attached |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|---|--|---|--|
| Strengthen the narrative requirements of audits, including inclusion of an overall assurance pass rating and provide clear written justifications as to why documentation such as photos are not present. Ensuring there is explicit clarification as to whether an audit is virtual or physical. Details of the target number of inspection audits which should take place each month to promote a consistent comparison of KPI performance for each period. b) To enhance the coverage of K2 audit inspection, the Engineering Services Manager should periodically include a sample of random invoiced work orders to the audit schedule. Medium | | That update is repeated below for information: A documented guidance procedure has been produced and group training provided on using the K2 audit system. The required skillset/qualification of all staff is documented in their job description. Technicians and engineers undertaking audit inspections are qualified to undertake audits by virtue of their job role and experience. Trainees, apprentices etc. undertaking audits do so initially under the guidance of an experience d technician/engineer until they have reached an acceptable level of confidence. For Lot A works the Engineering Services manager has the final veto regarding whether an audit failure is valid or deemed to have been incorrectly allocated. The requirements for audits including the overall assurance pass rating are a formal part of the current highways contract and are reported each month as part of the contractual target. The process allows the Contractor to comment on the client audit failure if they have evidence that it is unjustified. The process also allows comments to be added to the audit including justification as to why relevant | 3) Copy of K2 audit bulk data export for Lot B & Lot A contracts attached 4) Copy of K2 Audit summary report attached for full year 2022/23 5) Copies of typical monthly KPI Compliance with Job Priority Timescale report attached for August 2022 and March 2023 6) An audit is undertaken for every job where the initial job estimate varies from the Contractor's payment request. Agreed cost variations are recorded in the job notes in Confirm. Actual recorded completion dates and job completion photos are also required prior to any payment being made Evidence of completion required Evidence of completion required K2 System Officer K2 LOT A AUDIT Documentation V1.0 (SUPPLEMENTARY GUI K2 Inspection K2 Inspection Records Master RepoRecords Master Repo |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|--|---|
| | | documentation such as photos are not present. Awaiting evidence | K2 Audit export 5-05-23 (1).xlsx 2023-03 Confirm Report KMS 14-04-23 2022-08 Confirm Report (KMS 13-09-2; |
| 2022/23 - Library Services | | | |
| a) The Library Operations Manager should detail the roles and responsibilities of library staff and provide guidance on the escalation process of service-delivery issues within the Library Operations manual. b) To include a section within the Library Operations manual which outlines the reporting and monitoring arrangements for each library. This should provide guidance on the expected level of detail, who it is generated by, and where reports should be presented. c)The Library Operations Manager should review the Library Operations manual and ensure that it reflects the current operational process of the service. As part of the review, the review date, approver and the proposed date should be clearly outlined. Medium | Library Operations Manager September 2022 | January 2023 The New Library Operations Manager is working with Library Managers to complete a & b. A working group is being set up to review operations manual for part c. A review will be completed by end of April. November 2022 We were advised that the Library Operations Manager is working with the Library Area Managers to update the operations manual (for parts a and b)- detailing the roles and responsibilities of library staff, provide guidance on the escalation process of service-delivery issues and add the reporting and monitoring arrangements for each library within the Library Operations manual. A full review of Operations manual will be completed by March 2023 (Library Management team will complete this | April 2023 Parts a and b completed Feb 2023. Operations Manual currently being reviewed (part c) - this will be completed by end April as per last update, after which it will be adopted across the library service. Verified through evidence: Manual review completed 28/4/23 and will be formally signed off at the management meeting 25/5/23 a) & b) Manual updated Feb 2023 to include these sections. Action in progress Connecting Connecting SLOM 2023 (1).doc |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress review). The operations manual will then be reviewed annually. | Department Comments and Revised Date |
|---|---|--|--|
| a) Timescales and milestones should be implemented for each action due, and a metric used to monitor progress towards achieving actions (for example, a red, amber, green system). Each update provided should be dated and signed off by the individual completing the update to add a level of accountability. b) At appropriate intervals, progress against actions in project plans should be reviewed to evaluate whether projects are on track for completion or whether corrective action needs to be taken for projects to meet the timescales identified. Implemented actions should be removed or clearly stated as completed by using the RAG rating system mentioned to ensure clarity over ongoing actions. | Libraries & Heritage Manager September 2022 November 2022 | January 2023 This is in progress. November 2022 We were advised that this relates to libraries & heritage strategy action plan. Prior to Covid the L&H strategy action plan was reviewed quarterly at library management team meetings with actions identified. This has now been reinstated. Timescales, milestones, and RAG status & responsible officers have been added and are currently being reviewed and updated to ensure effective performance management. | April 2023 This has been completed with actions and timescales updated and RAG tracker and responsible officers added. We will be developing a new action plan for new library & heritage strategy to replace this from summer 2023. Verified through evidence - timescales/milestones included, RAG rated and progress summaries (with dates) listed. Parts a and b met. Action completed |
| a) The Library Operations Manager should explore methods of debt collection adopted by other libraries. b) The Council should obtain formal approval and authorisation from the strategic directors confirming that the Council will recover or not pursue outstanding debt in terms of library fines. Medium | Head of Culture September 2022 December 2022 | January 2023 The low-cost debt due to unpaid fines and will be written off. There will be a meeting with the Finance team to discuss this further. November 2022 We were advised that debt recovery services have previously been investigated and found not to be cost effective due to the small amounts owing. It is very difficult to recover outstanding fines from individual customers | April 2023 List of outstanding debts obtained from Finance. All monies owed for last 7 years have been identified. Ongoing conversations with the finance and exchequer services debt recovery teams to develop a protocol with clear roles and responsibilities. In the meantime Libraries operations manager working through list to chase outstanding debts and some monies have been recovered. Quarterly debt review meetings have now been scheduled. |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|---|---|---|
| | | many of whom owe only small discrete amounts. The costs for this outweigh the amounts recovered. Previous advice has been to write off these debts within an agreed time period. However, the library service is again exploring other mechanisms for debt recovery where possible e.g., where discrete amounts are considerably large and can be identified from one source/debtor. The Library & Heritage Manager is also working with Finance team to progress debt collection management options and potential "cut-off" amount. | Confirmed quarterly meetings in the calendar. |
| a) The Library Operations Manager should maintain a log of the libraries that have had cash collected by G4S Services to ensure that there are clear records of instances where cash is not collected. The log should be reviewed by Senior Management on a monthly basis to ensure that non collections are escalated where necessary and in a timely manner. b) A formal investigation should be initiated by Senior Management to review whether the services received by the service provider meet contractual expectations, and whether an alternative option should be considered where collections are not made in line with the contract, and the issue persists. | Library Operations Manager August 2022 March 2023 | January 2023 Part (a) - completed. Part (b) - We were advised by the Library Operations Manager that a further Review of G4S service for libraries will be completed. October 2022 Part (a) - completed. Part (b) - we were advised by the Library Operations Manager that Libraries continue to review the performance of the service provided by G4S and if further failings arise, we will take appropriate action. In the current situation the library area mangers maintain a record of the cash collections and any instances of cash not being collected are escalated to the library operations manager | April 2023 Review completed (part b). Operational procedures in place and functioning as per service level agreement. Contactless payments system due to be implemented Q1 2023/24 in libraries - this will reduce cash holdings in libraries with a view to less frequent cash collections being required. Cash collections will be reviewed further after this in discussion with G4S. Action in proress |

| Recommendation made and Priority Level | Manager Responsible and Due Date | Latest Known Progress | Department Comments and Revised Date |
|--|--|--|--------------------------------------|
| | | and dealt with as a matter of priority. Further Review of G4S service for libraries will be completed by March 2023. | |

| Item No. 9. | Classification: Open | Date: 17 July 2023 | Meeting Name: Audit, governance and standards committee | | | |
|-----------------------------|-------------------------|---|---|--|--|--|
| Report title: | | Internal audit and anti-fraud progress report: July 2023 | | | | |
| Ward(s) or groups affected: | | All | | | | |
| From: | | Strategic Director of Finance | | | | |

RECOMMENDATION

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 2022-23 internal audit plan.

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

5. 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 |

AUDIT TRAIL

| Lead Officer | r Clive Palfreyman, Strategic Director of Finance | | | | | | | |
|---|---|--|-------------|--|--|--|--|--|
| Report Author | Aaron Winter, A | Aaron Winter, Angela Mason-Bell, Nick Baker; BDO | | | | | | |
| Version | Final | Final | | | | | | |
| Dated | 6 July 2023 | 6 July 2023 | | | | | | |
| Key Decision? | No | | | | | | | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / | | | | | | | | |
| | CABINE | ET MEMBER | | | | | | |
| Officer Title | Officer Title Comments sought Comments included | | | | | | | |
| Assistant Chief E | xecutive, | No | N/A | | | | | |
| Governance and | Assurance | | | | | | | |
| Strategic Director | of | No | N/A | | | | | |
| Finance | Finance | | | | | | | |
| Cabinet Member | Cabinet Member No No | | | | | | | |
| Date final report | sent to Constit | utional Team | 6 July 2023 | | | | | |

INTERNAL AUDIT AND ANTI-FRAUD PROGRESS REPORT

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

17 July 2023

IDEAS | PEOPLE | TRUS



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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 2022-23 and 2023-24 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 designated audit 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 plan 2022-23 and annual report

The status of the audits commenced to date for 2022-23 is outlined within section 3 of this report. We are aiming to issue final reports for all work relating to 2022-23 by 30 June 2023.

Where reports have been finalised since the last meeting of the Committee, the executive summaries are included in section 5.

Our final annual report and head of internal audit opinion for 2022-23 is included on the agenda under separate cover.

Internal audit programme for schools

The fieldwork for all 2022-23 schools' audits has been completed and we are in various stages of quality assurance and reporting. The assurance ratings for schools where final reports have been issued are included in section 3.

An end of year report summarising the results and common themes arising from our school internal audit programme for 2022-23 is presented as a separate report.

We have agreed a work programme with the Director of Education for 2023-24 that will meet the assurance needs of the Council, and delivery commenced in June 2023. The schedule of schools was shared with the Committee by the Constitutional Team via email on 14 June 2023.

Internal audit plan 2023-24

The status of the audits commenced to date for 2023-24 is outlined within section 4 of this report.

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, including 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 Directorate Management Team with a request for an update on the status We completed a further follow up exercise and are pleased to report that the recommendation implementation rate has increased from 89% to 92% since our last progress report in June 2023.

Non Internal Audit assurance work completed since the last meeting.

Risk Management - we continue to provide administrative support to the Council on its risk management arrangements across the directorates.

Transparency Reporting - we continued to provide support and challenge to the Council in meeting its obligations for reporting of expenditure under the Local Government Transparency Code 2015.

2. ANTI-FRAUD UPDATE

Corporate Anti-Fraud investigations (CAFT)

CAFT investigations from 1 April 2023 to 30 June 2023:

| 2023-24 | Corp Anti- | orate Fraud | Housing L | Waiting ist | Right to Buy | | Blue Badges | |
|---------|---------------|----------------|--------------|----------------|--------------|--------|-------------|--------|
| | Open | Closed | Open | Closed | Open | Closed | Open | Closed |
| C/f | 28 | | 4 | | 2 | | 21 | |
| April | 11 | 8 | 5 | 4 | 5 | 3 | 1 | 0 |
| May | 11 | 12 | 6 | 6 | 1 | 2 | 1 | 0 |
| June | 12 | 7 | 6 | 3 | 3 | 3 | 2 | 10 |
| Total | 62 | 27 | 21 | 13 | 11 | 8 | 25 | 10 |

39

There are currently 35 active Corporate Anti-fraud Team investigations:

| Chief Executives Office | 3 cases |
|--------------------------------------|----------|
| Children & Adult Services | 6 cases |
| Environment, Neighbourhoods & Growth | 3 case |
| Housing | 4 cases |
| Finance | 19 Cases |

Fraud and Verification

Corporate Anti-Fraud Team conduct 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 2023 and 30 June 2023 FVT received 17 referrals, with 4 cases carried forward from the previous year:

- 9 have been denied.
- 2 have no further action.
- 1 Referred to Housing as no response.
- 8 Cases under review.
- 1 has been recommended to be maintained.

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 June 2023 there have been 9 referrals with 2 cases carried forward from the previous year:

- 7 were reviewed and no further action was required.
- 1 case has been denied.
- 3 cases under review.

Blue Badge

CAFT are supporting Blue Badge referrals as part of an Environment & Leisure Initiative which involves outsourcing the investigation and prosecution of Blue Badge irregularities to an external contractor.

CAFT receives reports of alleged Blue Badge fraud and misuse. Cases concerning badges issued outside the borough will be forwarded to the issuing authority. Reports concerning repeat sighting will be referred to BBFI. Retrospective single sighting with no information of the driver or vehicle occupants do not provide sufficient evidence to progress any investigation. These will normally be reported to the Blue Badge team to follow up with the badge holder to confirm the badge remains in their possession.

Between 1 April and 30 June 2023 CAFT have received 4 referrals. 21 cases were carried forward from the previous year:

- 16 cases have been referred to BBFI
- 7 Cases have been closed no further action
- 2 cases have been transferred out (Complaints)

During routine patrol the external contractor has recovered 27 badges either stolen or misused. 14 were issued by Southwark Council. The remaining 13 badges have been returned to the issuing authorities.

National Fraud Initiative (NFI) 2022/23 Biannual Exercise

The Cabinet Office - NFI released the data matches in January 2023. The fraud risk identified 4,387 matches.

| High Risk | 858 |
|-------------|------|
| Medium Risk | 1731 |
| Low Risk | 1457 |
| Nil | 341 |

Summary

| Processed match | es 2889 |
|-----------------|------------|
| Investigating | 129 |
| Cleared | 2676 |
| Frauds | 12 |
| Errors | 201 |
| Total Outcomes | £84,067.17 |

Electoral Roll to Council Tax Annual (2023) Data Matching

Council Tax to Electoral Register: Cases 3044 Outcome £348,973.50

Council Tax rising 18s: Cases 34 Outcome £9083.03

Housing Tenancy Fraud

The special investigation team (SIT) within housing department (Residents Services), investigates housing tenancy fraud in respect of the housing stock owned and managed by the council and other social housing where legislation directs that a local authority has specific responsibility. This includes cases of unlawful subletting, non-occupation, succession, assignment, mutual exchange, and right to buy unless otherwise agreed. SIT undertakes reactive and proactive investigations.

| 2023-24 | Investigations Opened | Investigations Closed | Properties Recovered | Tenancy Prevented | RTB prevented | Other Positive outcomes |
|---------|--------------------------|--------------------------|-------------------------|----------------------|------------------|-------------------------------|
| C/f | 402 | | | | | |
| April | 10 | 24 | 2 | | | |
| May | 13 | 14 | 0 | | 1 | 3 |
| June | 19 | 15 | 3 | 1 | | 1 |
| Total | 444 | 53 | 5 | 1 | 1 | 4 |

Summary of Reactive Investigations 2023-24

NB: The carried forward figure for open cases includes proactive cases due for closure once new data matching in undertaken

Proactive Investigations

National Fraud Initiative (NFI):

SIT continues to work on housing tenancy related matches under the NFI; of 1,024 initial matches released in January 2023 174 have been closed to date with a further 45 under investigation.

Operation Silver II:

A further exercise to data match tenancies to enable intelligence led tenancy checks to be undertaken by Residents Services Officers will take place in 2023/24 to support the counter fraud work and residents services wider responsibilities.

Data matching is due to commence in Q2.

Transparency Data

In 2015 the Local Government Transparency Code was revised and published with a requirement to publish the following information about counter fraud work annually. The table below shows the required data for SIT:

| Transparency Data | Q1 | Q2 | Q3 | Q4 | Total |
|--|----|----|----|----|-------|
| Number of occasions used Prevention of Social Housing Fraud powers | 5 | | | | 5 |
| Number of FTE Investigators/prosecutors | 9 | | | | 9 |
| Number of FTE accredited counter fraud officers | 8 | | | | 8 |

| Transparency Data | Q1 | Q2 | Q3 | Q4 | Total |
|---|-----|----|----|----|-------|
| Total Spend £000's (YTD) | 157 | | | | 157 |
| Total Number of cases investigated (cases closed) | 53 | | | | 53 |

Staff and Recruitment

CAFT currently consists of 2 x Senior Investigator (one is currently acting up as Interim Team Manager) and 1 Fraud & Verification Officer. Current vacancies exist for 1 x Team Manager, 1 x Senior Investigator and 1 x Anti-Fraud Trainee. A recruitment exercise is underway to fill various posts within the team.

SIT has a compliment of a manager and 8 investigations officers. During Q1 three staff have been on long term absence with an associated reduction in capacity. 1 of these has now returned to work.

Other activities

- SIT officers are attending residents services patch teams meetings to provide an overview/update of the service and activities. To date one team meeting has been attended and arrangements are being made to attend a further 3 meetings.
- CAFT delivered awareness training to various service users in the interpretation of credit reference data. (20 attendees).
- CAFT members attended Tackling money laundering and illicit finance webinar external provider.
- CAFT members attended webinar Combatting fraud with data and intelligence led preventative strategies external provider
- CAFT provided due diligence guidance in preparation for the Education Business Alliance, Children and Adult Services Scholarship Reviews taking place 10th to 28th July 2023.

3. SUMMARY OF INTERNAL AUDIT WORK IN PROGRESS 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 | ToR issued | Fieldwork | QA / Reporting | Design | Operational Effectiveness |
|---|---|-------------|-----------|-------------------|-------------------|------------------------------|
| FINAL REPORTS - PREVIOUSLY PRESEN | TED TO THE AUDIT, GOVERNANCE ANI | O STANDARDS | COMMITTEE | | | |
| Adult Learning Services | Director, Education | ~ | ~ | ✓ Final Report | Moderate | Substantial |
| Buyback of Properties | Director, Customer and Exchequer Services | ~ | ~ | ✓ Final Report | Substantial | Substantial |
| Cemeteries and Crematoria | Director, Leisure | • | ✓ | ✓ Final Report | Moderate | Moderate |
| Children's Quality Assurance Unit | Director, Children and Families | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Complaints | Director, Customer and Exchequer Services | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Contracts Register (continuation work) | Assistant Chief Executive - Governance and Assurance | ~ | ~ | ✓ Final Report | Moderate | Limited |
| EU Project URBACT Thriving Streets - Phase 3 - Grant Audit | Director, Environment | ~ | ~ | ✓ Final Report | NA Grant audit | NA Grant audit |
| Finance and Governance Service Reviews (Advisory) | Strategic Director, Finance and Governance | ~ | ~ | ✓ Final Report | NA Advisory | NA Advisory |
| General Ledger | Director, Customer and Exchequer Services | ~ | ~ | ✓ Final Report | Moderate | Moderate |

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| Audit | Director / Audit Sponsor | ToR issued | Fieldwork | QA / Reporting | Design | Operational Effectiveness |
|--|--|------------|-----------|-------------------|-------------------|------------------------------|
| IT - Software licence management | Chief Digital and Technology Officer | ~ | ~ | ✓ Final Report | Limited | Limited |
| Mental Health Services | Director, Adult Social Care | • | ~ | ✓ Final Report | Moderate | Moderate |
| No Recourse to Public Funds | Director, Communities | ~ | ~ | ✓ Final Report | Moderate | Limited |
| Protect and Vaccinate Funding - Grant audit | Director, Finance | ~ | ~ | ✓ Final Report | NA Grant audit | NA Grant audit |
| Special Education Needs (SEN) | Director, Education | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Supporting Families - Grant Audit | Director, Children and Families | ~ | ~ | ✓ Final Report | NA Grant audit | NA Grant audit |
| TMOs - Use of Reserves | Director, Resident Services | ~ | ✓ | ✓ Final Report | Moderate | Limited |
| FINAL REPORTS - EXECUTIVE SUMMAR | IES INCLUDED IN THIS PROGRESS REPO | RT | | | | |
| Accounts Payable | Director, Customer and Exchequer Services | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Community Engagement (Advisory Review) | Director, Communities | ~ | ~ | ✓ Final Report | NA Advisory | NA Advisory |
| Covid-19 Pandemic Expenditure | Director, Commissioning | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Markets | Director, Environment | ~ | ~ | ✓ Final Report | Moderate | Moderate |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork | QA / Reporting | Design | Operational Effectiveness |
|---|---|------------|-----------|-------------------|----------------|------------------------------|
| Member/Officer Protocol | Assistant Chief Executive - Governance and Assurance | ~ | ✓ | ✓ Final Report | Moderate | Limited |
| New Homes Programme | Director, Asset Management | ~ | ~ | ✓ Final Report | Substantial | Moderate |
| Overtime (Advisory Review) | Director, People and Organisational Development | ~ | ~ | ✓ Final Report | NA Advisory | NA Advisory |
| Payroll and HR | Director, People and Organisational Development | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Pensions Administration | Pensions Manager | ~ | ~ | ✓ Final Report | Substantial | Moderate |
| Public Health - Tobacco Control | Director, Public Health | ~ | ✓ | ✓ Final Report | Moderate | Moderate |
| SEND Finance | Director, Education | ~ | ~ | ✓ Final Report | Moderate | Limited |
| Supplier Resilience - Council wide review | Assistant Chief Executive - Governance and Assurance | ~ | ~ | ✓ Final Report | Limited | Limited |
| Tenancy management Organisations - Applegarth | Director, Resident Services | ~ | ~ | ✓ Final Report | Moderate | Moderate |
| Tenancy Management Organisations - Brenchley Gardens | Director, Resident Services | ~ | ~ | ✓ Final Report | Limited | Limited |
| Tenancy management Organisations - Delawyk | Director, Resident Services | ~ | ~ | ✓ Final Report | Substantial | Substantial |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork | QA / Reporting | Design | Operational Effectiveness |
|--|--|------------|-----------|----------------------------------|--------|------------------------------|
| DRAFT REPORTS ISSUED | | | | | | |
| Building Control | Director, Planning and Growth | ~ | ~ | ✓ Draft Report 6 Jul 2023 | | |
| Building Safety | Director, Asset Management | ~ | ~ | ✓ Draft Report 30 Jun 2023 | | |
| Climate Emergency Strategy and Green Economy Plans | Climate Change and Sustainability Director | ~ | ~ | ✓ Draft Report 27 Jun 2023 | | |
| Hospitality and Gifts Register, Register of Interests | Assistant Chief Executive - Governance and Assurance | ~ | v | ✓ Draft Report 12 Jun 2023 | | |
| Housing Rents | Director, Customer and Exchequer Services | ~ | ~ | ✓ Draft Report 19 May 2023 | | |
| IT - Applications Review | Chief Digital and Technology Officer | ~ | ~ | ✓ Draft Report 5 Jul 2023 | | |
| IT - Cloud Computing Maturity | Chief Digital and Technology Officer | ~ | ~ | ✓ Draft Report 5 Jul 2023 | | |
| Mosaic | Director, Adult Social Care and Director, Children and Families | ~ | ~ | ✓ Draft Report 26 Jun 2023 | | |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork | QA / Reporting | Design | Operational Effectiveness |
|---|-------------------------------|------------|-----------|----------------------------------|--------|------------------------------|
| Parking Management & Estates Parking Permits | Director, Environment | • | ~ | ✓ Draft Report 23 May 2023 | | |
| Private Sector Licensing | Director, Environment | ~ | ~ | ✓ Draft Report 19 May 2023 | | |
| Safeguarding - Adults | Director of Adult Social Care | ~ | ~ | ✓ Draft Report 27 Jun 2023 | | |

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 July 2023.

| School | Status | Design | Operational Effectiveness |
|---|-----------------------------|----------|---------------------------|
| Charlotte Sharman Primary | Final Report | Moderate | Limited |
| Keyworth Primary School | Final Report | Moderate | Moderate |
| Southwark Inclusive Learning Service | Final Report | Moderate | Moderate |
| St Mary Magdalene Church of England Primary School | Final Report | Moderate | Limited |
| St Saviour's and St Olave's Church of England School | Final Report | Moderate | Limited |
| Haymerle School | Final Report | Moderate | Moderate |
| Ilderton Primary School | Final Report | Moderate | Moderate |
| Peter Hills with St Mary's & St Paul's Church of England Primary School | Final Report | Moderate | Limited |
| Oliver Goldsmith Primary School | Final Report | Moderate | Moderate |
| Dulwich Wood Primary School | Final Report | Moderate | Limited |
| St Joseph's Junior School | Final Report | Moderate | Moderate |
| Phoenix Primary School | Final Report | Moderate | Moderate |
| Tuke School | Draft Report 26-May 2023 | | |
| Michael Faraday Primary School | Draft Report 23-Jun 2023 | | |
| St Joseph's Roman Catholic Primary School, George Row | Draft Report 22-Jun 2023 | | |
| St Peter's Church of England Primary School | Draft Report 26-Jun 2023 | | |
| Grove Children & Family Centre | Draft Report 09-Jun-23 | | |

| School | Status | Design | Operational Effectiveness |
|--|---------------------------|--------|---------------------------|
| St George's Church of England Primary School | Draft Report 30-Jun-23 | | |
| St Jude's Church of England Primary School | Draft Report 30-Jun-23 | | |
| Crawford Primary School | Draft Report 30-Jun-23 | | |

4. SUMMARY OF INTERNAL AUDIT PLAN 2023-24

The table below outlines all agreed work at the time of writing. The status of audits commenced to date is also provided.

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork (planned / indicative) | QA / Reporting | Design | Operational Effectiveness |
|--|---|------------|--|-------------------|-------------------|------------------------------|
| Children and Adult Services Directo | prate | | | | | |
| Adopt London Partnership | Director of Childrens Services / Director of Finance | Scoping | 21 Aug 2023 | | | |
| Care Leavers | Director, Children and Families | Planning | Q3 | | | |
| Direct Payments | Director, Adult Social Care | Scoping | 31 Jul 2023 | | | |
| Family Hubs and Start for Life | Director, Childrens Services | ~ | ~ | ~ | NA Grant audit | NA Grant audit |
| Health and Wellbeing Strategy | Director, Public Health | Scoping | Q4 | | | |
| Home to School Transport | Director of Education | ~ | ~ | | | |
| Legal Fees | Director, Children and Families / Assistant Chief Executive - Governance and Assurance | Planning | 9 Aug 2023 | | | |
| Pupil Registry Systems | Director of Education | ~ | ~ | | | |
| Service Assurance / Change Programme Review | Strategic Director, Children and Adult Services | Planning | Q2 / Q3 | | | |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork (planned / indicative) | QA / Reporting | Design | Operational Effectiveness |
|---|--|------------|--|-------------------|--------|------------------------------|
| Supported Families - Grant Audit | Director, Children and Families | Planning | Quarterly, starts Jul 2023 | | | |
| Environment, Neighbourhoods and Gr | owth Directorate | | | | | |
| Estates Cleaning and Grounds Maintenance | Director, Environment | Planning | Q3 | | | |
| Leisure Services - Advisory | Director, Leisure | Scoping | 10 Jul 2023 | | | |
| Leisure Services - Assurance | Director, Leisure | Scoping | 11 Dec 2023 | | | |
| Major Regeneration - Programme & Projects | Director of Planning and Growth | ~ | ~ | | | |
| Planning Applications and s106 Agreements | Director, Planning and Growth | ~ | ~ | | | |
| Tree Management Service | Director, Leisure | Scoping | 18 Jul 2023 | | | |
| Finance Directorate, including IT aud | its | | | | | |
| Accounts Receivable and Debt Management | Director, Customer and Exchequer Services | Planning | Q3 | | | |
| Budgetary Monitoring and Reporting | Director, Finance | Planning | Q3 | | | |
| Capital Expenditure Management - General Fund | Director, Finance | ~ | ~ | | | |
| Capital Expenditure Management - Housing Revenue Account | Director, Finance | ~ | ~ | | | |
| Contract Management | Head of Procurement | Planning | Q3 | | | |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork (planned / indicative) | QA / Reporting | Design | Operational Effectiveness |
|---|--|------------|--|-------------------|--------|------------------------------|
| Cost of Living Fund | Director, Customer and Exchequer Services | Planning | Q3 | | | |
| Fairer Future Procurement Framework | Head of Procurement | Planning | Q3 | | | |
| Home Ownership - Garages | Director, Customer and Exchequer Services | Scoping | 10 Jul 2023 | | | |
| Housing Benefits | Director, Customer and Exchequer Services | Planning | Q3 | | | |
| Mosaic | Director, Customer and Exchequer Services | Planning | Q4 | | | |
| Payments to individuals outside of PAYE / IR35 | Director of Exchequer Services / Director of HR | > | 17 Jul 2023 | | | |
| Pensions Administration | Pensions Manager | Planning | Q4 | | | |
| Service Assurance / Change Programme Reviews | Strategic Director, Finance | Planning | Q3 | | | |
| IT - Asset / Hardware Management | Chief Digital and Technology Officer | Planning | Q3 | | | |
| IT - Cyber Security | Chief Digital and Technology Officer | Planning | Q2 | | | |
| IT - Service Review | Chief Digital and Technology Officer | Planning | Q4 | | | |
| IT - Shared Service Governance | Chief Digital and Technology Officer | Planning | Q2 | | | |
| Housing Directorate | | | | | | |
| Housing Adaptations | Director, Asset Management | Scoping | 24 Jul 2023 | | | |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork (planned / indicative) | QA / Reporting | Design | Operational Effectiveness |
|---|---|------------|--|-------------------|--------|------------------------------|
| Housing Solutions - Applications and Allocations | Director, Resident Services | Planning | Q3 | | | |
| Service Assurance / Change Programme Reviews | Strategic Director, Housing | Planning | Q3 | | | |
| Social Housing Act | Director, Resident Services | ✓ | ~ | | | |
| Southwark Building Services - Service Improvement Plan | Director of Asset Management | > | ~ | | | |
| Statutory Disrepairs | Director, Asset Management | Planning | 4 Sep 2023 | | | |
| Temporary Accommodation Budget Recovery Board - Advisory | Director, Resident Services | Ongoing | Ongoing | | | |
| Tenancy Management Organisations (TMOs) Cyclical Reviews | Director, Resident Services | Scoping | 31 Jul 2023 | | | |
| Tenancy Management Organisation - Objection Review | Strategic Director, Housing and Strategic Director, Finance | Scoping | 10 Jul 2023 | | | |
| Voids | Director of Resident Services | ~ | ~ | | | |
| Strategy and Communities | | | | | | |
| Council Delivery Plan | Assistant Chief Executive, Strategy and Communities | ~ | ~ | | | |
| Equality, Diversity, and Inclusion Maturity Assessment | Assistant Chief Executive, Strategy and Communities | Planning | Q2 | | | |
| Economic Renewal Plan / Strategy | Assistant Chief Executive, Strategy and Communities | Planning | Q3 | | | |

| Audit | Director / Audit Sponsor | ToR issued | Fieldwork (planned / indicative) | QA / Reporting | Design | Operational Effectiveness |
|--|--|------------|--|-------------------|--------|------------------------------|
| Governance and Assurance | | | | | | |
| Payroll | Director, Customer and Exchequer Services | Planning | Q4 | | | |
| Records management | Assistant Chief Executive / Director, HR, FM, and ICT | ~ | 7 Aug 2023 | | | |
| Sickness Absence Management | Director, People and Organisational Development | ~ | ~ | | | |
| Staff recruitment and vetting | Director, People and Organisational Development | Planning | Q3 | | | |
| Integrated Care System | | | | | | |
| Partnership governance and integration of services | Joint leadership role with the ICB | Planning | Q2 | | | |
| Commissioning of services | Director, Commissioning | Planning | Q3 | | | |

5. EXECUTIVE SUMMARIES OF REPORTS FINALISED SINCE THE LAST MEETING

| TR21 Overtime (Advisory Review) June 2023 | | LEVEL OF A | ASSURANCE | SUMMARY OF RECOMMENDATIONS | |
|---|----------------------------------|---------------------------|---------------------------|------------------------------|--------------------------|
| | | Destan | Operational | High | |
| Julie 2025 | | Design | effectiveness | Medium | 3 |
| | | N/A - Advisory | N/A - Advisory | Low | |
| Purpose of review: | To review the adequacy payments. | of the Council's arrangen | nents and key operational | and financial controls in pl | ace relating to overtime |

Background:

The Council has approximately 4,700 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 Customer and Exchequer Services of the Finance Department, the Council has the Financial Control & Processing (FC&P) and Payroll Team which - at the time this audit began - included the officers responsible for SAP Payroll management.

The Council operates an employee self-service (ESS) system for processing and approval, including sickness, unpaid leave and overtime. If individuals cannot access the system, managers can do this on their behalf through Manager Self Service (MSS). 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. One way of recording time is an employee recording the additional hours through ESS. The other way is that each operative completes the time sheet on a weekly basis, which is then signed off by their supervisor. Once the time sheet is signed off, the manager completes the Winshuttle spreadsheet which is then forwarded to the Payroll Team and is processed for payment.

When the monthly payroll is processed, the Payroll team checks what goes through the system. The team then identifies staff with high overtime payments. The team reviews their payslips and query these cases which are logged in through ESS and MSS. The Council's HR service is not involved in the overtime approval process.

Our 2021-22 internal audit on the Council's HR and Payroll systems included data analytics on the overtime report for the period April 2021 to February 2022. We noted that a total of 1,329 employees (28%) out of a total of 4,740 had worked overtime in the period and we reported several exceptions to existing practices. We shared the results of the data analytics with management who agreed that they were aware of the concerns around overtime and were keen to have this area audited separately.

Areas of strength:

• The Housing Department's building services team pays the highest amount of overtime in terms of hours and payments. We were able to confirm that overtime hours are assigned to the worker by their Line Manager prior to the completion of the shift. The hours are then entered on ESS by the worker and approved by the Line Manager for payment. Managers ensure that all trade staff receive their mandated 11 hours of rest breaks when scheduling them in for shifts.

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- The Environment, Neighbourhoods and Growth department was the second highest contributor to overtime figures, through high overtime hours for Waste and Cleansing Team workers. Through interviewing the four area managers in the team we found that all staff have equal opportunities to work overtime but some staff prefer to and have the availability to do overtime whilst some don't which leads to the large amount of overtime earned by the same staff. The Council has a large night-time and weekend economy due to the numerous bars, clubs and markets that are located within the Borough, so cleaning staff need to be scheduled for overtime shifts to complete work at these times and therefore the high levels of overtime are appropriate. We were able to confirm that the Waste and Cleansing Team use timesheets effectively to record their team's working hours. All overtime is agreed between the staff and manager prior to scheduling them to the shift and all timesheets are approved by the Manager before the overtime hours are sent to Payroll for payment.
- We were provided with sufficient evidence such as the employee's timesheets and MSS approval to show that a sample of the overtime claims in January 2023 for the top 10 overtime earners were approved appropriately and seemed appropriate considering the terms and conditions of their employment.
- From our review of the ten highest overtime earners between April 2022 and February 2023, we found that the overtime claims were made in a timely manner.

- There are inadequate policies and procedure documents that govern the processes in relation to overtime payments therefore insufficient guidance is in place for employees and managers especially on the timeliness of inputting claims. The Remuneration policy does not have a next review date and information on who reviewed and approved the document.
- Whilst the year-to-date overtime data was being presented to the Strategic Director of Finance and Governance, the data is not analysed for trends. Monitoring and reporting on overtime is also not completed at a departmental level to help identify the root cause of the high overtime figures. The overtime data is not complete, with some employees not having details on their department and team input which would skew the results of any data analysis performed.
- The [now] Housing Directorate has identified that their high overtime payments are an issue that needs to be tackled and are working towards this. One specific action the directorate has identified is to review the Trade and Craft Agreement 2021 to ensure it provides fair terms that are beneficial to both the Council and the technicians. This will require support from HR and engagement with trade unions.

| KFC07 Accounts Payable June 2023 | | LEVEL OF ASSURANCE | | SUMMARY OF RECOMMENDATIONS | | |
|--|--|---|-----------------|---|---|--|
| | | Design | | perational ectiveness | High Medium | 1 2 |
| | | Moderate | ٨ | Noderate | Low | 1 |
| Purpose of audit: | To provide continuing assurance on of the design and operational effec- internal controls in managing accou- processes via SAP, to ensure that the promptly and effectively brought in reviewed the effectiveness of the p relating to vendor set up and amer- raising and approval of purchase or processing and approvals. | ctiveness of unts payable ney are nto use. We processes adments, | Added value: | Duplicate Transactio Vendors w details. Vendor ba Duplicate | a set of data analytics for payments. ons processed without a ver with same vendor name or a ank details matching emplo vendor numbers or bank ac not made to vendors withi | ndor number. address but different bank oyee bank details. ccounts. |

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 the Exchequer Service division supports the processing of these transactions.

Departments across the Council are expected to raise purchase orders electronically through SAP. These are work-flowed to the relevant individuals or sent 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 received note 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 at 1pm. This involves checking for duplicate payments and allocating the payment method. The transactions that are flagged as duplicates or unusual are not processed for payment.

Areas of strength:

- Based upon our sample of ten new vendors set up on SAP in the period 1 April 2022 to 31 March 2023, we confirmed that adequate due diligence checks were completed and relevant documentation (a new vendor form, evidence of Companies House check, contact details and bank details) was retained for all ten samples. There was also a segregation of duties between the approver and the reviewer.
- We reviewed a sample of ten vendors whose bank account details were amended between 1 April 2022 and 31 March 2023 and confirmed that appropriate evidence of checks made with the vendor (using the contact details held on SAP to confirm the legitimacy of the requested changes) was retained. We identified that vendor amendment forms were retained on SAP in all ten cases. We also confirmed a segregation of duties between the requester and approver.
- We selected a sample of 15 direct payments (which do not involve a purchase order) made between 1 April 2022 and 31 March 2023 and confirmed that all 15 had been appropriately authorised. A Winshuttle form was retained on the system, with the correct amount listed and reconciling with SAP. The purchases were signed and dated by the requester and authoriser, with segregation of duties between the approver and processor and appropriate approval per the scheme of management evidenced.

- No assurance could be provided in relation to accounts payable system access (whether an access request form was in place, had been appropriately signed off, and access rights were appropriate to job role) as we have not received sufficient evidence.
- We compared a list of SAP users (PO approvers and inputters, and invoice inputters) against a list of leavers since 1 April 2022 and found that six users continued to have access to the system after having left the Council.
- We selected a sample of 20 transactions (1 April 2022 to 28 February 2023) and found that there were two incorrectly approved purchase orders (one was raised and approved by the same individual; another was approved by a staff member without the delegated authority per the scheme of management), and five purchase orders were raised after the receipt of invoices.
- Using the sample in Finding 2 above, we found that six invoices were paid after more than 30 days, with no reasoning provided. As part of data analytics testing, we compared the date of invoice with the payments date to identify the compliance rate of all payments made in the period 1 April 2022 to 28 February 2023. We found that **p**ayment was made within 30 days of the invoice date in 68% of transactions. Data analytics highlighted that there were vendors without bank details allocated to them on the Council's AP system, and instances where vendors with different names had the same bank details.

| CAS11 Public Health - Tobacco Control June 2023 | | LEVEL OF | ASSURANCE | SUMMARY OF I | RECOMMENDATIONS |
|--|---|--------------------------|------------------------------|--------------------------------|---------------------------------|
| | | Design | Operational effectiveness | High Medium | - 1 |
| | | Moderate | Moderate | Low | 2 |
| Purpose of audit: | To ensure that the Council ha by 2030. | as adequate and effectiv | ve controls in place to he | lp mitigate the risk that So | uthwark will not be smoke-free |
| | We used the Tobacco Control testing. | Plan for England, the k | han Review, NICE Guidel | ines and the CLeaR self-ass | essment tool to guide our |
| Background: | | | | | |
| | ol is a range of supply, demand ion of tobacco products and exp | | | ve the health of the popula | tion by eliminating or reducing |
| The latest nation then. | onal Tobacco Control Plan 2017 | -22 aims to create a sm | oke-free generation by 20 | 030 meaning only 5% of the | population would smoke by |
| | Javed Khan published on 09/06 n society will not meet it until 2 | | | |) target by seven years and the |
| 1. | Increased investment totalling | £125m per year. | | | |
| 2. | Increase the age of sale of tob | acco from 18. | | | |
| 3. | Promote vaping as an evidence | ed-based way to quit sm | oking. | | |
| 4. | Improve prevention in the NHS | | | | |
| | Ingland has launched CLeaR, wh l action to address harm from to | | d approach to tobacco co | ontrol that every local author | prity can use to measure |
| | obacco Control strategy (Break Khan review. | ing the Chain) expired i | n 2020 and they are in th | e process of developing a n | ew one to incorporate the |
| Areas of streng | gth: | | | | |
| | whether Key Performance Indicenter whether Key Performance Indicenter whether the KPIs being monitore | | | | commonality (i.e. success rate |
| or quits) b | | | to draw common cheme | | |

- Since January 2023, Everyone Health, the main provider of the Stop Smoking Service, has quarterly performance review meetings which review performance against KPIs and outline summary actions.
- Since 2021/22, there are KPIs to monitor the quarterly performance of the providers of the Stop Smoking Service (Everyone Health and three pharmacies) in terms of the number of quits.
- Partnership working:
 - Planned partnership with South London & Maudsley (SLaM): The SLaM NRT scheme will provide nicotine replacement therapy (NRT) for patients (excluding inpatients) who have tried but cannot access NRT through the Southwark community Stop Smoking Service. SLaM advisers will access NRT from Maudsley pharmacy and administer the NRT to these patients and will also provide ongoing behavioural support. The scheme will support up to 100 patients in the year to a budget of £20k. This involves working in partnership with South London & Maudsley NHS Trust and NHS ICB to ensure any patients with complex needs and access issues to Southwark's local Stop Smoking Service can receive NRT.
 - Partnership with Guys and St. Thomas NHS Foundation Trust (GSTT) NHS Targeted Lung Health Check programme in partnership with GSTT: The Council welcomed screened smokers in the low-risk pathway into their service (trial run in Southwark November 2022-February 2023 and is returning in June 2023). This involved screening all current and ex-smokers aged 55-74 for lung problems. Those contacted were assessed and triaged into high or low risk pathways. Southwark's Stop Smoking Service provider, Everyone Health, dealt with the low-risk referrals (the Council is currently analysing reasons for low uptake and any patients lost to follow up on the low risk model).
- The Southwark Stop Smoking Service budget report for 2022/23 shows that as all pharmacotherapy (NRT) costs from the ICB were not reclaimed last year, the Council received a lump reclaim amount of nearly £71,000 in December 2022. Therefore, they underspent last year and have accrued this sum into the 2023/24 budget. The budget is kept under regular review by the Public Health division and further scrutinised by Finance and SMT (annually).
- The Council has an evolving strategy for insight research and targeted local marketing campaign to promote Southwark's Stop Smoking Service amongst hard-to-reach and emerging smoking groups (routine and manual workers, and young people).

- Further analysis of the latest Census 2021, Annual Population Survey and Stop Smoking Service data is required to shape initiatives to engage hard-to-reach groups.
- The CLeaR self-assessment tool provides Local Authorities with an evidence-based approach to measure success of local action to address smoking. At the request of the Public Health team, we evaluated how the Council is meeting sections 14.1-14.3, 15.1-15.4 and 15.6. We concluded that the Council met the requirements for three out of eight questions, and the remainder are a work in progress.
- Roles and responsibilities relating to tobacco control in the Public Health Division and more widely (across the Council and its partners), and how these link together, are not yet clearly defined in strategies, policies and procedures.

| CAS50 | | LEVEL OF ASSURANCE | | SUMMARY OF RECOMMENDATIONS | |
|--|---|--|---|---|---|
| SEND Finance June 2023 | | Design | Operational | High | 4 |
| | | Besign | effectiveness | Medium | 3 |
| | | Moderate | Limited | Low | |
| Purpose of audit: | To provide assurance on the ac of agreeing placement costs ar | | ess of controls in place w | rithin the SEND Finance Tea | am with regards to the process |
| / college. Som difficulties or some children The <i>Children</i> ? Children and Y At the end of Local Authorit duties under t cumulative de from Departm efficient and e The Council ha | the children may need extra or mo disability that needs a special ex- and young people, it may be ag and Families Act 2014 (the Act Young People (CYP) from birth to March 2022, there was a SEND fu- ies (Las) now have SEND funding he Act. Since the reforms, signif- ficit at the close of the 2021-22 ent of Education (DoE) in Safety effective high needs service for C as approximately 94,000 CYP unc | ore specialised help. A of ducational provision. In reed that a special schoo) introduced significant 25 years of age and int inding deficit in Englanc deficits. LA's receive f icant pressures on high financial year was £21. Valve to eliminate the CYP with SEND. der 25 years old. | child has Special Education most cases the special proposed of the special spe | onal Needs Disabilities (SE) rovision can be made withi oriate for their needs. g LA's statutory responsibil llth, and Care (EHC) plans r of £465 million from the pr (DSG) High Needs Block fun llted in many LAs accruing High Needs Block. The Cou by the end of 2026/27 in res | in a mainstream school. For ities to provide SEND support to replacing SEN Statements. revious year. Three quarters of nding to meet the statutory DSG deficits. The Council's DSG uncil has secured £23m funding turn for delivering a more |
| The Council ha | as a SEND Strategy 2022-2025. Th n gth: | ne Business and Finance | Support Team manages | the admin/finance operati | ional functions in SEND. |
| The Coun needs; pr and deve receipt o sending o Costing F procedure | cil's SEND Strategy 2022-25 avai ovision of timelier, high-quality lopment of pathways into adulth f a request for Educational Healt of plan to the young person/pare orm is also in place which has pr es are held in the shared drive for | identification and provi lood for young people w th Care (EHC) assessmer nt. The process also inc re-populated costs for th or all relevant officers t | ision; development of gre rith SEND. We confirmed nt to development of an cludes the responsible pe he different schools to as o access. | eater confidence skills and that a SEN process is in pla EHC Plan, determination or rson and the timelines for ssist in the determination of | competencies in all settings; ace detailing the process from f funding, panel approval and each stage of the process. A SEN of funding requirements. The |
| | ional support to meet those nee | | | | alth and social needs and set out he EHC plan with a total cost |

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onto a spreadsheet entitled 'Ready Reckoner'. The EHC plan together with the proposed placement and the cost is presented to the SEND Panel for approval. Following approval by Panel, a Costing Form is prepared by the SEND Team detailing the placement and cost which is authorised by a SEND Team Manager before being sent to the SEND Finance Team for inputting details onto a spreadsheet to make payments to placement providers. For a sample of 16 children with SEND, we confirmed that they all had an EHC plan, a Ready Reckoner costing spreadsheet and were placed in an appropriate placement based on their needs and age.

- Payments to placement providers are made via the following methods:
 - For Southwark maintained schools, payment is made by Corporate Finance. The base amount is paid monthly, and adjustments are made on a termly basis to reflect any changes, for example, placement starting and ending. Top-up funding is calculated, and adjustment made.
 Payments are authorised by either a Manager or Director of Education.
 - For all other schools, payment is made by the SEND Finance Team via the Direct Payments method upon either receipt of an invoice or a schedule prepared by the Team where providers do not send invoices. A schedule is produced weekly for invoices received and checked by the Business and Finance Manager before being sent via email to Corporate Finance for payment to be made for the invoices listed on the schedule. Some providers, mainly academies, do not send invoices and therefore on a termly basis, the SEND Finance Team prepare a schedule for payments due, which is sent to the providers for confirmation and then forwarded to Corporate Finance for payment.
 - For a sample of 15 payments made from April 2022 to March 2023, three were for Southwark maintained schools for which we confirmed that the payments were due, accurate and appropriately authorised. For the remaining 12 payments which were for all other schools we confirmed in all cases, payment schedules were prepared, checked by the Business and Finance Manager, and sent to Corporate Finance together with invoices for making the payment.
- Payments are made on SAP which does not allow duplicate payments to be made. Prior to making payment, checks are made on SAP to ensure that payment has not already been made for the child for the same period. For the sample of 15 payments made, we confirmed that they were not duplicate.

- Following approval of the EHC Plan, proposed placement and cost by the SEND Panel, a Costing Form is prepared by the SEND Team detailing the placement and cost which is authorised by a SEND Team Manager before being sent to the SEND Finance Team for inputting details onto a spreadsheet to make payments to placement providers. For a sample of 16 children with SEND, one Costing Form was not authorised by the SEND Team Manager. In another two cases, the Costing Forms were authorised after the placement start date.
- For a sample of 15 payments made from April 2022 to March 2023, 12 payments which were for all other schools apart from Southwark maintained schools, the following was noted:
 - We were unable to confirm that the payments were accurate as we were unable to reconcile the amount recorded on the invoice to the amount due as per the authorised costing form.
 - Seven invoices were not paid within 30 days of the invoice. Payments were made after 6 weeks to 4 months of the invoice date.
 - It was also noted that for some schools, payments are only made twice a year.
- The Business and Finance Manager is responsible for raising accruals on an annual basis. An internal deadline has been set by Corporate Finance for accruals to be raised by 17 April 2023 to meet the 21 April 2023 deadline for all revenue to be determined. As of 24 April 2023, the accruals for

2022/23 had not been raised. Due to absence of the Business and Finance Manager, Corporate Finance commenced the process of raising accruals and a total of £8,116,995 accruals had been identified for 2022/23 consisting of 959 invoices of which some dated back to 2017.

- Whilst the spreadsheet maintained by the SEND Finance Team records details of identified funding for each child, it does not record payments. The records maintained by the SEND Team on Capita also does not have the facility to record payments. Both the SEND Finance Team and the SEND Team currently maintain separate records of payments. Records of payments made are available from SAP. However, from our sample testing, it was difficult for us to reconcile the payment on SAP to the child's record on the spreadsheet. This was in the main due to the payment reference number used by the Business and Finance Manager not being the same as the student ID number generated from Capita for each child.
- The data for each child is currently held on a spreadsheet maintained by the SEND Finance Team and held on a Teams shared drive for all relevant officers to access. The spreadsheet includes the following, amongst other details, the child's name, primary need, date of birth, placement, whether in or out of borough, start date, end date (if applicable), funding type and amount. The data held for each child on this spreadsheet is comprised from the authorised Costing Forms received from the SEND Team who maintain their data on Capita. Our review of a sample of 16 Costing Forms and the data on the spreadsheet identified the following differences:
 - For two children, the start date recorded on the spreadsheet was different to that stated on the Costing Form.
 - For one child, the date of birth recorded on the spreadsheet was different to that stated on the Costing Form.
 - For the above difference noted, we confirmed that the data recorded by the SEND Team on the Costing Forms was accurate as per Capita.
- The Business and Finance Manager stated that a check is completed on a weekly basis between data on the spreadsheet to data maintained by SEND Team on Capita. The check is done manually, and any discrepancies are investigated/queried with the SEND Team. We were unable to confirm this weekly check being undertaken as no evidence is maintained. However, as noted in our sample testing above, discrepancies were found in the data recorded on the spreadsheet and that on the Costing Forms.
- Payments should be costed to the correct cost centre code on SAP. A Costing Structure is in place detailing all the placement providers and the cost centre codes to which the payments should be posted against. For a sample of 15 payments made from April 2022 to March 2023, in one case the payment was not costed to the correct code as per the Costing Structure.
- Additional payments are made for children who require extra support. These are generally one-off payments, for example, for equipment, therapy. Where extra support is required, this is detailed on the authorised Costing Form together with the time period and the associated cost. These additional payments are made in the same manner as other funding payments. For a sample of five additional support payments required for children during 2022/23, in one case, the Business and Finance Manager was unable to find a Costing Form for the extra support. It was further noted for this same child that the start date for the extra support recorded on the spreadsheet was incorrect as it stated 25/01/1023.
- We undertook a follow-up of two actions from the Education Budget Review undertaken by RSM for which a final report was issued in February 2020. Both recommendations have not been implemented.

| FG22 | | LEVEL OF | LEVEL OF ASSURANCE | | RECOMMENDATIONS |
|--|---|---|--|--|---|
| Pensions / June 2023 | Administration | Design | Operational | High | |
| | | Design | effectiveness | Medium | 2 |
| | | Substantial | Moderate | Low | |
| Purpose of audit: | To provide assurance over the account. We also provided assu | | | | |
| Background: | | | | | |
| Southwark is t administratior comprises arou The Council ha | prough of Southwark Pension Fun- the 'Administering Authority' for n, communication, and good gove und 90 employers and approxima as a Pensions Administration Stra d approval by the Strategic Direct | the Fund and has delega ernance. The Administer tely 25,000 LGPS member tegy for the Fund. An up | ated responsibility for th ing Authority is responsi ers in total (including ac odated strategy was pub | e management of all aspec ble for the local administra tive, deferred and pension lished in April 2021 followin | ts of the Fund, including tion of the Fund, which er members). ng consultation with the Fund |
| | fully aware of their responsibilit high-quality and cost-effective pe | | | ance standards they are exp | pected to meet to ensure the |
| | Regulator is taking an increasingl e Regulator has the power to fine upon. | | | | |
| pension. Meml | n 2022, there were 6,995 active r ber contributions to the Fund in 2 ibutions are collected and manag | 2021/22 were approxima | ately £62.8 million and t | he total asset value of the | |
| | Advisory Panel (PAP) and Local Person of the Pensions Administration Str | | n place to provide invest | ment advice, governance, | and oversight to ensure the |
| The Council ha | as implemented a new system, C | ivica UPM, to manage th | e pension fund and pens | sioner payroll, which went | live in May 2022. |
| Areas of strer | ngth: | | | | |
| We confin | rmed that the weekly payment li | st of single payments fo | r retirees was being gen | erated each week and proc | essed automatically by finance |
| account v managem | ncil has two bank accounts, one is which holds cash relating to mem ment of the Fund bank account, w and governance; they have access | ber activities. We confi vith the Departmental Fi | rmed that the Senior Fir nance Manager having o | nance Manager is responsibl verall responsibility for the | e for the day to day scheme of management for |

- The reconciliation to confirm the data migration was successful to the new system was completed in April 2022 which confirmed the data from the previous system had been migrated to UPM correctly. The reconciliation covered 7,618 records and no discrepancies were noted; we confirmed that this was correct through data analysis.
- The Council has a Standard Data Mapping document in place dated 12 May 2021 outlining the methodology used to migrate data to the new system. Our review noted it clearly set out the relevant fields to be mapped from Altair to UPM and that the migration had happened in accordance with the methodology and in accordance with the project timescales.
- Monthly reports are generated from the UPM system and are pulled automatically into the general ledger; we confirmed December 2022 was completed correctly.
- We were provided with evidence of the new user and deleting user process; Civica is responsible for managing these requests based on correspondence from the pensions team.
- Staff access the system through two separate logins, one granted by Civica, and one granted by the Council. Screenshots were provided to verify the two different access points required. We were provided with a log of all users with admin access to the system; we confirmed that these were all appropriate based on their role.
- The Council has an access matrix in place setting out the access rights and permissions of users. This is split into two basic access levels, which are currently Admin access and Payroll access.
- The Civica contract dated 27 August 2020 provides details of the back-ups provided. Backups are completed daily and retained for 28 days for efficiency. Two copies of the backup are held for efficient retrieval.
- The contract also details the Disaster Recovery arrangements in place, for both Recovery Time Objective (RTO) and Recovery Point Objective (RPO), RTO is offered for 24 hours, and RPO of four hours. This includes provision for one annual disaster recovery test.
- The last disaster recovery test was completed in April 2022, and was handled by Civica and the Council with a range of tasks. Overall, the disaster recovery test was successful with no issues identified that required resolution.

- We were provided with the UPM User List as at December 2022 which confirmed a total of 196 user accounts; we were also provided with the Citrix User list as at December 2022 which set out a total of 39 users. We reconciled the two User Lists and noted 19 users who were disabled within Citrix but were still on the UPM User List.
- We performed a reconciliation between the previous system and the new system using National Insurance (NI) number. We were only able to identify 7,620 matches between both datasets following data being cleansed from the previous system, with the discrepancy of 21 staff being due to the fact they joined the Council after the implementation of UPM. We also performed data analytics on the UPM data and noted: five instances where the National Insurance Number was not valid, eight employees which had duplicate entries, and nine employees who had duplicate entries with the same bank account number and sort code. This will be provided to management under separate cover for their investigation.

| HM71 | | LEVEL OF | LEVEL OF ASSURANCE | | RECOMMENDATIONS |
|-------------------------------|---|--------------------------|-------------------------|--------------------------------|---------------------------------|
| | nes Programme | | Operational | High | |
| June 202 | ٢ | Design | effectiveness | Medium | 1 |
| | | Substantial | Moderate | Low | 1 |
| Purpose of audit: | To provide assurance on the projec programme governance with regard | | | | ntract management and |
| Background | : | | | | |
| | mes Programme was established in 20 using supply by building 11,000 new C | | | using strategy for the borou | gh including commitments to |
| construction | Plan adopted in October 2018 commine ither completed or started on all h n Wood, and North Bermondsey. | | | | |
| | n is densely populated and there is signified states, buy homes developed | | | | ouncil has looked to create |
| Effective pro time and wit | ocurement, contract management and hin budget. | governance can help t | he Council achieve valu | e for money and ensure the | programme is delivered on |
| Areas of str | ength: | | | | |
| | ted a sample of five procurement exe , and confirmed that in all cases: | ercises for 22/23 out of | f a population of 20 to | confirm compliance with the | e Council's Contract Standing |
| • A | lead contract officer was identified. | | | | |
| | A Gateway 1 report was completed, wroute and the senior officer approval. | | ocurement strategy, ac | lvice received, the officer re | ecommended procurement |
| | The method of procurement was in lir approved list and 5 contractors invited | | | | from the Council's work |
| o (| Contract Standing Orders had been fo | llowed. | | | |
| | Fenders were received before the dea evaluation report was completed. | adline, opened at the s | ame time after the clo | sing date by the council's re | presentative and a tender |
| | A Gateway 2 report was completed, wapproval. | which evidenced the re | sult of the procuremen | t (tender scoring, tender ev | aluation) and the senior office |
| | Decision letters were correctly issued | | | | |

- For the same sample of five we confirmed the following contract management arrangements were in place:
 - Contracts managers kept a signed copy of the contract.
 - Contract managers held regular contract monitoring meetings with the contractor, which were in line with the contract.
 - Contract monitoring meetings were minuted and actions recorded.
 - Contract monitoring meetings confirmed compliance with the contract and regularly reviewed budget and cost.
 - Contract managers maintained supplier risk registers.
 - Key performance indicators were detailed in the contract and regularly monitored/reported.
- There is a Delivery Programme Board, which provides strategic direction and senior operational oversight. The Board is governed by a terms of reference which is refreshed annually and clearly defines the Boards purpose, roles and responsibilities.
- We confirmed reports are regularly presented to the Board and the Lead Cabinet Member for Council Homes and Homelessness. These reports provide an update on the New Homes Programmes progress and include a regular review of risks.

- Section 9.2 of the Council's Contract Standing Orders (CSOs) states where the estimated contract value exceeds the relevant EU threshold the lead contract officer should prepare an annual monitoring report to the relevant Departmental Contract Review board (DCRB). The EU Works threshold is £5,336,937. In three cases the threshold was exceeded. Our discussions with officers confirmed they had not prepared an annual monitoring report.
- The Delivery Programme Board terms of reference states the Board will meet as required, at least every two months. Our review of Board documentation for 2022-23 confirmed there was no meeting between 08/03/2022 12/06/2022 and 08/11/2022 09/05/2023. Officers stated this was because there were no reports for them to review due to the phasing of the projects.

| EL39 | | LEVEL OF | ASSURANCE | SUMMARY OF | RECOMMENDATIONS |
|--|--|---|--|---|---|
| Community Engagement (Advisory Review) | | Design | Operational effectiveness | High | |
| May 2023 | | N/A - Advisory | N/A - Advisory | Medium Low | - 3 |
| Purpose of review: | To provide assurance on the adec risks in respect to Community Eng To consider the lessons learned fi and the impact on governance str | gagement. rom the Covid-19 par | ndemic and how this is in | forming future approaches | to community engagement |
| Background: | benchmarking. | | | | |
| to the inequalit their range of o 1,500 people. The Council has workstreams (E achieve their o Director of Con | principles for engagement and provi ties exposed by COVID-19 and the en- digital engagement. In addition, in 2 is a Consultation Involvement team of Better engagement, thriving neighbor bjectives of community engagement nmunities. The Council is hosting a con- ddressing health and safety. | vents of 2020, as arti 2022, the Council hos which provides advice ourhood, amplifying o t. Quarterly reports | iculated by the Black Live sted open listening and th e and guidance around ho diverse forces, transformi providing updates on the | es Matter protests. This le meme-based events that w w services should engage ng grant forces) in place to outcomes of the workstre | d to the Council broadening ere attended by more than communities. There are four to enable the Council to ams are presented to the |
| The Southwark expects and wh The Framework | Equality Framework explains how t nat the Council is committed to doir demonstrates how equality legisla | ng to mainstream equ | uality, diversity and inclus | sion work and make it par | t of their day-to-day business. |
| Areas of streng | | | | | |
| | ave a sound process in place to mon y engagement using a Red, Amber a ent Team. | | | | |
| | y Engagement has 50 performance i ed. We verified actions are in place | | | | |

- Community engagement is governed by an overarching "Approach to Community Engagement" document, which clearly sets out the Council objectives for engagement. This strategy document is supported by a Communities Plan, which is in the process of being updated, and sets out the Communities team priorities. There is also a clear link between the priorities and the Council's corporate objectives (golden thread).
- The Council has a dedicated Community Engagement page on TheSource, which is accessible by all Council officers and includes useful guidance on various aspects of engaging with the public. Some of this documentation, including "guidance on the use of Teams meetings for community engagement" and "engagement guidance for working with black and minority ethnic communities", was written to address issues officers identified during the pandemic particularly with digital engagement.
- The Council has a detailed and comprehensive Engagement and Consultations website, which acts a central repository and signpost for all things related to community engagement. The website provides the public with lots of useful information including, but not exclusively, links to a Consultation and Conversations Hubs, Empowering Communities and how the public can have their say.
- The Southwark Equality Framework is currently being review by the new Head of Equality, Diversity and Inclusion. We confirmed actions are regularly reported to the Southwark Stands Together Board meeting. A RAG rating and commentary on the RAG is used to update progress on actions. The Head of Equality, Diversity and Inclusion also confirmed she would use the work done by the Communities team as an example of good practice to share across the Council.

- To steer officer engagement the Council has 2 key pieces of guidance, the consultation toolkit and the engagement plan template. We reviewed both against the Local Government Association community engagement checklist to confirm all areas were incorporated into the guidance. We found the following was not mentioned in the Council's guidance:
 - 1. Monitor the responses: Keep track of the number of responses you receive so action can be taken to improve response rates if necessary. Check the responses submitted to get an indication of the issues arising.
 - 2. Analyse the results: Consider what story the data are telling and what this means in terms of the question asked. Calculated how many people gave certain answers and look for any variations. You should also seek to identify any patterns, trends or themes to help identify key issues.
- Officers also confirmed that some of the information contained within the toolkit was out of date and did not align with the new corporate approach so needed a refresh.
- Our review of the information available on the Council's Consultation and Engagement website showed officers had not refreshed a number of areas since 2017 and therefore there is a risk it is no longer relevant. This included information relating to: Let's talk about ageing well; Let's talk about new council homes for Southwark; Become a charity trustee; LGBT groups; Southwark disability forum; and Southwark multi-faith forum. We also found the link for the Housing Community Involvement page no longer worked.
- We confirmed officers understood the problems arising from digital engagement during the pandemic, such as bad online behaviour from the public and planning around engagement behaviour to ensure all voices are heard. We verified officers had taken action to address the issues for example writing additional guidance. However, there was no formalised lessons learnt process documenting the actions taken, responsible officers and date of implementation. Without this there is a risk officers do not take the full action necessary to address the identified issues.

| EL25 | | LEVEL OF | ASSURANCE | SUMMARY OF RECOMMENDATIONS | | |
|--|---|--|---|--|--|--|
| Markets June 2023 | | Design | Operational | High | | |
| | | | effectiveness | Medium | 3 | |
| | | Moderate | Moderate | Low | - | |
| Purpose of audit: | The purpose of the audit is to review operational and financial controls in | | | ness of the Council's gove | ernance arrangements and key | |
| markets and st | prough of Southwark has a rich heritag treet trading help contribute to a rich | n mix of retail oppor | rtunities for new busines | sses. The borough has a c | ombination of local authority | |
| | ately operated markets, and seasonal | | | | • • • | |
| not) or pitches activity of sell intention of ra All markets in Council under borough, consi than five) of is licensed under licence, the Co | nition of a market is 'a concourse of b s from which items are sold. A comme ling goods for their own purposes whe aising funds for a specific charity or co the borough are licenced and operate the provisions of the Food Act 1984, ider applications for other markets ar solated pitches located in the borough r the Food Act. These are operated or ouncil considers the impact this may is payable once the application for a p | ercial market is one reas a community-b elebrating a special ed in accordance wi enables the Council nd determine wheth h, these are licence n private land and c have on the local au | which is operated for p based market is normally event. The Council cons th the provisions of the to implement a market er such markets can be d under the London Loca harged based upon the r uthority markets and the | rofit and where the trade y organised by local comm siders applications in resp Food Act 1984. The statu s policy within its area, o held by way of consent. T al Authority Act 1990. Pr number of stalls the mark e existing stall holders. | rs are engaged in a business nunities or organisations with the eect of both market categories. tory powers afforded to the perate markets within the There are a small number (less ivately operated markets are als et will have. Prior to granting a | |
| the size and fr are available o traders should before their cu | requency of the market whereas for t on the Council's website. The income re-submit their application every 12 urrent market licence expires. Temp has traded with the Council, meaning | he community-base generated for 2021 months if they wish orary traders are all | d markets, this may be v /22 was circa £754,000. In to continue to operate located pitches based up | waived. All fees and charg All licences must be ren within the borough. This pon a seniority listing. Th | ges are reviewed annually and ewed on an annual basis. The must be done at least one mont | |
| | | | J J |) · | | |
| Areas of stren | ngth: | | J | , - | | |
| We review | n gth: wed the meeting minutes from the Ca stablished approval process. | abinet meeting held | - | - | ees were formally approved as | |

- We reviewed the documentation assessed for a sample of five private and seasonal operators and confirmed that:
 - An application form was completed,
 - The one-time licencing fee and the recurrent fees were in line with the Council's agreed charges,
 - Proof of public liability insurance was provided and current.

- The Council's Markets Policy does not detail the application requirements for permanent and temporary traders and operators.
- We reviewed a sample of 10 temporary and permanent traders and identified that in one case, a temporary permit was provided to the trader, although there was insufficient evidence of proof of address. In another instance, the permanent trader continued to trade although the trading licence was not renewed.
- The Markets Team referred two out of 15 debtor accounts to the Credit Control Team for further escalation, however this was not actioned. Hence, the outstanding balances were not recovered.

| Tenancy Ma | anagement Organisations | LEVEL OF A | ASSURANCE | SUMMARY OF RECOMMENDATIONS | | |
|----------------------------|---|---------------------------------------|-------------------------------------|-------------------------------|-------------------------------|--|
| Applegart June 2023 | h | Design | Operational effectiveness | High Medium | - | |
| | | Moderate | Moderate | Low | 1 | |
| Purpose of audit: | To provide assurance over the a financial processes, such as fina assessment and asbestos. | | | | | |
| Background: | | | | | | |
| The Council ha | as 17 Tenant Management Organis reehold. | sations (TMOs) comprisi | ing 4,609 properties of w | hich 2,972 are rented by th | e council tenants and 1,637 a | |
| The Council fur residents. | unds the TMOs to run services and | provides local offices. | TMOs employ their own | staff to provide the housing | g management services for the | |
| Tenant Manag | as a Modular Management Agreem ement Initiatives (TMI) team with r in the management of housing s | in the Environment and | | | | |
| TMOs are disti | inct legal bodies, with the protect runs the TMO and represent the r | tion of limited liability | | | | |
| - | ouse is an eight-storey building wh | nich consists of 54 singl | e storey flats. | | | |
| Areas of strer | | 5 | , | | | |
| | th TMO has an up-to-date Finance nent, approval, and financial limit | | roved by the Managemer | nt Committee and clearly o | utlines all aspects of | |
| The cheq | ue book is securely stored and is | regularly monitored th | rough reconciliations. | | | |
| We review documen | wed the minutes for the last three ted. | e Management Commit | tee meetings and found t | the meetings were quorate | and decisions were clearly | |
| All memb | pers of the Management Committe | ee has a completed (sig | ned and dated) declarat | ion of interest from in the l | ast 12 months. | |
| | ng found that debts are recovered | d in accordance with ag | greed procedures. | | | |
| Our testi | | · · · · · · · · · · · · · · · · · · · | | | | |

- We reviewed the process to let prospective tenants as outlined within the MMA and confirmed that the TMO retained all correspondence and completed all required checks prior to the award of the property.
- The Equal Opportunity policy was up-to-date and had been approved by the Management Committee, and we found it was in line with the Council requirements.
- The performance management framework complies with the Council requirements.
- The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges.

- Invoices for purchases at the TMO were not signed by the treasurer as per the requirements of the Finance Policy.
- While the TMO review the performance figures where the budget is monitored monthly, comparing expenditure for cost centres against the agreed budget, this information is not shared with the Management Committee for review and scrutiny.
- While the TMO have a complaints policy, we found it was last reviewed in February 2020. Further, we found the TMO does not currently have a recruitment policy or disciplinary procedure document in place which is a requirement set out within the MMA.
- There is a not a standalone terms of reference in place for the Management Committee which outlines the roles and responsibilities of members, frequency of meetings and quorum requirements in one place which is reviewed annually to ensure it includes the most up-to-date information of the committee.

| Tenancy Management Organisations | | LEVEL OF | ASSURANCE | SUMMARY OF RECOMMENDATIONS | | |
|--|--|--|--|---|--|--|
| Brenchle July 2023 | ey Gardens | Design | Operational | High | 7 | |
| outy 2020 | | Design | effectiveness | Medium | 2 | |
| | | Limited | Limited | Low | 2 | |
| Purpose of audit: | To provide assurance over the adec financial processes, such as financi assessment and asbestos. | | | | | |
| Background | | | | | | |
| The Council leasehold or | has 17 Tenant Management Organisa freehold. | tions (TMOs) compris | ing 4,609 properties of wh | nich 2,972 are rented by th | e council tenants and 1,637 a | |
| The Council residents. | funds the TMOs to run services and p | provides local offices. | . TMOs employ their own s | staff to provide the housing | management services for th | |
| The Council | has a Modular Management Agreeme | nt (MMA) in place wit | | | | |
| Tenant Mana | gement Initiatives (TMI) team within for in the management of housing sto | the Environment an | | | | |
| Tenant Mana responsible f TMOs are dis leaseholders | gement Initiatives (TMI) team withir | the Environment an ock. on of limited liability | d Leisure Department. Th for members. An elected | e agreements outline the so Management Committee, o | ervices that each party is comprising local tenants and | |
| Tenant Mana responsible 1 TMOs are dis leaseholders community. There are 91 | gement Initiatives (TMI) team within for in the management of housing sto tinct legal bodies, with the protection , runs the TMO and represent the res properties on the Brenchley Garden | a the Environment an ock. on of limited liability sidents and set the p s estate. We note th | d Leisure Department. Th for members. An elected riorities. Any savings a TM at during our review, the | e agreements outline the so Management Committee, o O makes can be spent in lir previous Estate Manager le | ervices that each party is comprising local tenants and ne with the wishes of the loc | |
| Tenant Mana responsible f TMOs are dis leaseholders community. There are 91 | gement Initiatives (TMI) team within or in the management of housing sto tinct legal bodies, with the protectio , runs the TMO and represent the res properties on the Brenchley Garden ed by a new Estate Manager post aud | a the Environment an ock. on of limited liability sidents and set the p s estate. We note th | d Leisure Department. Th for members. An elected riorities. Any savings a TM at during our review, the | e agreements outline the so Management Committee, o O makes can be spent in lir previous Estate Manager le | ervices that each party is comprising local tenants and ne with the wishes of the loca | |
| Tenant Mana responsible f TMOs are dis leaseholders community. There are 91 post was fille Areas of stro • The che • All men | gement Initiatives (TMI) team within or in the management of housing sto tinct legal bodies, with the protectio , runs the TMO and represent the res properties on the Brenchley Garden ed by a new Estate Manager post aud | a the Environment an ock. on of limited liability sidents and set the pro- s estate. We note th it, who has prior exp egularly monitored th have a completed (s | d Leisure Department. The for members. An elected riorities. Any savings a TM at during our review, the perience of Brenchley Gard strough reconciliations. | e agreements outline the so Management Committee, o O makes can be spent in lir previous Estate Manager le dens and TMOs. tion of interest from in the | ervices that each party is comprising local tenants and ne with the wishes of the loc ft the organisation, and the last 12 months. | |
| Tenant Mana responsible f TMOs are dis leaseholders community. There are 91 post was fille Areas of stro • The che • All men | gement Initiatives (TMI) team within or in the management of housing sto tinct legal bodies, with the protection , runs the TMO and represent the res- properties on the Brenchley Garden ed by a new Estate Manager post aud ength: eque book is securely stored and is re- phers of the Management Committee A outlines the arrangements betwee | a the Environment an ock. on of limited liability sidents and set the pro- s estate. We note th it, who has prior exp egularly monitored th have a completed (s | d Leisure Department. The for members. An elected riorities. Any savings a TM at during our review, the perience of Brenchley Gard strough reconciliations. | e agreements outline the so Management Committee, o O makes can be spent in lir previous Estate Manager le dens and TMOs. tion of interest from in the | ervices that each party is comprising local tenants and ne with the wishes of the loc ft the organisation, and the last 12 months. | |

- Pre-employment documentation were not retained by the TMO to evidence the validity and clearances have been completed and authorised.
- A central log of work repairs at the TMO was not being maintained and therefore we were unable to confirm if a works order was raised, completed in a timely manner, and review the quality checks completed by the TMO.
- Newly let properties did not have the required checks completed and sufficient documentation retained as set out within the MMA.
- The monthly Management Committee meetings were not consistently minuted to show discussions and formal actions to take forward and to be followed up at subsequent meetings.
- The TMO has an equal opportunity, staff appraisal, grievance and disciplinary policies and procedures, however these were not reviewed or approved in the last 12 months.
- The TMO has a finance policy, however this was last reviewed in March 2020.
- There is a not a standalone terms of reference in place for the Management Committee which outlines the roles and responsibilities of members, frequency of meetings and quorum requirements in one place which is reviewed annually to ensure it includes the most up-to-date information of the committee.

| enancy Management Organisations | | LEVEL OF / | ASSURANCE | SUMMARY OF RECOMMENDATIONS | | |
|--|---|--|--|--|---|--|
| Delawyk | | | | High | | |
| June 2023 | 3 | Design | Operational effectiveness | Medium | | |
| | | Substantial | Substantial | Low | 1 | |
| Purpose of audit: | To provide assurance over the ad financial processes, such as finan assessment and asbestos. | | | | | |
| Background | | | | | | |
| The Council leasehold or | has 17 Tenant Management Organis freehold. | sations (TMOs) comprisi | ng 4,609 properties of w | which 2,972 are rented by t | the council tenants and 1,637 a | |
| The Council residents. | funds the TMOs to run services and | provides local offices. | TMOs employ their own | staff to provide the housi | ng management services for th | |
| Tenant Mana | has a Modular Management Agreem gement Initiatives (TMI) team with | in the Environment and | | | | |
| | or in the management of housing s | tock. | | - | | |
| leaseholders | for in the management of housing s tinct legal bodies, with the protect , runs the TMO and represent the r | tion of limited liability | | | , comprising local tenants and | |
| leaseholders community. The Delawyk | tinct legal bodies, with the protect | tion of limited liability esidents and set the pri s. The majority are owr | iorities. Any savings a TA | 10 makes can be spent in | , comprising local tenants and line with the wishes of the loc | |
| leaseholders community. The Delawyk Dulwich Esta | tinct legal bodies, with the protect, runs the TMO and represent the r Crescent estate has 115 propertie te is the freeholder of the whole e | tion of limited liability esidents and set the pri s. The majority are owr | iorities. Any savings a TA | 10 makes can be spent in | , comprising local tenants and line with the wishes of the loc | |
| leaseholders community. The Delawyk Dulwich Esta Areas of stro Delawyl | tinct legal bodies, with the protect, runs the TMO and represent the r Crescent estate has 115 propertie te is the freeholder of the whole e | tion of limited liability esidents and set the pri s. The majority are owr state. ent of Goods and Servic | iorities. Any savings a TA ned by long-term leaseho es procedure document; | NO makes can be spent in olders, with the Council as | , comprising local tenants and line with the wishes of the loc s their immediate landlord. s) and Petty Cash procedure | |
| leaseholders community. The Delawyk Dulwich Esta Areas of stre Delawyl docume | tinct legal bodies, with the protect, runs the TMO and represent the r Crescent estate has 115 propertie te is the freeholder of the whole e ength: k RMO has an up-to-date Procuremo | tion of limited liability esidents and set the pri s. The majority are own state. ent of Goods and Servic e Management Committ | iorities. Any savings a TA ned by long-term leaseho es procedure document, ee and clearly outlines a | NO makes can be spent in olders, with the Council as | , comprising local tenants and line with the wishes of the loc s their immediate landlord. s) and Petty Cash procedure | |
| leaseholders community. The Delawyk Dulwich Esta Areas of stro Delawyl docume The che | tinct legal bodies, with the protect, runs the TMO and represent the r Crescent estate has 115 propertie te is the freeholder of the whole e ength: k RMO has an up-to-date Procurement, which were all approved by the | tion of limited liability esidents and set the pri s. The majority are own state. ent of Goods and Servic e Management Committ regularly monitored thr | iorities. Any savings a TA ned by long-term leaseho es procedure document, ee and clearly outlines a rough reconciliations. | NO makes can be spent in olders, with the Council as , Financial Standing Orders all aspects of procurement | , comprising local tenants and line with the wishes of the loc s their immediate landlord. s) and Petty Cash procedure c, approval, and financial limit | |
| leaseholders community. The Delawyk Dulwich Esta Areas of stre • Delawyl docume • The che • Monthly | tinct legal bodies, with the protect, runs the TMO and represent the r Crescent estate has 115 propertie te is the freeholder of the whole e ength: k RMO has an up-to-date Procurement, which were all approved by the eque book is securely stored and is budget monitoring reports are pro- | tion of limited liability esidents and set the pri s. The majority are own state. ent of Goods and Servic e Management Committ regularly monitored thr oduced and shared with | iorities. Any savings a TA ned by long-term leaseho es procedure document, ee and clearly outlines a rough reconciliations. the Finance Committee | NO makes can be spent in olders, with the Council as Financial Standing Orders all aspects of procurement , these include the use of | , comprising local tenants and line with the wishes of the loc s their immediate landlord. s) and Petty Cash procedure c, approval, and financial limit reserve and surplus funds. | |
| leaseholders community. The Delawyk Dulwich Esta Areas of stro Delawyl docume The che Monthly We revi docume | tinct legal bodies, with the protect, runs the TMO and represent the r Crescent estate has 115 propertie te is the freeholder of the whole e ength: k RMO has an up-to-date Procurement, which were all approved by the eque book is securely stored and is budget monitoring reports are pro- | tion of limited liability esidents and set the pri s. The majority are own state. ent of Goods and Servic e Management Committ regularly monitored thr oduced and shared with e Management Committ | iorities. Any savings a TA ned by long-term leaseho es procedure document, ee and clearly outlines a rough reconciliations. the Finance Committee tee meetings and found | NO makes can be spent in olders, with the Council as , Financial Standing Orders all aspects of procurement , these include the use of these meetings were quor | , comprising local tenants and line with the wishes of the loc s their immediate landlord. s) and Petty Cash procedure c, approval, and financial limit reserve and surplus funds. ate and decisions were clearly | |

- Our testing found that repairs were completed in accordance with agreed procedures and the MMA.
- We reviewed the process to let prospective tenants as outlined within the MMA and confirmed that the TMO retained all correspondence and completed all required checks prior to the award of the property.
- The Equal Opportunity policy was up to date and had been approved by the Management Committee, and we found it was in line with the Council requirements.
- We found the HR policies and procedures, including the performance management framework, to be in compliance with the Council requirements.
- The MMA outlines the arrangements between the Council and the TMO in terms of managing leaseholders and service charges.

• There is a not a standalone terms of reference in place for the Management Committee which outlines the roles and responsibilities of members, frequency of meetings and quorum requirements in one place which is reviewed annually to ensure it includes the most up-to-date information of the committee.

| TR20 | | LEVEL OF A | ASSURANCE | SUMMARY OF | SUMMARY OF RECOMMENDATIONS | | | |
|---|--|---|--|---|--|--|--|--|
| Supplier July 2023 | Resilience | Design | Operational | High | 2 | | | |
| | | gii | effectiveness | Medium | 5 | | | |
| | | Limited | Limited | Low | 1 | | | |
| Purpose of audit: | | | | | | | | |
| | The audit excluded care service still be included on the Contract | | included in a future con | nmissioning audit in 2023/2 | 24 (but notes that these should | | | |
| Background: | | | | | | | | |
| examples such highlight the The Council | where services require additional th as the collapse of Carillion and significant risks and disruption as has different types of approved or nt. The lists have been evaluated u | the collapse of energy s sociated with supplier f select lists for supplier | uppliers Bulb Energy and ailures. s. Contracts are awarded | Avro Energy brought about through the approved or s | t by the cost-of-living crisis, elect list system, or by public | | | |
| | ges of being on an approved list ar to meet that standard. | e that it reassures the (| Council a minimum stand | ard has been met and save | s firms from having to re-apply | | | |
| | offers suppliers free registration for s are posted that match their spec | | s via Southwark's e-proc | urement portal; suppliers r | receive email alerts when | | | |
| The Council | currently has 223 suppliers and ser | vice providers on their | contracts register with e | stimated values ranging fro | om £5,000 to £665,000,000. | | | |
| Areas of stre | ength: | | | | | | | |
| There is templat | sound contract management guid es. | ance available to all of | ficers on the Council's in | tranet, which includes a co | ontract management toolkit and | | | |
| | lkit details the importance of man al issues with supplier resilience. | aging change and risk to | o ensure suppliers are de | livering on their contractu | al obligations and to identify | | | |
| Areas of con | cern: | | | | | | | |
| • During t | he audit we established there is a | lack of strategic oversi | ght of contract managem | ent. The Council does not: | : | | | |

- Have a centralised contract management function.
- Keep a list of contracts it feels are the most critical, which should be scrutinised further. The Council does define contracts as either
 Operational or Strategic but does not maintain a list of either, although Contract Standing Orders require that Lead Contract Officers (LCOs) or their Chief Officers maintain all contracts over £5k in value on the Council's Contract Register.
- Centrally perform ongoing creditor checks of key suppliers.
- Provide regular training to contract managers about how to consistently monitor supplier resilience.
- We tested a sample of ten contracts from the contracts register including the five highest value contracts (excluding Residential Care as this will be covered by a future audit) and a random sample of five further contracts. For four contracts we were not provided with full supporting evidence.
- Our testing to ensure the contract managers had obtained operational and financial security during the procurement process found eight had conducted the appropriate checks and retained evidence.
- We further tested to ensure contract managers had obtained and reviewed supplier's business continuity plans (BCP) and found inconsistent practices and in one case no BCP. We also assessed contract monitoring / review arrangements to verify they were in line with the contract and ongoing. We found inconsistent practice and no regular monitoring in three cases.
- We tested to confirm key performance indicators (KPI's) are established and regularly monitored. We found inconsistent practices and in four cases no evidence that KPIs had been established was evident. We further examined whether annual performance reporting was in line with the contract management toolkit and found one case where performance reporting was last completed 18 months ago and in another case no performance reporting had been completed.
- We assessed the Council's arrangements against the five elements of the Governments supply chain framework, which is designed to be an aide for those looking to mitigate supply side risks in their supply chains and to support greater long-term resilience: Diversification, International Partnerships, Stockpiling, and surge capacity, Onshoring and Demand management. We found the Council only considers diversification as part of its toolkit.
- We evaluated the risk management arrangements and our testing showed that four of the strategic contracts did not have a supplier specific risk register and none were detailed on the departmental risk register, which acts as a compensating control if there are no supplier risk registers in place.
- We examined departmental business continuity arrangements and found that in four cases the contracts were not listed or no BCP was in place.

| KFC05 | | LEVEL OF ASS | URANCE | | SUMMARY OF RECOMMENDATIONS | | |
|---|---|--|---|---|--|---|--|
| Payroll and HR May 2023 | | Design | Operational effectiveness | | High Medium | - | |
| | | Moderate | Mode | rate | Low | 2 | |
| Purpose of audit: | urpose To provide continuing assurance on the adequacy of the | | | We completed a set of data analytics for the following areas: Potential duplicate National Insurance numbers, names a addresses Potential duplicate bank details Potential duplicate codes Blank names, codes, birth dates and tax codes. | | | |
| which incl service inc these tear | e Exchequer Services Division of the ludes the officers responsible for SAF cludes the Head of HR and three HR ms manage the end-to-end Payroll ar e responsible for implementing these | P Payroll management. The operational teams (HR Custoned HR Custoned HR processes. HR Business | Council's H omer Deliv s Partners | HR service ery, HR Bu are respon | comes under the Chief Exect isiness Partnering and HR Pol isible for creating policies w | utive's Department. The HR licy and Projects). Jointly, hereas the HR operational | |
| teams are Council ma | responsible for implementing these anagers work with the HR operationa | policies. The Payroll Team i al teams in processing starte | merged inters, leavers | to the HR s s and varia | service with effect from Apri tions for staff that have line | l 2023. management responsibilities | |
| The Counce expenses of | ansaction Team notifies the Payroll cil operates an employee self-service can be undertaken. If individuals car as Southwark Cleaning where manage | e (ESS) system where process mot access the system, ther | sing/appro n managers | oval regard s can do th | ing sickness, annual leave, u is on their behalf. There are | inpaid leave, overtime, and some services that are not or | |
| | ent run process encompasses a serie | s of checks prior to being ap | proved fo | r payment. | | | |
| The payme | | ovido tochnical payroll and | HR expert | ise. They a | are responsible for delivering | | |
| The Counc | cil has a contract with Zalaris who pr ervices. | ovide technicat payrolt and | | ···· · , · | | g IT consulting and application | |
| | ervices. | | | | | g IT consulting and application | |

- From testing a sample of ten leavers, we confirmed that HR notifies the Payroll team regarding leavers on a timely basis, ahead of the employee leave date. For all leavers tested, the leave date in the SAP system matched the completed leaver form, all reasons for leaving were documented and all leavers were approved for processing within one month and ahead of the employee's leaving date.
- Segregation of duties exists between preparing and reviewing monthly payroll reconciliations.
- From conducting a walk-through of the SAP systems, we confirmed that parameters such as tax codes and National Insurance thresholds had been populated correctly. A series of control total checks are in place, including BACS, cash, and balancing figure checks.
- For a sample of five users with access to the Payroll and HR systems, we confirmed that all users had an approved access form, ensuring adequate segregation of duties is in place.
- The Principal SAP officer completes a quarterly review of users with payroll access, which includes authorisation changes and review of changes made. If any names are not recognised, these are queried.
- For a sample of ten underpayments, we found that all were rectified in a timely manner, within one week of payroll notification. For all ten, a sufficient reason for requesting an advance of pay was provided and adequate segregation of duties was in place between the requesting and authorising officers.
- We identified sufficient compensating controls are in place to prevent underpayments occurring, by reminding staff of the payroll cut off period to submit any changes each month, via the Council's intranet (*the Source*). We confirmed as part of the payroll run walk-throughs that notifying *the Source* officer to communicate when payroll reopens each month is part of the monthly, post-payroll run process.
- Based on staff feedback and an intent to improve efficiency of processes and communications between the Payroll and HR teams, as of 1 April 2023, the two teams have merged.
- Through data analytics completed on the payroll standing data, we confirmed none of the population had a duplicate code and none had a blank name, address, post-code, date of birth or tax code.

- Due to the merger of the payroll function with HR, we identified during the walk-through of the SAP systems that the final payroll run for April 2023 was not approved by a separate reviewing officer before being posted.
- From testing a sample of five overpayments since 1 April 2022, we found that recovery action was inconsistent and recovery action timeframes in three cases were insufficient. In addition, the high priority recommendations from the KFC05 Payroll and HR audit 2021/22 had not been fully implemented and have been rolled over into the 2022/23 recommendations to ensure they are addressed.
- Initial data analytics we completed on the payroll standing data identified a total of 196 employees (98 pairs) with duplicate bank details, despite them being unrelated and living at different addresses. Subsequent investigation found that the report produced had overwritten bank details for employee's job sharing. This has raised the issue of a lack of review of potential duplications in the payroll data.
- Our review of the contract management process for the Zalaris contract found that the project log maintained by the Council has not been kept up to date regularly.
- From a sample of five employees acting up, we identified one employee for whom the date of act up requested on the form, the date confirmed to the employee, and the date added to SAP did not match.

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| CAS13 | | LEVEL OF | ASSURANCE | SUMMARY OF RECOMMENDATIONS | | |
|---|--|--|--|---|--|--|
| Expendit | Pandemic Related | Design Operationa | | High Medium | - 4 | |
| July 2023 | | Moderate | Moderate | Low | | |
| Purpose of audit: | To provide assurance over the ac Children and Adults Services depa | | ess of reported spend with | n regards to Covid-19 relat | ed expenditure incurred by the | |
| Background | | | | | | |
| the national in turn place Council has f and growing | P pandemic has been an unprecede response to the pandemic, working d significant pressure on local auth faced a range of cost pressures due demand for, some existing services additional expenditure incurred by | g to protect local comm norities' finances, whic to the pandemic inclu s; and reduced opportu | nunities and businesses, w h in many cases were alre ding the need to deliver nities to deliver savings p | while continuing to deliver eady under strain going int new programmes and servi programmes. | existing services. The pandemi o the pandemic. Southwark ces; increases in the costs of, | |
| Infectio £1,887, | n Control within buildings and Care 544.61. | e Providers. 217 Infecti | on control purchases wer | e made between April 2021 | I - June 2022 totalling | |
| • Persona | l Protective Equipment (PPE). 17 p | ourchases of PPE was m | ade between April 2021 - | June 2022 totalling £6,172 | 2.22. | |
| Free scl | nool meals. 687 free school meal p | ayments were made be | tween June 2021 - July 2 | 022 totalling £3,019,604.5 | 0. | |
| | sts for workers who needed to trav £22,773.97. | vel to destinations duri | ng lockdowns. 9545 Uber | Journeys were completed | between April 2021 - June 2022 | |
| Areas of stre | ength: | | | | | |
| | firmed that Covid-19 related exper of the monthly minutes and budget | | | | Team (CDMT) monthly, and ou | |
| • Evidenc | e of appropriate approval of paym | ents to be issued to sch | nools was provided and ev | vidence of further sample o | checking was provided. | |
| been ra | iew of infection control payments ised, supporting invoices retained, n's and Adult's Services. | | | | | |
| | here were no formal policies or proyments made to schools were approx | | erifying and approving scl | hool meals, our review of t | he working processes found | |

- Written policies and procedures were not developed in respect of the areas within the scope of this audit: passporting of money to providers for infection control equipment, staff purchasing PPE, distribution of payments to schools to compensate free school meal vouchers or allowable Uber Journey expenditure.
- A framework has not been developed or a log maintained to capture lessons from issues encountered during the pandemic with regards to Covid-19 related expenditure, to identify improvements specific to the finance processes.
- With regards to travel by Uber, we identified several exceptions to the required processes:
 - The 'Uber Medics Guide' requires that an individual staff risk assessment must be completed prior to travelling via Uber, and the outcome must show that it is appropriate for that individuals to work in the office or in the community. For a sample of ten journeys, we identified that no risk assessments had been completed.
 - For the same sample of ten journeys, there were no records to demonstrate the Uber nomination form had been completed and saved centrally.
 - The Uber for Business document during the pandemic stated that 'whilst on council business, you should avoid using public transport, including commuting to and from the office, then you may use the Uber Business Account and Southwark Council will cover the cost.' We identified Uber journeys that had not been completed for business use.
 - Monthly random sample checks had not been completed by management to verify that Uber journeys made by staff are appropriate.
 - Although authorised staff members have been provided access to the Uber Journey account to complete Council related journeys, there was no
 approved listing of the authorised staff members that have access to the Uber business service.

| FG04 | | LEVEL OF A | ASSURANCE | SUMMARY OF RECOMMENDATIONS | | |
|--|--|---|--|---|--|--|
| Member Officer Protocol July 2023 | | Design | Operational effectiveness | High Medium | 1 2 | |
| | | Moderate | Limited | Low | | |
| Purpose of audit: | To provide assurance that the me is not working effectively are ide | | reflects good practice an | d that it is being operated | in practice and cases where i | |
| Background | nships between Members and Offic | | | | | |
| n over emph restrictive. I | balance between formality and in asising informality, such as inform n terms of the current roles and si | nal agreements being reations, formal relation | ached which require forn | nal documentation, whilst u | unnecessary formality is undu | |
| strategy forn The Council' Standards (A | y be appropriate, however, in pane nulation or problem-solving. s Member and Officer protocol was G&S) Committee advises the Coun- reed by Council Assembly. The res | s introduced in May 2004 cil on the revision of the | roups for example as we 4. The protocol forms par ese protocols. Any change | ll as in community develop t of the Council constitutions are further considered b | ment initiatives and for on. The Audit, Governance an y the Constitutional Steering | |
| strategy forn The Council' Standards (A Panel and ag Services with | nulation or problem-solving. s Member and Officer protocol was G&S) Committee advises the Coun reed by Council Assembly. The res nin the Finance and Governance De | s introduced in May 2004 cil on the revision of the sponsibility for maintain epartment. | roups for example as we 4. The protocol forms par ese protocols. Any change ing and updating the pro | Il as in community develop of the Council constitution are further considered by tocol rests with the Director | ment initiatives and for on. The Audit, Governance an y the Constitutional Steering or of Legal and Governance | |
| strategy forn The Council' Standards (A Panel and ag Services with The Member access to inf under the pr responsible f where it has | nulation or problem-solving. s Member and Officer protocol was G&S) Committee advises the Coun reed by Council Assembly. The res | s introduced in May 2004 cil on the revision of the sponsibility for maintain epartment. de the internal relations dentiality and when thir the Code of Conduct an mber Officer protocol, w reach of the code of con | roups for example as we 4. The protocol forms par- ese protocols. Any change ing and updating the pro- hip between Officers and ngs go wrong. Complaints id the Council arrangeme whilst the Standards sub- iduct following a complai | Il as in community develope of the Council constitution are further considered by tocol rests with the Director A Members, and it covers a about the conduct of elect nts for dealing with compla- committee are responsible nt. The operation and inter- | ment initiatives and for on. The Audit, Governance an y the Constitutional Steering or of Legal and Governance variety of issues such as: ted Members are dealt with aints. AG&S committee are for considering sanctions | |
| strategy form The Council' Standards (A Panel and ag Services with The Member access to inf under the pr responsible f where it has Officer proto | hulation or problem-solving. s Member and Officer protocol was G&S) Committee advises the Coun- reed by Council Assembly. The res in the Finance and Governance De Officer Protocol is in place to guid ormation, member enquiries confi- ovisions of the Localism Act 2011, or reviewing and updating the Mer been found that a Member is in br ocol or questions about a breach sh | s introduced in May 2004 cil on the revision of the sponsibility for maintain epartment. de the internal relations dentiality and when thir the Code of Conduct an mber Officer protocol, w reach of the code of con | roups for example as we 4. The protocol forms par- ese protocols. Any change ing and updating the pro- hip between Officers and ngs go wrong. Complaints id the Council arrangeme whilst the Standards sub- iduct following a complai | Il as in community develope of the Council constitution are further considered by tocol rests with the Director A Members, and it covers a about the conduct of elect nts for dealing with compla- committee are responsible nt. The operation and inter- | ment initiatives and for on. The Audit, Governance an y the Constitutional Steering or of Legal and Governance variety of issues such as: ted Members are dealt with aints. AG&S committee are for considering sanctions | |
| strategy form The Council' Standards (A Panel and ag Services with The Member access to inf under the pr responsible f where it has Officer proto Areas of stre | hulation or problem-solving. s Member and Officer protocol was G&S) Committee advises the Coun- reed by Council Assembly. The res in the Finance and Governance De Officer Protocol is in place to guid ormation, member enquiries confi- ovisions of the Localism Act 2011, or reviewing and updating the Mer been found that a Member is in br ocol or questions about a breach sh | s introduced in May 2004 cil on the revision of the sponsibility for maintain epartment. de the internal relations dentiality and when thir the Code of Conduct an mber Officer protocol, w reach of the code of con nould always be referred | 4. The protocol forms par ese protocols. Any change ing and updating the pro- hip between Officers and ngs go wrong. Complaints id the Council arrangeme whilst the Standards sub- iduct following a complai to the Monitoring Office | Il as in community develope of the Council constitution are further considered by tocol rests with the Director A Members, and it covers a about the conduct of elect nts for dealing with compla- committee are responsible nt. The operation and integral | ment initiatives and for on. The Audit, Governance an y the Constitutional Steering or of Legal and Governance variety of issues such as: ted Members are dealt with aints. AG&S committee are for considering sanctions erpretation of the Member | |
| strategy form The Council' Standards (A Panel and ag Services with The Member access to inf under the pr responsible f where it has Officer proto Areas of stre • The Cou • For a sa | hulation or problem-solving. Is Member and Officer protocol was G&S) Committee advises the Coun- reed by Council Assembly. The res- nin the Finance and Governance De- Officer Protocol is in place to guid ormation, member enquiries confi- ormation, member | s introduced in May 2004 cil on the revision of the sponsibility for maintain epartment. de the internal relations dentiality and when thir the Code of Conduct an mber Officer protocol, w reach of the code of con hould always be referred btocol that details roles embers, we found that al | 4. The protocol forms par ese protocols. Any change ing and updating the pro- hip between Officers and ngs go wrong. Complaints d the Council arrangeme whilst the Standards sub- duct following a complai d to the Monitoring Office and responsibilities, rela ll were acknowledged an | Il as in community develope of the Council constitution are further considered by tocol rests with the Director Members, and it covers a about the conduct of elect nts for dealing with compla- committee are responsible nt. The operation and inte- er. tionship guidance and the of d responded to in a timely | ment initiatives and for on. The Audit, Governance an y the Constitutional Steering or of Legal and Governance variety of issues such as: ted Members are dealt with aints. AG&S committee are for considering sanctions erpretation of the Member complaints procedure. manner. | |

The report is shared with the complainant and the relevant member at draft stage before being finalised. A Member's Enquiry Working Group has been set up to improve the member enquiry process and the quality of information provided as responses.

• All new Members attend a schedule of mandatory and optional training in their first few weeks after election. The Council also arranges additional training on specific areas requested by Members in areas such as media, climate change and anti-racism.

- The Council's Member and Officer Protocol has not been reviewed since February 2020.
- From a review of the Council's training records, less than 50% of Senior Officers have completed mandatory training on Safeguarding, Data Protection, Corporate Induction, Unconscious Bias and Southwark Ways of Working.
- We were informed that attendance for the Members' training programme is recorded but we were not provided with any evidence of this.
- We were not provided with the procedure on how to deal with Member enquiries, such as the review process for cases, case allocation, which service departments are involved when responding to enquiries and what methods are appropriate when communicating with customers. From a survey completed by a sample of five Members and five Officers, we found that the Members were not satisfied with the quality of responses and Officers felt they did not receive sufficient training to provide accurate responses and deal with the Members requests.

6. SUMMARY OF RECOMMENDATIONS STATUS

Of the 447 high and medium recommendations relating to 2017-18 to 2022-23, that have fallen due, we have confirmed with reference to evidence that 413 have been fully implemented or superseded, representing 92%, an increase of 3% from our last report to the Committee.

We have confirmed that all recommendations relating to 2017-18 and 2018-19 have been completed.

The chart shows the relative percentages for each year from 2019-20 to 2022-23.

There remains some longstanding recommendations from previous years that are yet to be fully implemented, but these have now reduced in number.

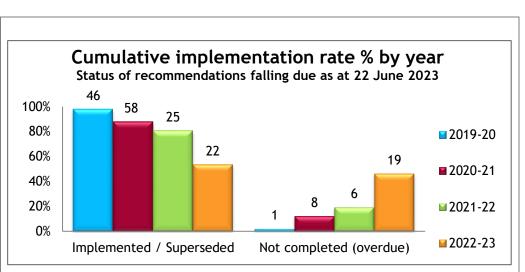
There are also several audits where the originally agreed implementation date has not been met and a new date has been provided. In addition, several audits remain for which the required update was not provided by the date of reporting, which are indicated in our summary.

The implementation rate may be higher than 92%. However, without management responses and supporting evidence, we cannot confirm this.

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 WHERE NOT YET FULLY COMPLETED

| Audit Area | Total High & Medium recommendations | Impler | nented | | ess at the up date | Awaiting revised evide | date, or | % Verified complete | Management Implementation dates |
|---|---|-------------|--------|---|-----------------------|------------------------------|----------|---------------------|---|
| | due for implementation | Н | м | н | м | н | M | | |
| Assistant Chief Executive's Dep | artment - Governanc | e and Assur | ance | | | | | | |
| 2022-23 Complaints | 2 | - | - | 1 | 1 | - | - | 0% | March 2023 August 2023 |
| Children's and Adults Directora | te | | | | | | | | |
| 2020-21 Payments to Children and Families | 3 | - | 2 | 1 | - | - | - | 66% | January 2021 April 2023 July 2023 |
| 2021-22 Adoption Services | 3 | 1 | - | 1 | 1 | - | - | 33% | J anuary 2023 June 2023 September 2023 |
| 2022-23 Continuing Healthcare | 3 | - | - | - | - | - | 3 | 0% | October 2022 Awaiting update |
| Environment, Neighbourhoods a | and Growth Directora | ite | | | | | | | |
| 2020-21 Community Infrastructure Levy | 1 | - | - | - | 1 | - | - | 0% | December 2020 July 2021 Awaiting evidence |
| 2020-21 South Dock Marina | 1 | - | - | 1 | - | - | - | 0% | June 2022 November 2022 March 2023 June 2023 |
| 2021-22 Movement Policy and Plan | 6 | - | - | - | 3 | - | 3 | 0% | September 2021 Jan 2023 July 2023 |

| Audit Area | Total High & Medium recommendations | Impler | nented | | In progress at the follow up date | | Awaiting update, revised date, or evidence | | Management Implementation dates |
|--------------------------------------|---|--------|--------|---|-----------------------------------|---|--|-----|---|
| | due for implementation | Н | м | н | м | н | м | | |
| | | | | | | | | | September 2023 |
| 2022-23 Leisure Services | 1 | - | - | - | 1 | - | - | 0% | July 2022 January 2023 Awaiting evidence |
| 2022-23 Highway Maintenance | 1 | - | - | - | 1 | - | - | 0% | May 2022 May 2023 Awaiting evidence |
| 2022-23 Library Services | 4 | - | 1 | - | 3 | - | - | 25% | September 2022 April 2023 July 2023 |
| 2022-23 Licensing Audit | 2 | - | - | - | - | - | 2 | 0% | April 2023 Awaiting update and evidence to confirm implementation |
| Finance Directorate | | | | | | | | | |
| 2019-20 Home Ownership - Garages | 3 | 1 | 1 | - | 1 | - | - | 67% | April 2020 January 2021 November 2021 September 2022 March 2023 June 2023 July 2023 |
| 2020-21 Software Asset Management | 4 | - | 2 | - | 1 | - | 1 | 50% | March 2022 September 2022 December 2022 June 2023 August 2023 |

| Audit Area | Total High & Medium recommendations | Impler | nented | | ess at the up date | Awaiting revised c evide | date, or | % Verified complete | Management Implementation dates |
|--|---|--------|--------|---|-----------------------|--------------------------------|----------|---------------------|--|
| | due for implementation | н | м | н | м | н | м | | |
| 2022-23 Insurance | 2 | - | - | - | 2 | - | - | 0% | December 2022 July 2023 |
| 2022-23 Software Licensing Management | 5 | - | - | - | 3 | - | 2 | 0% | February 2023 July 2023 October 2023 |
| Housing Directorate | | | | | | | | | |
| 2021-22 Cooper Close TMO | 3 | - | 1 | - | 2 | - | - | 33% | April 2022 July 2022 Awaiting revised implementation date |
| 2021-22 Major Works | 3 | 1 | 1 | 1 | - | - | - | 67% | June 2022 July 2022 March 2023 April 2023 September 2023 |

FURTHER INFORMATION ON RECOMMENDATIONS NOT YET IMPLEMENTED WHERE UPDATES WERE RECEIVED

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 |
|--|---|---|
| Children's and Adults Directorate | | |
| 2021-22 Adoption Services | | |
| The Council should perform an exercise to ensure it has captured the latest contact details of all adopters in addition to identifying all financial assessments which are over 12 months and ensure that a plan is developed to bring these up to date as soon as possible. High | HoS Permanence and Resources / AD Safeguarding and Care January 2022 July 2023 September 2023 | The Service Development Manager for Children and Families confirmed that the activity is now completed as routine point in time exercises. However, the strategic intention remains to develop new Live Reporting Tools to track performance, through Power BI. Development of the Power BI is within the overall departmental Data Programme, but is not yet completed. We have therefore revised the target date to September 2023 to allow for delivery in line with strategic intentions. |
| The Council should update its policies and procedures handbook, specifically the Adoption and Special Guardianship section to reflect any changes in staff or procedures since April 2019. Additionally, the National Minimum Standards for Adoption 2011 should also be updated to consider the latest 2014 revision of the standard. Medium | HoS Permanence and Resources / AD Safeguarding and Care Dec 2021 July 2023 September 2023 | The Service Development Manager for Children and Families confirmed that the divisional policy review programme is progressing, Adoption and SGO policies have been partially reviewed with amendments drafted and the full suite of the relevant policies remains in progress. We have therefore revised the target date to September 2023. |
| Environment, Neighbourhoods and Growth Directorate | 3 | |
| 2021-22 South Dock Marina | | |
| Both the Council and Marina should work together to agree a solution towards paperless working. Whilst we also recognise that the Marina does not have immediate capacity to deploy resources to scan all 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 | Harbour Master June 2022 November 2022 March 2023 | We have requested updates on 19/05/23, 19/06/23, 22/06/23 and 28/06/23, but have not yet received a full response. |

| Recommendation and Priority Level | Manager Responsible & Due Date | Latest Implementation Status |
|--|--------------------------------|--|
| either the Havenstar system (pending relevant modules and system upgrades) or the Marina's shared drive. Medium | June 2023 | |
| 2021-22 Movement Policy and Plan | | |
| The Project Board should agree implementation dates for actions agreed and document these in the project | Head of Highways | We reviewed the Terms of Reference for Streets for People Strategy Boards and confirmed this is now in place. |
| board minutes via an action log. Actions should be | July 2021 | |
| followed up at subsequent meetings to confirm completion or discuss and record reasons for delays | TBC | We reviewed the minutes from Project Board meeting on 9 June 2023 and found that implementation dates were not yet included. |
| and new implementation dates. | June 2023 | |
| The terms of reference for the project board should be written and subject to appropriate approval. | July 2023 | |
| Medium | | |
| A high level risk of the Movement Plan implementation should be entered on to the Corporate Risk Register. | Transport Policy Manager | We were advised that a risk register is being maintained for the Streets for People Policy, giving owners and mitigation. This is being kept as a |
| Management need to identify, assess, mitigate, and | August 2021 | live document during development and the final version will be entered |
| review the risk(s) that may prevent the implementation of the Movement Plan | Jan 2023 | into the delivery phase of the Streets for People programme. This will also be included in the divisional risk register. |
| Risk owners should be identified for the Highways | May 2023 | Entry into the divisional risk register is currently being complied and the |
| programme risk register. | July 2023 | strategy is to be submitted to Cabinet for approval on 10 July 2023. |
| 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 | | |
| The transport policies should be updated and prioritised to align with the Movement Plan. | Planning Policy Manager | We were advised by the Head of Highways that all relevant Transport policies including Climate Change, Air Quality, EV charging, Parking, |
| Medium | Head of Highways | Cycle Strategy, Kerbside Management are prepared and will be subject to |
| | July 2023 | consultation in August/September 2023. All policies will be incorporated or referenced in the new Streets for People Strategy. Draft strategy is to |
| | September 2023 | be taken to Cabinet in July 2023. |

| Recommendation and Priority Level | Manager Responsible & Due Date | Latest Implementation Status |
|---|--------------------------------|---|
| 2022-23 Leisure Services | | |
| a) The meeting minutes should record who is responsible for the action and the target date of | Head of Leisure Services | This action was completed in January 2023; however, we are awaiting evidence before marking as complete. |
| implementation | lanuary 2022 | We have requested evidence on 19/05/23, 19/06/23, 22/06/23 and 28/06/23, but have not yet received a full response. |
| b) An update should always be recorded for an action where the target implementation date is in the past or | January 2023 | |
| at the day of the meeting | Awaiting Evidence | |
| c) Where an action is recorded as complete, the date of completion should be recorded for completeness. | | |
| Medium | | |
| 2022-23 Highway Maintenance | | |
| The engineering Manager should enhance the K2 audit framework by: | Engineering Services Manager | We are currently awaiting evidence for this action before marking as completed. |
| • Publishing guidance outlining the content and | | |
| expectations on how an audit should be conducted and the required skillset /qualification of inspectors. | May 2022 | We have requested evidence on 19/05/23, 19/06/23, 22/06/23 and 28/06/23, but have not yet received a full response. |
| • Strengthen the narrative requirements of audits, | January 2023 | |
| including inclusion of an overall assurance pass rating and provide clear written justifications as to why documentation such as photos are not present. | Awaiting Evidence | |
| • Ensuring there is explicit clarification as to whether an audit is virtual or physical. | | |
| • Details of the target number of inspection audits which should take place each month to promote a consistent comparison of KPI performance for each period. | | |
| b) To enhance the coverage of K2 audit inspection, the Engineering Services Manager should periodically include a sample of random invoiced work orders to the audit schedule. Medium | | |

| Recommendation and Priority Level | Manager Responsible & Due Date | Latest Implementation Status |
|---|---|---|
| 2022-23 Licensing Audit | | |
| a) The service should proactively suspend and/or collect fees for unpaid licensing applications. | Team Leader April 2023 | We have requested evidence on 19/05/23, 19/06/23, 22/06/23 and 28/06/23, but have not yet received a full response. |
| b) Management should closely monitor payment due dates and ensure appropriate steps are taken to promptly suspend and collect fees for unpaid licenses. | | |
| c) Key performance indicators for the collection of payments should be set, and monitored by management. | | |
| Medium | | |
| The service should prepare periodic reports that monitor and highlight performance against the service's KPIs such as application processing times, number of applications waiting to be processed, and collection and recovery of fees and charges. These reports should be presented to senior management to ensure oversight, monitoring, and escalation where underperformance is identified. | Team Leader April 2023 | We have requested evidence on 19/05/23, 19/06/23, 22/06/23 and 28/06/23, but have not yet received a full response. |
| Medium | | |
| Finance Directorate | | |
| 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. Medium | Operations Manager November 2021 September 2022 March 2023 June 2023 July 2023 | We were advised by the Operations Manager that the garage automated waiting list and allocations programme has now been created, and testin has completed. The delayed go-live date for June 2023 has been delayed further awaiting NEHC and the Housing i-world team to load the programme which has been delayed due to issues with payment links pending resolution. The programme is now planned for launch in July 2023. |

| Recommendation and Priority Level | Manager Responsible & Due Date | Latest Implementation Status |
|---|--|---|
| 2021-22 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: | Head of IT Applications March 2022 June 2022 December 2022 | We were advised that the implementation date has been revised to 31 st August 2023, due to ongoing collaboration with TDS and STS redesign of a suitable policy. |
| • The procedures for the management of different types of software, including standard software, non-standard software, and line of business software. | June 2023 August 2023 | |
| • 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. | | |
| • 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 | | |
| 2022-23 Software Licensing Management | | |
| A draft policy to cover the management of software licences will be written with specific reference to | Head of Security and Infrastructure Feb 2023 | We were advised by the Head of Infrastructure and Operations that an introductory meeting with STS was held last week to pursue the Software |

| Recommendation and Priority Level | Manager Responsible & Due Date | Latest Implementation Status Policy scoping and writing. The Head of Infrastructure and Operations had implemented a working group that will bring this together. However, this is still a work in progress, and we were advised of a revised implementation date of October 2023. We were advised by the Head of Infrastructure and Operations that this remains a live piece of work with senior stakeholder engagement/agreement in place and budget allocated for the delivery o the Software Asset Discovery and Capture. The tool that was being planned requires a further review to ensure it will deliver the informatio required. We were therefore advised of a revised implementation date of September 2023. | |
|--|---|---|--|
| procurement of new systems, changes to contractual agreements and Starters/Movers/Leavers. Medium | June 2023 October 2023 | | |
| a) An exercise to gather licensing information and evidence relating to 'line-of-business' applications is undertaken. An ongoing requirement that business System Owners provide ICT with relevant license evidence at the point of acquisition should be introduced. b) The process to be followed when entering / amending data regarding applications in the register is documented. This should include detail on which fields must be completed and the extent of evidence that should be retained and were, e.g., licence agreements. c) The corporate applications register is updated and maintained thereafter to ensure that all details are accurately captured, particularly in relation to licence details, dates of last review, IT support staff, business owners and whether the application is managed by ICT or the business area. d) Software licence agreements are in place, securely maintained and available for inspection when required for both the Council and STS. | Head of Applications July 2023 September 2023 | | |
| Housing Directorate | | | |
| 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. Alternative quotes should be obtained in line with the | Treasurer January 2022 TBC | We were advised by the Monitoring Officer for Tenant Management Initiatives that Cooper Close TMO have been without a manager for a while now and there is no designated officer to complete the recommendations. An update has been re-requested from the TMO. | |

| Recommendation and Priority Level | Manager Responsible & Due Date | Latest Implementation Status |
|---|--------------------------------|--|
| procurement procedures, unless a long term contract is in place. | | |
| Medium | | |
| The TMO should review the Management Committee terms of reference annually to ensure they are up to date. | Chair | We were advised by the Monitoring Officer for Tenant Management Initiatives that Cooper Close TMO have been without a manager for a |
| | April 2022 | while now and there is no designated officer to complete the |
| Medium | July 2022 | recommendations. An update has been re-requested from the TMO. |
| | TBC | |

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 in- year. | 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. |

FOR MORE INFORMATION:

Greg Rubins

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| Item No. 10. | Classification: Open | Date: 17 July 2023 | Meeting Name: Audit, governance and standards committee |
|-----------------------------|-------------------------|---------------------------------------|---|
| Report title: | | Internal audit an statement of assure | • |
| Ward(s) or groups affected: | | All | |
| From: | | Strategic Director of Finance | |

RECOMMENDATION

- 1. That the audit, governance and standards committee note the report, as attached at Appendix A.
- 2. That the audit, governance and standards committee note the schools summary report, attached at Appendix B.

BACKGROUND INFORMATION

3. This report details the work undertaken by internal audit for London Borough of Southwark and provides an overview of the effectiveness of the controls in place for the full year.

Policy implications

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

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

Community impact statement

5. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

10. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

11. None required.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|-------------------|---------|---------|
| None | | |

APPENDICES

| No. | Title |
|-----|--|
| | Internal audit annual report and annual statement of assurance 2022-23: Draft interim report |

AUDIT TRAIL

| Lead Officer | Clive Palfreymar | Clive Palfreyman, Strategic Director of Finance | | | |
|--|---|---|--------------|--|--|
| Report Author | Aaron Winter, Ar | ngela Mason-Bell, Nic | k Baker; BDO | | |
| Version | Final | | | | |
| Dated | 6 July 2023 | | | | |
| Key Decision? | No | | | | |
| CONSULTAT | CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / | | | | |
| | CABINE | T MEMBER | | | |
| Officer Title | Officer Title Comments sought Comments included | | | | |
| Assistant Chief Executive, No N/A | | | N/A | | |
| Governance and Assurance | | | | | |
| Strategic Director of Finance No N/A | | | N/A | | |
| Cabinet Member | Cabinet Member No No | | | | |
| Date final report sent to Constitutional Team6 July 2023 | | | | | |

London Borough of Southwark

INTERNAL AUDIT ANNUAL REPORT AND ANNUAL STATEMENT OF ASSURANCE 2022-23

For presentation to the Audit, Governance and Standards Committee 17 July 2023



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SUMMARY OF 2022-23 WORK

Internal Audit 2022-23

This report details the work undertaken by internal audit for London Borough of Southwark and provides an overview of the effectiveness of the controls in place for the full year.

All work relating to the internal audit plan for 2022-23 has been completed to at least draft report stage, and we are working with the Council to issue all final reports by the end of July 2023.

The reports that have been issued and which form the basis of the annual report for 2022-23 are listed below.

<u>Assistant Chief Executive's Department -</u> <u>Governance and Assurance</u>

- Complaints Final
- Hospitality and Gifts Draft
- Member / Officer Protocol Final
- Overtime (Council wide) Final
- Payroll and HR Final

Children and Adults Directorate

- Adult Learning Services- Final
- Children's Quality Assurance Unit -Final
- Covid-19 Expenditure Final
- Mental Health Services Final
- Mosaic Draft
- Public Health Tobacco Control Final
- Safeguarding Adults Draft
- SEND Finance Final
- Special Educational Needs Final

Housing Directorate

- Building Control Draft
- Building Safety Draft
- Buyback of Properties Final
- New Homes Programme Final

Environment, Neighbourhood and Growth Directorate

- Cemeteries and Crematoria Final
- Parking Management & Estates Parking Permits - Draft Markets - Draft
- No Recourse to Public Funds Final
- TMO Applegarth Final
- TMO Brenchley Gardens Final
- TMO Delawyk Final
- TMOs Use of Reserves Final
- Community Engagement Final
- Climate Emergency Strategy Draft
- Private Sector Licensing Draft

Finance Directorate

- Accounts Payable Final
- General Ledger Final
- Housing Rents Draft
- IT Applications Review Draft
- IT Cloud Computing Maturity Draft
- IT Software Licensing Final
- Pensions Administration Final
- Supplier Resilience (Council wide) Final

Where a final or draft report has been issued, the purpose of each audit, assurance opinions, number of recommendations and key findings are summarised on pages eight to 48. In the final version of the annual report, these may be subject to change. However, the overall opinion for the Council will not be affected by any changes at individual audit level.

The internal audit team has also completed the following work in 2022-23:

- Finance and Governance Service Reviews we carried out a series of reviews on the functioning of areas within the remit of the former Strategic Director of Finance and Governance, with the objective of identifying areas working well and those where risks might be better addressed, or improvements made. An advisory report was issued to the new Strategic Director, Finance, who has confirmed that the review will be used for internal management purposes and as interviewees were informed that discussions were confidential the report cannot be issued more widely. However, we can confirm that no issues arose that would impact on the Council's annual governance statement. Any questions on this should be addressed to the Strategic Director, Finance.
- Grant audits for which separate letters of engagement were issued:
 - Family Hubs and Start for Life
 - Protect and Vaccinate
 - Supporting Families
 - URBACT Thriving Streets EU funded project.
- Transparency Reporting we continue to provide support and challenge to the Council in meeting its obligations for reporting expenditure under the Local Government Transparency Code 2015.

There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The following audits were deferred from 2022-23 to 2023-24:

- Council Delivery Plan
- Home to School Transport
- Major Regeneration
- Use of Consultants / IR35

- Pupil Registry Systems
- Sickness Absence Management
- Southwark Building Services
- Voids

The internal audit programme for schools' cyclical compliance audits was carried out. At the time of writing, the fieldwork for all 2022-23 schools' audits has been completed and we are in various stages of quality assurance and reporting. The schools audited in 2022-23 is listed below.

- Charlotte Sharman Primary
- Crawford Primary
- Dulwich Wood Primary
- Grove Children & Family Centre
- Haymerle
- Ilderton Primary
- Keyworth Primary
- Michael Faraday Primary
- Oliver Goldsmith Primary
- Peter Hills with St Mary's & St Paul's Church of England Primary

- Phoenix Primary
- Southwark Inclusive Learning Service
- St George's Church of England Primary
- St Joseph's Junior
- St Joseph's Roman Catholic Primary, George Row
- St Jude's Church of England Primary
- St Mary Magdalene Church of England Primary
- St Peter's Church of England Primary
- St Saviour's and St Olave's Church of England
- Tuke

An end of year report summarising the results and common themes arising from our school internal audit programme for 2022-23 is presented to the Committee at its meeting on 17 July 2023.

Non internal audit services provided by BDO.

The following non audit services have been provided by BDO during 2022-23:

- Risk management support
- Counter fraud support

The counter fraud work is delivered by our forensics team, which is separate to the public sector internal audit team that provides internal audit and risk management services to the Council.

We do not consider the work undertaken above to pose a threat to our independence or objectivity in delivering the internal audit services.

HEAD OF INTERNAL AUDIT OPINION 2022-23

The role of internal audit is to provide an opinion to the Council, through the Audit, Governance and Standards Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the Council's risk management, control, and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

The basis for forming my opinion is:

- An assessment of the design and operation of the underpinning assurance framework and supporting processes.
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year this assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
- Any reliance that is being placed upon third party assurances.

Overall, we can provide **Moderate Assurance** that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently, the same opinion as in 2020-21 and 2021-22. We continue to consider this to be a positive result given the continued increased demands on services and funding challenges faced.

Our internal audit opinions are Substantial, Moderate, Limited and No Assurance, definitions can be found in Appendix I.

Our annual report and head of internal audit opinion has been prepared based on the audit work undertaken during the year. This information will be updated in the final annual report to be presented to the Committee on 17 July 2023.

In forming my view, I have taken into account that:

- In respect of the design of the controls, an opinion of moderate assurance has been provided for 23 out of the 34 assurance audits completed, substantial assurance provided in six areas and limited assurance opinions in five areas. Overall, the Council has maintained its control environment during 2022-23. However, the relative proportion of substantial assurance opinions provided for the design of the Council's controls has decreased from 38% in 2021-22 to 18% in 2022-23.
- In respect of the operational effectiveness of the controls, an opinion of moderate assurance has been provided for 22 of the 34 assurance audits completed, substantial assurance provided in two areas, limited assurance in nine and we did not provide an opinion in one area. The relative proportion of substantial assurance opinions provided for the operational effectiveness of the Council's controls has also fallen, from 15% in 2021-22 to 6% in 2022-23.
- The relative proportion of high, medium, and low recommendations is consistent with previous years, and management has continued to respond positively to reports issued with adequate action plans to address the risks and issues identified. We have confirmed with

reference to evidence that 92% of recommendations due for implementation by the date of reporting had been completed. This represents an increase from an implementation rate of 87% in 2021-21 and is the highest that we have reported since our appointment as the Council's internal auditors.

- In respect of school audits and ongoing financial pressures, the Council is taking proactive steps to manage these, and our programme of audits has been aimed at prioritising schools with high levels of risk.
- Financial performance has been strong in the financial year 2022-23. A balanced outturn position has been achieved. There was pay, energy and inflationary pressures across all Council departments which were successfully mitigated through the drawdown on specific reserves earmarked for that purpose and the use of the planned contingency. The reserves remain stable with an unallocated general fund reserve of £22m and net earmarked reserves of £209m. Although the macroeconomic outlook continues to be uncertain, the council is in a good position to meet future challenges.

REVIEW OF 2022-23 WORK

| Report issued | Number of recommendations | | Internal Audit Assurance Opinions | | Purpose of Audit and Key Findings | |
|---------------------|---------------------------|---|--------------------------------------|----------|-----------------------------------|---|
| | Н | Μ | L | Design | Operational Effectiveness | |
| Accounts Payable | 1 | 2 | 1 | Moderate | Moderate | Purpose: To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in managing accounts payable processes via SAP, to ensure that they are promptly and effectively brought into use. We reviewed the effectiveness of the processes relating to vendor set up and amendments, raising and approval of purchase orders, payment processing and approvals. Key findings: |
| | | | | | | No assurance could be provided in relation to accounts payable system access (whether an access request form was in place, had been appropriately signed off, and access rights were appropriate to job role) as we have not received sufficient evidence. |
| | | | | | | • We compared a list of SAP users (PO approvers and inputters, and invoice inputters) against a list of leavers since 1 April 2022 and found that six users continued to have access to the system after having left the Council. |
| | | | | | | • We selected a sample of 20 transactions (1 April 2022 to 28 February 2023) and found that there were two incorrectly approved purchase orders (one was raised and approved by the same individual; another was approved by a staff member without the delegated authority per the scheme of management), and five purchase orders were raised after the receipt of invoices. |
| | | | | | | • We found that six invoices were paid after more than 30 days, with no reason provided. As part of data analytics testing, we compared the date of invoice with the payments date to identify the compliance rate of all payments made in the period 1 April 2022 to 28 February 2023. We found that payment was made within |

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| | | | | | | 30 days of the invoice date in 68% of transactions. |
| | | | | | | Data analytics highlighted that there were vendors without bank details allocated to them on the Council's AP system, and instances where vendors with different names had the same bank details. |
| Adult Learning Services | - | 1 | 3 | Moderate | Substantial | Purpose: 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. Key findings: |
| | | | | | | • There were 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. |
| Building Control Draft Report | - | 1 | 1 | Substantial | Moderate | Purpose: To provide assurance over the adequacy and effectiveness of the Council's controls and approach in delivering and enforcing compliance with building control regulations. |
| , , | | | | | | Key findings: |
| | | | | | | • From our review of a sample of 20 building control applications in the period the following exceptions were identified: |
| | | | | | | In two cases (Full Plan), a decision was not made within 5-8 weeks of receiving the application. |
| | | | | | | \circ In seven cases, evidence of inspections completed was not available. |
| | | | | | | \circ In four cases, evidence of application payment receipt was not available. |

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| Building Safety Draft Report | 3 | 3 | | Limited | n/a | Purpose: to provide assurance on the Council's preparedness for the implementation of the Building Safety Act and Fire Safety Act. Our review included the engagement and performance of consultants and contractors employed on behalf of the Council. Key findings: The fire and building safety policy and emergency response procedures have not been reviewed, ratified, and approved. Organisational structures are not comprehensive and clearly coordinated to enable better and more collaborative working with divisions and third parties upon which the Head of Building Safety places reliance in accordance with the relevant safety regulations, including Engineering & Fire Safety. High staff turnover and team restructures have created difficulties in continuity and efficiency for the implementation of the Fire and Building Safety Acts, and relevant safety regulations. A lack of comprehensive record keeping as well as CPD for consultants and contractors that fall under the BSA may mean the new Head of Building Safety may have difficulty demonstrating that key consultants and contractors have had appropriate skills, knowledge, experience, and the behaviours needed to manage the functions they were appointed to do. The anticipated improvement of management information in line with the golden thread standard may be compromised if the Building Safety Management information system, including the document management control procedures are not embedded, and made readily available to the right people at the right time. The anticipated outcomes to improve data quality in line with the golden thread may be compromised if the new building safety compliance system, True Compliance and the new housing management system, NEC Software Solutions are not implemented, optimised, and supported by skilled personnel. |

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| | | | | | | Progress made and performance is not being reported comprehensively or reviewed to ensure there is appropriate senior management oversight and expected targets are achieved in a timely manner. |
| | | | | | | Note: no opinion on control effectiveness was provided as the Council is still in preparation for the implementation of the Building Safety Act and Fire Safety Act. |
| Buyback of Right to Buy Properties | - | - | - | Substantial | Substantial | Purpose: To provide assurance over the adequacy of the design and operational effectiveness of the new process for the buyback 20 and 40 project. Our review also assessed how effectively the processes have been incorporated into the Council's social housing portfolio. Key findings: |
| | | | | | | • No areas of concern were identified in respect of the risks audited and the control framework in MySouthwark Homeowners Service. |
| Cemeteries and crematoria | - | 4 | - | Moderate | Moderate | Purpose: To review the adequacy and effectiveness of the Council's governance arrangements and key operational and financial controls relating to burials and cremations. Key findings: |
| | | | | | | • Given the nature of the activities in the crematoria, environmental legislation is of particular importance, however, the Bereavement Service does not currently have an Environmental Policy or strategy covering the cremators and cremation coffins. |
| | | | | | | • Key marketing information for customers have not been updated since 2017. |
| | | | | | | • 60% of the burials and 20% of the cremations sampled were not arranged within the typical industry timeframe of up to 10 business days of the funeral or cremation being booked, however, the reasons for delays were not documented clearly. |

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| | | | | | | • The Bereavement Service's Business Continuity Plan (BCP), dated 16 October 2019, had not been tested this year to date or been updated to incorporate the lessons learned from the events of the past two years. |
| | | | | | | • New/revised monitoring arrangements and Key Performance Indicators were presented to senior management in October 2022, however, have not yet been agreed to ensure the Bereavement Service's operations have an adequate oversight, which is sufficiently comprehensive. |
| Children's Quality Assurance Unit | - | 3 | 1 | Moderate | Moderate | Purpose: To provide assurance over the adequacy of the design and operational effectiveness of the Council's approach to governing and monitoring the quality of the child safeguarding mechanisms, legislative compliance and the overarching framework overseen by Southwark. |
| | | | | | | Key findings: |
| | | | | | | • There was no specific scheme of management and delegations to cover the CQUA service or the levels of management reflected in the structure chart. |
| | | | | | | • The 'Action Plan' section of the audit tool was not consistently completed. It does not contain a 'what good looks like' section, unlike the other parts of the tool. As such, the actions listed by auditors vary in detail, number, and quality. |
| | | | | | | • Four of the eleven Child Protection Plans sampled did not meet the required time frames stipulated in the guidance. Two of these were that the child was not visited within 24 hours of the incident where delays were four and two working days, respectively. All four experienced delayed CPC conferences ranging from two to twenty-three days. |
| | | | | | | Broader/structural themes were not as frequently discussed in monthly Quality of Practice reports, despite auditors often raising these through comments on the audit tool. The audit tracker is not being used to capture key themes picked up |

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| | | | | | | by the audits. Additionally, themes shared in quality of practice reports at the monthly quality assurance (SQUARES) meetings rely on attending management to circulate with their wider teams, which does not always occur. Individual team meetings were infrequently minuted meaning key actions or learnings are not documented. We reviewed a sample of five reflective reviews completed following inadequate audits. There was no template frequently used and one of the sample did not include any action plan. |
| Climate Emergency Strategy Draft Report | - | 4 | - | Moderate | Moderate | Purpose: To provide assurance over the agreed climate emergency strategy, including adequacy of supporting plans, resourcing and identification and development of capital investment proposals. The audit included the plans relating to the corporate facilities estate. Key findings: Whilst an action plan was in place the milestones in place had timescales listed as financial years or ongoing rather than specific quarters. Out of 109 projects, 22 of these had missed their initial milestones and had new milestones of 2023 or 2024. 24 milestones have been completed on time. This is being reviewed on a quarterly basis at Director and Officer groups to gather further information on how progress is being made. For projects that received funding for the sustainability capital fund, a process was not in place to gather feedback on the outcomes and carbon emission reduction achieved to document and report on these. |
| | | | | | | • For three reports submitted to Cabinet, climate change implications were not considered. These were based on the supply of agency workers which may have |

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| | | | | | | had a minor impact on the climate if sourced from outside the Borough. |
| | | | | | | • The Council has neither an Accommodation Strategy nor a Corporate Facilities Estates Model to support it in measuring and controlling its own emissions to contribute to reductions across the borough. |
| Community Engagement | - | - | 3 | N/A Advisory Review | N/A Advisory Review | Purpose: To provide assurance on the adequacy of the design and operational effectiveness of internal controls in place to manage the identified risks in respect to Community Engagement. |
| | | | | | | The review considered the lessons learned from the Covid-19 pandemic and how this is informing future approaches to community engagement and the impact on governance structures. It was agreed at the time of scoping that this would be an advisory review incorporating benchmarking. |
| | | | | | | Areas to improve: |
| | | | | | | • To steer officer engagement the Council has 2 key pieces of guidance, the consultation toolkit, and the engagement plan template. We reviewed both against the Local Government Association community engagement checklist to confirm all areas were incorporated into the guidance. We found the following was not mentioned in the Council's guidance: |
| | | | | | | 1. Monitor the responses: Keep track of the number of responses you receive so action can be taken to improve response rates if necessary. Check the responses submitted to get an indication of the issues arising. |
| | | | | | | 2. Analyse the results: Consider what story the data are telling and what this means in terms of the question asked. Calculated how many people gave certain answers and looked for any variations. You should also seek to identify any patterns, trends, or themes to help identify key issues. |
| | | | | | | Officers also confirmed that some of the information contained within the toolkit |

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| | | | | | | was out of date and did not align with the new corporate approach so needed a refresh. Our review of the information available on the Council's Consultation and Engagement website showed officers had not refreshed the following information since 2017 and therefore there is a risk it is no longer relevant: Let's talk about ageing well. Let's talk about new council homes for Southwark. Become a charity trustee. LGBT groups. Southwark disability forum. Southwark multi-faith forum. We also found the link for the Housing Community Involvement page no longer worked. We confirmed officers understood the problems arising from digital engagement during the pandemic, such as bad online behaviour from the public and planning around engagement behaviour to ensure all voices are heard. We verified officers had taken action to address the issues, for example writing additional guidance. However, there was no formalised lessons learnt process documenting the actions taken, responsible officers and date of implementation. Without this there is a |
| Complaints | 1 | 1 | 1 | Moderate | Moderate | risk officers do not take the full action necessary to address the identified issues. Purpose: To provide assurance over the design and operational effectiveness of the controls relating to the Council's response to complaints, clarity of roles and responsibilities, documentation, timeliness of responses and closure of cases. Key findings: |

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| | | | | | | • From a sample of 20 complaints (15 Stage 1 and five Stage 2) we identified the following exceptions to the Council's policy: |
| | | | | | | In three cases, no evidence of an acknowledgement letter was available on the system. |
| | | | | | | In 11 cases, a decision was not made for a Stage 1 complaint and communicated to the complainant within the required timeframe per the Complaints policy, delays ranged from two to 67 working days. |
| | | | | | | In two cases, a decision was not made for a Stage 2 complaint and communicated to the complainant within the required timeframe per the Complaints policy, delays ranged from 19 to 97 working days as at the audit testing date (7 November 2022) |
| | | | | | | In nine cases, a caseworker was not assigned to the case within a reasonable timeframe (within one week) which potentially could have delayed the decision to be made within the timeframes per the policy. |
| | | | | | | • Due to the introduction of recent changes such as in relation to capturing the lessons learnt, the training material needs revising. Arrangements were ad-hoc and formal training arrangements were not in place. |
| Covid-19 pandemic related | - | 4 | - | Moderate | Moderate | Purpose: To provide assurance over the accuracy and completeness of reported spend with regards to Covid-19 related expenditure incurred by the Children and Adults Services department. |
| expenditure | | | | | | • Written policies and procedures were not developed in respect of the areas within the scope of this audit: passporting of money to providers for infection control equipment, staff purchasing PPE, distribution of payments to schools to compensate free school meal vouchers or allowable Uber Journey expenditure. |
| | | | | | | • A framework was not developed, or a log maintained to capture lessons from issues |

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| | | | | | | encountered during the pandemic with regards to Covid-19 related expenditure, to identify improvements specific to the finance processes. |
| | | | | | | • With regards to travel by Uber, we identified several exceptions to the required processes: |
| | | | | | | The 'Uber Medics Guide' requires that an individual staff risk assessment must be completed prior to travelling via Uber, and the outcome must show that it is appropriate for those individuals to work in the office or in the community. For a sample of ten journeys, we identified that no risk assessments had been completed. |
| | | | | | | There were no records to demonstrate the Uber nomination form had been completed and saved centrally. |
| | | | | | | The Uber for Business document during the pandemic stated that 'whilst on council business, you should avoid using public transport, including commuting to and from the office, then you may use the Uber Business Account and Southwark Council will cover the cost.' We identified Uber journeys that had not been completed for business use. |
| | | | | | | Monthly random sample checks had not been completed by management to verify that Uber journeys made by staff were appropriate. |

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| General Ledger | - | 2 | 1 | Moderate | Moderate | Purpose: To provide assurance over the adequacy of the control framework relating to the general ledger, including cost centre management, control account reconciliations, journal transfers and budget virements. Key findings: |
| | | | | | | The Corporate Suspense and Account Reconciliation procedure and the procedures relating to reconciliation protocols were not up to date for the current period. The policies and procedures relating to cost centre creation and journal protocol were not provided during the fieldwork, therefore we could not assess the adequacy of these procedures. |
| | | | | | | • We selected a sample of 20 budgets to assess whether each virement was supported by adequate documentation and was approved appropriately. We identified in six cases that these were not evidenced as approved, therefore we could not assess whether these were approved appropriately. |
| Hospitality and Gifts Register, Register of | - | 4 | 1 | Moderate | Moderate | Purpose: to provide assurance on the Council's arrangements for managing the declaration of gifts and hospitality and declarations of interest. The review will focus on staff members and other officers as categorised within the Council's policies. |
| Interests | | | | | | Key findings: |
| Draft Report | | | | | | From our interviews the following concerns were raised: |
| | | | | | | We identified that there was a lack of awareness of training on declarations of gifts and hospitality or whether this was part of the induction process. From reviewing the Council's intranet page there is not an option in relation to training, only the available policy and procedure documentation. |

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| | | | | | | Staff were unable to review the original declaration form before signing off to ensure whether no changes meant a previous declaration had not been changed, or there was nothing to declare. |
| | | | | | | One manager advised that there was a new starter after the April 2022 submission date and therefore, was not captured within the annual declaration process. The manager advised there was a lack of clarity over when they were required to declare an interest. From reviewing the policy, the declaration must be declared by April the following year, however if the officer meets the definition, they must declare whether there are any interests. Best practice would be that in the event of staff changing that a declaration should be completed within 21 days to ensure there are no conflicts. |
| | | | | | | Not all relevant staff are completing DOIs including social workers and agency workers. From reviewing the definition of staff required to complete the declaration, these officers do not meet this definition, however they arrange placements on behalf of the Council, and this is susceptible to fraud. |
| | | | | | | • The gifts and hospitality and DOI policy documents do not record details of the review date and reviewing body, therefore we could not confirm whether these were up-to-date. However, based on our testing it appeared the policies were up-to-date based on our testing and walkthroughs. |
| | | | | | | • We selected a sample of gifts and hospitality records to assess whether each case has been centrally recorded and found that there is not a consistent approach to recording gifts under the policy. Only one department sampled, environment and leisure, utilised a log as a method of recording these, including those that do not breach the threshold. It was noted the policy and guidance documentation does not specify a log should be used or a template provided. |

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| | | | | | | • Managers advised they had issues surrounding understanding how best to dispose of unwanted gifts that had been correctly declared. |
| | | | | | | • The Council does not have any monitoring in place, and no annual or interim reports are run or presented at CGP for us to review. |
| Housing Rents Draft Report | - | 5 | 3 | Moderate | Moderate | Purpose: To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in place to accurately collect and allocate housing rental income. We also undertook a follow-up of the two medium recommendations made in our 2019-20 audit of Housing Rents. Key findings: |
| | | | | | | We tested a sample of ten former tenant arrears to assess whether adequate and timely recovery actions were taken. In three cases, action was not timely and reasons for this were not documented in the tenant's file. While all write offs reviewed were actioned per procedure, there were significant delays before former tenant arrears cases were referred for write off (gaps of two to three years between the reason for the write off and referral for write off). |
| | | | | | | • We tested a sample of 15 current tenant arrears to assess whether adequate and timely recovery actions were taken. We found that in three cases, the arrears were not followed up, actioned, and monitored in a timely manner. |
| | | | | | | • We tested a sample of 15 new rent accounts created between April 2022 and February 2023 and found that no tenancy agreement was retained on the system in three cases. |
| | | | | | | • From our review of a sample of ten employee users with the ability to make amendments to rent accounts on Northgate, we found that three were no longer employed by the Council. One user had left in the past year (2022-23), we could not confirm when the remaining two had left (over a year ago). Access was granted |

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| | | | | | | by a manager for one employee, as per procedure. For seven employees, manager approval emails could not be traced. Access per job role was inappropriate for two users. |
| | | | | | | • The documented procedures for rent refunds, income, and arrears (both former and current tenants) and write offs were out of date and/or not regularly reviewed. |
| | | | | | | • From our review of all five property deletions since 1 April 2022 we found that appropriate approval could not be evidenced for three properties. |
| | | | | | | • We tested a sample of 15 actions on Rent Analytics in February 2023 and found that six actions were assigned after more than two weeks (15-32 days), and the reason for this was unclear. Of the eight cases requiring escalation, one was escalated late, and another was escalated, however this had not been recorded on the system. |
| IT - Applications Management | - | 5 | 3 | Moderate | Moderate | Purpose: To provide assurance on the design and effectiveness of the controls in place for software applications and to highlight any areas where the controls require improvement. |
| Draft Report | | | | | | Key findings: |
| | | | | | | • The Council has formulated a Cloud Strategy which aligns to the existing Technology & Digital Inclusion Strategy 2022-2025. However, the Cloud Strategy has yet to be finalised and approved by senior management, although we understand that the Council's overall 'cloud first' approach is endorsed. Furthermore, the Council's Cyber Security Policy is not explicit in documenting how controls over cloud infrastructure and applications will be implemented across the Council, or where responsibilities for these controls lie. |
| | | | | | | • The Council has deployed the Azure Secure Score system to monitor the security configuration of its cloud infrastructure, however there was no evidence that the |

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| | | | | | | current score and improvement recommendations from the system are regularly monitored. We found that the OMG meetings between STS and constituent boroughs have been used to monitor the Council's cyber security posture and potential improvement work required, however this has not been present on OMG reports since the April 2023 meeting. |
| | | | | | | • A spreadsheet is in place for Council services to complete when procuring applications which are deployed through Software as a Service (SaaS), assessing the security and suitability of the potential system and its supplier. However, our conversations with staff during testing identified instances where these checks have not been completed consistently by service areas and SaaS applications have been procured without reference to the ICT team during the process. |
| | | | | | | • Our review of a sample of two cloud migration projects identified that the objectives of one project had not been defined at the time of testing. Furthermore, business cases and project plans for each had not yet been approved by senior or programme management. The Cloud Phase 2 / Infrastructure Improvements project was found to be progressing as a critical project, although was only supported by a high-level option analysis and recommendation document. We understand that a more comprehensive business case was being formulated at the time of testing. |
| | | | | | | • The most recent OMG meeting reports highlighted that the Council's Azure VMs are not currently backed up, as these are awaiting migration to the Nutanix platform. Furthermore, a recently completed exercise identified multiple vulnerabilities with the Council's VM infrastructure, where 13 VMs and 11 SQL servers were not being backed up at the time of testing. This control weakness is compounded by the absence of planned disaster recovery testing for cloud-based infrastructure. OMG meeting reports had previously included an item to plan this testing, although we found that this had not been included in the most recent |

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| | | | | | | reports. At the time of testing, we found that there was no central monitoring of cloud-migrated applications in relation to their security and performance. System administrators and service areas hold responsibility for conducting regular reviews of applications within their remit, however there was no evidence that information is collated and analysed centrally to identify potential performance issues or non-compliance with the Council's security configurations and policies. |
| IT - Cloud Computing Draft Report | | | | Moderate | Moderate | Purpose: To provide assurance that the migration of services away from on-premise to cloud-based hosting has delivered its objectives and that there are appropriate arrangements in place for monitoring cloud service providers and the cloud service itself to ensure satisfactory data security. This review has also considered the back- up arrangements for cloud data. Key findings: |
| | | | | | | • The Council has formulated a Cloud Strategy which aligns to the existing Technology & Digital Inclusion Strategy 2022-2025. However, the Cloud Strategy has yet to be finalised and approved by senior management, although we understand that the Council's overall 'cloud first' approach is endorsed. Furthermore, the Council's Cyber Security Policy is not explicit in documenting how controls over cloud infrastructure and applications will be implemented across the Council, or where responsibilities for these controls lie. |
| | | | | | | • The Council has deployed the Azure Secure Score system to monitor the security configuration of its cloud infrastructure, however there was no evidence that the current score and improvement recommendations from the system are regularly monitored. We found that the OMG meetings between STS and constituent boroughs have been used to monitor the Council's cyber security posture and potential improvement work required, however this has not been |

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| | | | | | | present on OMG reports since the April 2023 meeting. A spreadsheet is in place for Council services to complete when procuring applications which are deployed through Software as a Service (SaaS), assessing the security and suitability of the potential system and its supplier. However, our conversations with staff during testing identified instances where these checks have not been completed consistently by service areas and SaaS applications have been procured without reference to the ICT team during the process. Our review of a sample of two cloud migration projects identified that the objectives of one project had not been defined at the time of testing. Furthermore, business cases and project plans for each had not yet been approved by senior or programme management. The Cloud Phase 2 / |
| | | | | | | Infrastructure Improvements project was found to be progressing as a critical project, although was only supported by a high-level option analysis and recommendation document. We understand that a more comprehensive business case was being formulated at the time of testing. The most recent OMG meeting reports highlighted that the Council's Azure VMs are not currently backed up, as these are awaiting migration to the Nutanix platform. Furthermore, a recently completed exercise identified multiple |
| | | | | | | vulnerabilities with the Council's VM infrastructure, where 13 VMs and 11 SQL servers were not being backed up at the time of testing. This control weakness is compounded by the absence of planned disaster recovery testing for cloud- based infrastructure. OMG meeting reports had previously included an item to plan this testing, although we found that this had not been included in the most recent reports. |
| | | | | | | • At the time of testing, we found that there was no central monitoring of cloud- migrated applications in relation to their security and performance. System |

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| | | | | | | administrators and service areas hold responsibility for conducting regular reviews of applications within their remit, however there was no evidence that information is collated and analysed centrally to identify potential performance issues or non-compliance with the Council's security configurations and policies. |
| IT - Software licence management | - | 5 | - | Limited | Limited | Purpose: To provide assurance on the design and effectiveness of the controls in place around software licensing and to highlight any areas where the controls might be improved. Key findings: |
| | | | | | | There was an absence of key policy documentation in place to govern software licensing management activities, both from an ICT Service and end user perspective. Attempts have been made to introduce such policies, although these remained in draft and were incomplete at the time of our testing. |
| | | | | | | • Staff interviewed were knowledgeable about each of the software applications and the processes involved in managing these. However, these processes were not documented in procedural guidance for staff to follow. This results in a level of inconsistency in how different applications are managed, information is recorded, and software utilisation is monitored. Furthermore, a lack of documented processes impacts business continuity and succession planning if staff leave, move departments or are absent for prolonged periods. |
| | | | | | | • Manual records are currently kept for software licence information at the Council and within STS. There were multiple gaps in key data within the Council's corporate applications register, particularly in relation to system support, licence types, system criticality, renewal dates, and licence utilisation. For example, there were no start and end dates documented for any of the licenses. The register held by STS contained some of this data, although was manually populated and updated. |

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| | | | | | | • There was an overall lack of monitoring in place over software licence data, utilisation, and compliance with conditions. An Operational Management Group (OMG) meeting does scrutinise (in)active user accounts, which informs Microsoft 365 licence numbers, and upcoming renewals of software are kept under review. However, the reliance on manually updated information by both parties reduces monitoring capabilities. Gaps in data within the Council's corporate applications register also prevent clear oversight of software licensing activities and compliance. |
| | | | | | | • The use of manually input spreadsheets has contributed to a lack of robust data on licenses and subject to improving the controls around the completeness and accuracy of date, best practice would be to move to an automated licensing tracking system. |
| Markets | - | 3 | - | Moderate | Moderate | Purpose: To review the adequacy of the design and effectiveness of the Council's governance arrangements and key operational and financial controls in place relating to markets. |
| | | | | | | Key findings: The Council's Markets Policy does not detail the application requirements for permanent and temporary traders and operators. |
| | | | | | | • We reviewed a sample of 10 temporary and permanent traders and identified that in one case, a temporary permit was provided to the trader, although there was insufficient evidence of proof of address. In another instance, the permanent trader continued to trade although the trading licence was not renewed. |
| | | | | | | • The Markets Team referred two out of 15 debtor accounts to the Credit Control Team for further escalation, however this was not actioned. Hence, the outstanding balances were not recovered. |

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| Member / Officer Protocol | 1 | 3 | - | Moderate | Limited | Purpose: To provide assurance that the member/officer protocol reflects good practice and that it is being operated in practice and cases where it is not working effectively are identified and addressed. |
| | | | | | | Key findings: |
| | | | | | | The Council's Member and Officer Protocol has not been reviewed since February 2020. |
| | | | | | | • From a review of the Council's training records, less than 50% of Senior Officers have completed mandatory training on Safeguarding, Data Protection, Corporate Induction, Unconscious Bias, and Southwark Ways of Working. |
| | | | | | | • We were informed that attendance for the Members' training programme is recorded but we were not provided with any evidence of this. |
| | | | | | | • We were not provided with the procedure on how to deal with Member enquiries, such as the review process for cases, case allocation, which service departments are involved when responding to enquiries and what methods are appropriate when communicating with customers. From a survey completed by a sample of five Members and five Officers, we found that the Members were not satisfied with the quality of responses and Officers felt they did not receive sufficient training to provide accurate responses and deal with the Members requests. |
| Mental Health Services | 2 | 2 | - | Moderate | Limited | Purpose: To review the controls in relation to the governance, approvals, records maintained and monitoring of care packages and funding relating to the clients receiving the Council's mental health services by the Care & Support Team (CAST). Key findings: |
| | | | | | | • There was no evidence of an annual finance assessment for 7 out of 11 clients required to pay for care and the reason one client did not pay for care was not |

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| | | | | | | recorded. |
| | | | | | | • An annual review of the care and support plan had not been completed for two clients. |
| | | | | | | • Following a change in the care and support plan personal budgets had not been updated in a timely manner for four out of ten cases tested. |
| | | | | | | • In nine out of ten cases tested where personal care packages had been completed there had not been a review of expenditure to confirm whether there was a surplus of funds that needed to be repaid and that funds had been spent appropriately. A large backlog of expenditure returns dating back to 2016 have not been examined. |
| Mosaic Draft Report | - | 3 | 1 | Moderate | Moderate | Purpose: To provide assurance over the arrangements for recording, approving, and processing social care packages within Mosaic, such that only valid and accurate amounts are generated for processing and payment. |
| | | | | | | Key findings: |
| | | | | | | • We reviewed a sample of 10 residential nursing supported living payments and identified that in five cases, an annual review was not completed within 28 days of the referral. The timeframes for the completion of the annual reviews ranged from 52 to 125 days. |
| | | | | | | • The Mosaic listing of authorisers included two users who were not located on the Children's and Adults Services (CAS) Scheme of Management. We were advised that the staff members were allocated incorrect access permissions, as they were allocated Children's Services authoriser roles (relating to Children's and Families division), however this is not appropriate to their role. |
| | | | | | | • The rate for one out of 10 residential nursing supported living payments was applied incorrectly. We identified that the backdated payment rate should have |

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| | | | | | | been £1,576.87, however this was set at £1,734.98. Consequently, we identified through this audit that this generated an overpayment of £8,489.57. |
| | | | | | | • We reviewed 23 procedure documents and identified that four were not reviewed in line with the review date outlined. We found that a monitoring mechanism is not in place to ensure procedure documents are in line with current processes followed. |
| | | | | | | • BUPA Overpayments Review 2020-21 - we conducted a follow up of the recommendations raised as part the BUPA Overpayments review conducted in 2020-21. We confirmed the implementation of 18 out of 31 recommendations through a review of evidence and four were closed as the Council accepted the risk for not completing the recommendation. However, we identified that the implementation of nine recommendation remained outstanding at the time of the audit fieldwork, which had passed their proposed implementation date. |
| New Homes Programme | - | 1 | 1 | Substantial | Moderate | Purpose: To provide assurance on the project management of the New Homes Programme including procurement, contract management and programme governance with regards to the areas of significant expenditure and priority for the Council. Key findings: |
| | | | | | | • Section 9.2 of the Council's Contract Standing Orders (CSOs) states where the estimated contract value exceeds the relevant EU threshold the lead contract officer should prepare an annual monitoring report to the relevant Departmental Contract Review board (DCRB). |
| | | | | | | • The EU Works threshold is £5,336,937. Wee identified three contracts from our sample of five that exceeded the threshold and our discussions with officers confirmed they had not prepared an annual monitoring report. |

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| | | | | | | • The Delivery Programme Board terms of reference states the Board will meet as required, at least every two months. Our review of Board documentation for 2022-23 confirmed there was no meeting between 08/03/2022 to 12/06/2022, and 08/11/2022 to 09/05/2023. Officers stated this was because there were no reports for them to review due to the phasing of the projects. |
| No Recourse to Public Funds | - | 3 | - | Moderate | Limited | Purpose: To review the adequacy of the Council's key operational and financial controls in place relating to NRPF. Key findings: |
| | | | | | | Eligibility criteria: - we tested to verify that appropriate supporting documentation had been obtained to confirm eligibility criteria was met: |
| | | | | | | - For one sample item there was no evidence the service user was given an appointment letter. |
| | | | | | | - For five sample items there was no evidence officers completed financial background checks using a 360 Online check. |
| | | | | | | - For one sample item, the background check was completed using an incorrect name because the applicant was falsely using the name of her sister. No further 360 Online check was completed. |
| | | | | | | • Accommodation process: our testing found eight payments from a sample of 15 that did not match the approved amounts recorded on the Master Case List. These accommodation payments had been increased but the Council records had not been updated. |
| | | | | | | • Subsistence process: - in two cases from a sample of 15 there was no evidence of manager approval, which meant we were also unable to confirm a separation of duties between the decision maker (to award subsistence) and approver. |
| | | | | | | Case reviews: - we conducted testing to confirm case reviews are completed |

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| | | | | | | every six months: Four case reviews were due but had not been completed. Case reviews were completed late for a further seven ranging from one month to eight months. Our sample testing of five care payments for 2022-23 found that none of the payments matched the amounts the Social Worker recommended be paid and were all higher. This is due to officers using a calculator which has not been updated to show the correct care rates. We asked for the three most recent monitoring reports presented to senior management to assess whether performance was sufficiently detailed, periodically presented and contained actions to address issues. Officers advised that performance monitoring meetings did not take place in October 2022, February 2023, and March 2023. Officers provided reports for September 2022, November 2022, December 2022, and January 2023. Our analysis of the reports showed NRPF performance information was also not updated during this time (September 2022 to March 2023). |
| Overtime | - | 3 | - | N/A Advisory Review | N/A Advisory Review | Purpose: to review the adequacy of the Council's arrangements and key operational and financial controls in place relating to overtime payments. Key findings: There are inadequate policies and procedure documents that govern the processes in relation to overtime payments therefore insufficient guidance is in place for employees and managers especially on the timeliness of inputting claims. The Remuneration policy does not have a next review date and information on who reviewed and approved the document. |

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| | | | | | | • Whilst the year-to-date overtime data was being presented to the Strategic Director of Finance and Governance, the data is not analysed for trends. Monitoring and reporting on overtime is also not completed at a departmental level to help identify the root cause of the high overtime figures. The overtime data is not complete, with some employees not having details on their department and team input which would skew the results of any data analysis performed. |
| | | | | | | • The [now] Housing Directorate has identified that their high overtime payments are an issue that needs to be tackled and are working towards this, but HR could provide additional support with this process and ensure the department are involved in future trade union discussions to ensure the Trade and Craft Terms and Conditions are revised to provide a fair policy that is beneficial to both the Council and the technicians. |
| Parking Management and Estates Parking Permits Draft Report | 3 | 2 | - | Limited | Limited | Purpose: To review the adequacy of the Council's governance arrangements and key operational and financial controls in place relating to parking management and estates parking permits. Key findings: Organisational structure, roles, and responsibilities: Our initial enquiries identified that the Parking services' roles, responsibilities and accountabilities, the governance framework, and key financial and operational controls for onstreet and estates parking were not clear, integrated or joined up. An organisational structure chart of the Parking services governance, and key financial and operational arrangements in place was created during the audit, with several noted issues requiring resolution. |
| | | | | | | Policies and procedures: Parking management and estates parking permits policies and procedures supporting the Council's Movement (Transport) Plan 2019 - 2041 were not readily available. A folder of the policies and procedures was created |

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| | | | | | | during the audit. Fees and Charges: Not all the fees and charges approved by Cabinet for the financial year 2022-23 were updated on the Council's website in a timely manner. The fees and charges for estates parking permits 2023-24 that came into effect on 1 April 2023 were updated late on the Council's website on 12 April 2023. Applications for new and renewed estates parking permits: Our review of a sample of estates parking permits identified two out of five resident permits did not have appropriate supporting proofs of residence and vehicle ownership. Three out of five carers' permits granted did not have appropriate supporting medical evidence. All five visitor permits sampled had no evidence of validation checks. Three of five refunds given did not state the reason the refund was given. Payments received: There is a lack of clarity regarding income budget monitoring as part of the general Parking service management monitoring and review. Debt management: The nature and make-up of aged, bad, and uncollectable parking debts for the financial years 2019-20, 2020-21, 2021-22 and 2022-23 could not be provided. Information regarding investigation of debt (warrants) for recovery by the Parking Service's enforcement agents and appropriate follow up of untraceable vehicles could not be provided. |
| Payroll and HR | - | 3 | 2 | Moderate | Moderate | Purpose: To provide continuing assurance on the adequacy of the design and operational effectiveness of internal controls in place to manage the identified risks in respect of payroll and HR. Key findings: Due to the merger of the payroll function with HR, we identified during the walk-through of the SAP systems that the final payroll run for April 2023 was not approved by a separate reviewing officer before being posted. |

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| | | | | | | • From testing a sample of five overpayments since 1 April 2022, we found that recovery action was inconsistent and recovery action timeframes in three cases were insufficient. In addition, the high priority recommendations from the KFC05 Payroll and HR audit 2021/22 had not been fully implemented and have been rolled over into the 2022/23 recommendations to ensure they are addressed. |
| | | | | | | • Initial data analytics we completed on the payroll standing data identified a total of 196 employees (98 pairs) with duplicate bank details, despite them being unrelated and living at different addresses. Subsequent investigation found that the report produced had overwritten bank details for employee's job sharing. This has raised the issue of a lack of review of potential duplications in the payroll data. |
| Pensions Administration | - | 2 | - | Moderate | Moderate | Purpose: to provide assurance over the management of the pension fund and controls on flow of monies around the system including the bank account. We also provided assurance over the data security and interfaces used by the new pensions admin and payroll system. Key findings: |
| | | | | | | • We were provided with the UPM User List as at December 2022 which confirmed a total of 196 user accounts; we were also provided with the Citrix User list as at December 2022 which set out a total of 39 users. We reconciled the two User Lists and noted 19 users who were disabled within Citrix but were still on the UPM User List. |
| | | | | | | • We performed a reconciliation between the previous system and the new system using National Insurance (NI) number. We were only able to identify 7,620 matches between both datasets following data being cleansed from the previous system, with the discrepancy of 21 staff being due to the fact they joined the Council after the implementation of UPM. We also performed data analytics on |

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| | | | | | | the UPM data and noted: five instances where the National Insurance Number was not valid, eight employees which had duplicate entries, and nine employees who had duplicate entries with the same bank account number and sort code. This will be provided to management under separate cover for their investigation. |
| Private Sector Licensing Draft Report | 1 | 2 | 1 | N/A Advisory Review | N/A Advisory Review | Purpose: To assess the robustness of the key processes and controls in place for the pilot scheme around governance, projected income/saving plans, the application process, income collection and debt recovery, with a view of improving the permanent controls being in place if the scheme continues. Areas to improve: |
| | | | | | | The Licensing Team had not navigated an effective method to process the invoices with the required notices attached to the applicants This was due to a lack of administrative support within the team to process invoice requests per the Council's FC&P Team's guidance. The Licensing Team also did not have a point of contact in the FC&P Team to discuss issues they were facing with the invoice request process such as sending statutory notices with the invoices and providing all the required information to set the applicant up as a vendor on the finance system to process the invoice. Due to this, the Licensing Team had not issued any invoices to any of the applicants that wanted to pay offline, therefore in December 2022, there was a backlog of over 400 invoices and licenses not issued, which held back an income of over £500,000. The invoicing issues have also led to a backlog of refunds that have not been processed for applications that were raised through the old system. Reconciliations between the Finance system, SAP, and the applications system, Metastreet, cannot be completed. The team are working with Metastreet and SAP to identify a common reference for both platforms. Assurance that income is as expected is obtained by matching the overall income on SAP with the total fees from applications on Metastreet, however a line-by-line reconciliation is not |

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| | | | | | | possible. The Licensing Process document was last updated in April 2022; however, it is not clear who prepared, reviewed, and approved the document. One of the procedure documents (Joint Licence holders) received was blank. Some of the procedures were signed off by the Head of Regulatory services. However, we noted that there is no consistency in the presentation of the procedures. The procedures have not been developed for debt management and processing write-offs. We have confirmed that there have been no arrears since the start of the new scheme. Therefore, no write-offs have been required or an aged debtor analysis completed. However, no procedure documents have been developed to deal with future incidents. The Team still do not have clarity on their debt management responsibilities which they will work with the Council's Finance team to establish. |
| Public Health - Tobacco Control | - | 1 | 2 | Moderate | Moderate | Purpose: To provide assurance that the Council has adequate and effective controls in place to help mitigate the risk that Southwark will not be smoke-free by 2030. We used the Tobacco Control Plan for England, the Khan Review, NICE Guidelines, and the CLeaR self-assessment tool to guide our testing. Key findings: Further analysis of the latest Census 2021, Annual Population Survey and Stop Smoking Service data is required to shape initiatives to engage hard-to-reach groups. The CLeaR self-assessment tool provides Local Authorities with an evidence-based approach to measure success of local action to address smoking. At the request of the Public Health team, we evaluated how the Council is meeting sections 14.1-14.3, 15.1-15.4 and 15.6. We concluded that the Council met the requirements for three out of eight questions, and the remainder are a work in progress. |

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| | | | | | | • Roles and responsibilities relating to tobacco control in the Public Health Division and more widely (across the Council and its partners), and how these link together, are not yet clearly defined in strategies, policies, and procedures. |
| Safeguarding - Adults | - | 2 | - | Moderate | Moderate | Purpose: To review the processes and controls in place to ensure that adults within the Council's care are properly safeguarded and statutory requirements are met. Key findings: |
| | | | | | | • For our sample of 20 safeguarding referrals, we found one case where the initial assessment was signed off before the document was completed meaning it was not clear whether the approval was based on the full assessment. For a second case, the assessment was not fully detailed meaning the full nature of the safeguarding concern was not fully documented. |
| | | | | | | • The Performance and Quality team carry out general audits monthly and select a sample of cases to confirm processes are being followed. However, this is not specifically targeted at Safeguarding. |
| SEND Finance | 4 | 3 | - | Moderate | Limited | Purpose: To provide assurance on the adequacy and effectiveness of controls in place within the SEND Finance Team with regards to the process of agreeing placement costs and making payments. |
| | | | | | | Key findings: |
| | | | | | | • Following approval of the EHC Plan, proposed placement and cost by the SEND Panel, a Costing Form is prepared by the SEND Team detailing the placement and cost which is authorised by a SEND Team Manager before being sent to the SEND Finance Team for inputting details onto a spreadsheet to make payments to placement providers. For a sample of 16 children with SEND, one Costing Form was not authorised by the SEND Team Manager. In another two cases, the Costing Forms were authorised after the placement start date. |

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| | | | | | | For a sample of 15 payments made from April 2022 to March 2023, we were unable to confirm that the payments were accurate as we were unable to reconcile the amount recorded on the invoice to the amount due as per the authorised costing form. Seven invoices were not paid within 30 days of the invoice. Payments were made after 6 weeks to 4 months of the invoice date. An internal deadline has been set by Corporate Finance for accruals to be raised by 17 April 2023 to meet the 21 April 2023 deadline for all revenue to be determined. As of 24 April 2023, the accruals for 2022/23 had not been raised, a Corporate Finance process commenced in the absence of the Business Manager and a total of £5,270,574 accruals had been identified as of 24 April 2023 with the process still yet to be complete. Whilst the spreadsheet maintained by the SEND Finance Team records details of identified funding for each child, it does not record payments. Both the SEND Finance Team and the SEND Team currently maintain separate records of payments. Records of payments made are available from SAP. However, from our sample testing, it was difficult for us to reconcile the payment on SAP to the child's record on the spreadsheet. This was in the main due to the payment reference number used by the Business and Finance Manager not being the same as the student ID number generated from Capita for each child. The Business and Finance Manager stated that a check is completed on a weekly basis between data on the spreadsheet to data maintained by SEND Team on Capita. The check is done manually, and any discrepancies are investigated/queried with the SEND Team. We were unable to confirm this weekly check being undertaken as no evidence is maintained. We undertook a follow-up of two actions from the Education Budget Review undertaken by RSM for which a final report was issued in February 2020. Neither of the recommendations had been implemented. |

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| Special Educational Needs (SEN) | 1 | - | 2 | Moderate | Moderate | Purpose: To review the processes and controls in place to effectively support the quality of data used to inform decision making in relation to SEN EHC applications Key findings: The SEN team have protocols to track each stage of the SEN process as part of the Council's monitoring and reporting process to ensure they are processed within the 20-week prescribed completion target. |
| | | | | | | • From a sample of 10 EHC applications, eight applications were not completed within the 20-week timeframe. The Council's average over the five-month period January to May 2022 of meeting the target was 25%. We acknowledge that the NHS-wide cyber-attack on the care notes system has affected the ability to retrieve patient records. There has also been an increase in the volume of requests post Covid for all agencies. These factors have delayed the timely completion of multi-agency assessments nationally this year. |
| | | | | | | • For the latest annual national published data set (SEND2) Southwark was in line with London and National averages. The current year data will be collected nationally in January 2023 and will be available for comparison in May 2023. The national average in the period reporting year was 60%. |
| Supplier Resilience | 2 | 5 | 1 | Limited | Limited | Purpose: To provide assurance on the controls in place to adequately monitor the financial and operational stability of its key third party suppliers and service providers. The audit was also to confirm there are adequate contingency plans in the event of supplier/service provider failure. The audit excluded care service providers as this will be included in a future commissioning audit in 2023-24 (but notes that these should still be included on the Contracts Register). Key findings: |
| | | | | | | • During the audit we established there is a lack of strategic oversight of contract |

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| | management. The Council does not: |
| | Have a centralised contract management function. Keep a list of contracts it feels are the most critical, which should be scrutinised further. The Council does define contracts as either Operational or Strategic but does not maintain a list of either, although Contract Standing Orders require that Lead Contract Officers (LCOs) or their Chief Officers maintain all contracts over £5k in value on the Council's Contract Register. Centrally perform ongoing creditor checks of key suppliers. Provide regular training to contract managers about how to consistently monitor supplier resilience. We tested a sample of ten contracts from the contracts register including the five highest value contracts (excluding Residential Care as this will be covered by a future audit) and a random sample of five further contracts. For four contracts we were not provided with full supporting evidence. Our testing to ensure the contract managers had obtained operational and financial security during the procurement process found eight had conducted the appropriate checks and retained evidence. We further tested to ensure contract managers had obtained and reviewed supplier's business continuity plans (BCP) and found inconsistent practices and in one case no BCP. We tested to confirm key performance indicators (KPI's) are established and |

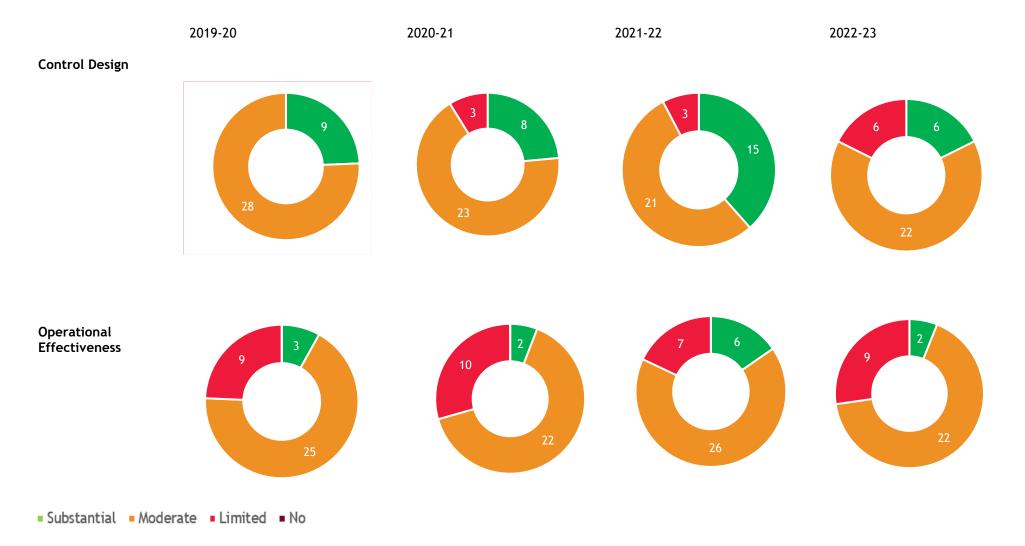
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| | | | | | | regularly monitored. We found inconsistent practices and in four cases no evidence that KPIs had been established was evident. |
| | | | | | | • We further examined whether annual performance reporting was in line with the contract management toolkit and found one case where performance reporting was last completed 18 months ago and in another case no performance reporting had been completed. |
| | | | | | | • We assessed the Council's arrangements against the five elements of the Governments supply chain framework, which is designed to be an aide for those looking to mitigate supply side risks in their supply chains and to support greater long-term resilience: Diversification, International Partnerships, Stockpiling, and surge capacity, Onshoring and Demand management. We found the Council only considers diversification as part of its toolkit. |
| | | | | | | We evaluated the risk management arrangements and our testing showed that four of the strategic contracts did not have a supplier specific risk register and none were detailed on the departmental risk register, which acts as a compensating control if there are no supplier risk registers in place. We examined departmental business continuity arrangements and found that in four cases the contracts were not listed or no BCP was in place. |
| TMOs - Applegarth | - | 3 | 1 | Moderate | Moderate | Purpose: to provide assurance over the adequacy of the design of the controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos. Key findings: Invoices for purchases at the TMO were not signed by the treasurer as per the |

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| | | | | | | • While the TMO review the performance figures where the budget is monitored monthly, comparing expenditure for cost centres against the agreed budget, this information is not shared with the Management Committee for review and scrutiny. |
| | | | | | | • While the TMO have a complaints policy, we found it was last reviewed in February 2020. Further, we found the TMO does not currently have a recruitment policy or disciplinary procedure document in place which is a requirement set out within the MMA. |
| | | | | | | • There is a not a standalone term of reference in place for the Management Committee which outlines the roles and responsibilities of members, frequency of meetings and quorum requirements in one place which is reviewed annually to ensure it includes the most up-to-date information of the committee. |
| TMOs - Brenchley Gardens | 7 | 2 | 2 | Limited | Limited | Purpose: to provide assurance over the adequacy of the design of the controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos. |
| | | | | | | Key findings: |
| | | | | | | • Annual gas servicing and the certificates had not completed and retained by the TMO as per the Gas Safety (Installation and Use) Regulations 1998. |
| | | | | | | Budget monitoring was not being completed monthly nor was it subject to Management Committee review. |
| | | | | | | • We found that works orders and invoices were not raised and authorised in line with the MMA and financial procedures. |

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| | | | | | | • Correct follow up action for properties in arrears has not been undertaken, including sending letters to residents and implementing an action plan to address the arrears. |
| | | | | | | • Pre-employment documentation were not retained by the TMO to evidence the validity and clearances have been completed and authorised. |
| | | | | | | • A central log of work repairs at the TMO was not being maintained and therefore we were unable to confirm if a works order was raised, completed in a timely manner, and review the quality checks completed by the TMO. |
| | | | | | | • Newly let properties did not have the required checks completed and sufficient documentation retained as set out within the MMA. |
| | | | | | | • The monthly Management Committee meetings were not consistently minuted to show discussions and formal actions to take forward and to be followed up at subsequent meetings. |
| | | | | | | • The TMO has an equal opportunity, staff appraisal, grievance and disciplinary policies and procedures, however these were not reviewed or approved in the last 12 months. |
| | | | | | | • The TMO has a finance policy, however this was last reviewed in March 2020. |
| | | | | | | • There is a not a standalone terms of reference in place for the Management Committee which outlines the roles and responsibilities of members, frequency of meetings and quorum requirements in one place which is reviewed annually to ensure it includes the most up-to-date information of the committee. |

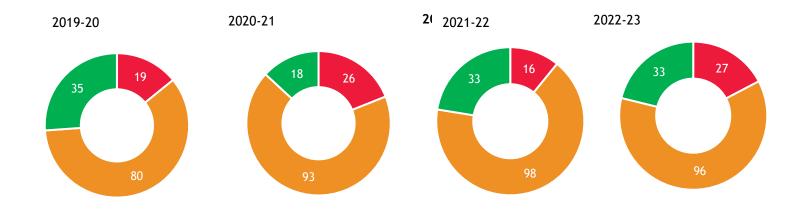
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| TMOs - Delawyk | - | - | 1 | Substantial | Substantial | Purpose: to provide assurance over the adequacy of the design of the controls and operational effectiveness relating to the TMO's operational and financial processes, such as financial management, procurement, and statutory compliance, including health and safety, fire risk assessment and asbestos. Key findings: There is a not a standalone term of reference in place for the Management Committee which outlines the roles and responsibilities of members, frequency of meetings and quorum requirements in one place which is reviewed annually to ensure it includes the most up-to-date information of the committee. |
| TMOs - Use of Reserves & Surplus Funds | 1 | 4 | - | Moderate | Limited | Purpose: To provide assurance over the design and operational effectiveness of the controls relating to the cyclical maintenance allowances received for Major Works by the TMOs and the Reserve and Surplus Fund accounts being maintained and managed by the TMOs. Key findings: |
| | | | | | | • Five TMOs have cyclical decoration funds (total value over £1m) presented on their financial statements (period ending 31 March 2021) and have been paid this allowance since their inception, despite these TMOs opting for Option A or B in relation to cyclical decoration responsibilities. In three of the five cases payments of the allowance have stopped. |
| | | | | | | • Nine out of 16 TMOs did not have a separate Reserve and Surplus Fund reported on their balance sheet. The MMA requires the TMOs to report Reserve and Surplus Fund separately within the financial statements. |
| | | | | | | • Kennington Park House Co-operative TMO does not have a minimum of 25% of the current financial year allowances maintained within the Reserve Fund. The allowance for the year 2020/21 was £64,804, meaning a minimum of £16,201 |

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| | Н | Μ | L | Design | Operational Effectiveness | |
| | | | | | | should be held in the Reserve Fund per best practice. The TMO's Reserve Fund only had £5,691 as of 31 March 2021, which is only 8.8% of the current financial year allowance. |
| | | | | | | • Applegarth TMC has an account titled 'Contractor's Fund' reported on their financial statements with a balance of £30,850. Per the accounts, the balance represents £10,000 received from Taylor Wimpey and a grant received from the Council, less clean greener expenditure. The TMO Manager explained that this account is used as the Reserves Fund, however, there is no specific Reserves Fund account on the TMO's financial statements per the requirements of the MMA. |
| | | | | | | • Cooper Close Co-operative and Haddonhall Residents TMO do not present the Reserves Fund account on their financial statements, instead an accumulated surplus account is the deemed Reserves Fund on their financial statements. |
| | | | | | | • Eight TMOs did not have a separate Surplus Fund presented on their financial statements per the requirement of their MMAs. |
| | | | | | | • We compared the balances of Surplus Funds (for eight TMOs where a separate Surplus Fund was presented) as of 31 March 2021 with the previous year balances as of 31 March 2020. Five TMOs did not achieve the desirable efficiencies. |
| | | | | | | • For Two Towers TMC, there is a deficit of £38,697 recorded as of 31 March 2021 within the Surplus Fund. We queried the negative balance on the Surplus Fund to assess if there is a strategy to address the shortfall. We noted that a documented plan is not in place and the TMO Manager advised that it is difficult to maintain balance within the Surplus Fund as payments are being made back to the Council in relation to external decoration responsibilities. |
| | | | | | | • The audited financial statements for twelve out of 16 TMOs were not finalised within six months of the end of 2020/21 financial year (by 30 September 2021) per the requirement of the MMA. The delays ranged from 3 to 132 working days. |



YEAR ON YEARS SUMMARY OF ASSURANCE OPINIONS AND RECOMMENDATIONS

Recommendations



Recommendation Implementation Rate

The table below shows the percentage of recommendations implemented by the year end.

| 2022-23 | 92 % |
|---------|-------------|
| 2021-22 | 87% |
| 2020-21 | 79 % |
| 2019-20 | 88% |
| 2018-19 | 88% |

ADDED VALUE



RESPONSIVENESS TO EMERGING RISKS AND COLLABORATION

We have continued to be responsive, in particular completing unplanned grant certifications at short notice to meet the Council's submissions deadlines.

We work closely with External Audit where investigations are required, e.g. the Accounts Objections review.



BENCHMARKING AND BEST PRACTICE

We have continued to add value in the majorty of our audits, agreeing the areas of focus as part of scoping meetings.

We undertook benchmarking to compare the Council's practices with other London boroughs.

We identified areas where the Council can improve performance and create efficiencies e.g. Children's Quality Assurance, Parking Management, SEND Finance.

Best practice comparisons were undertaken (e.g. Building Control, Supplier Resilience, Public Health -Tobacco Control.

INNOVATION

We utilised data analytics in audits where appropriate (e.g. accounts payable, payroll, pensions). This has highlighted anomalies for the Council to investigate to improve its data and accuracy and completeness of transactions.

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KEY RISK AND FINDINGS THEMES



PEOPLE, ROLES AND RESPONSIBILITIES

This year, we have found an absence of up to date policies and procedures in a number of areas, with roles and responsibilities not clearly defined. Training programmes have lapsed in some areas. There have been changes in senior management responsibilities and reliance on key individuals continues to be apparent as funding and resources tighten further. Succession plans are not always in place. E.g. Adult Learning Services, Children's Quality Assurance Unit, General Ledger, Markets.



ENTHISTORYFORM

SYSTEMS & PROCESSES, TIMELINESS OF DECISIONS

We continued to identify non-compliance with policies and procedures, both corporate Council-wide and departmental or team specific. In addition, systems access is not being reviewed in key areas. Testing identified timeliness of decisons and completeness of processes to be of concern. E.g. Accounts Payable, Building Control, Cemeteries and Crematoria, Complaints, Housing Rents, Mental Health, NRPF, Parking, SEN.



Several audits identified anomalies with the data being maintained and recording of key information and evidence to support decisions. E.g. Building Control, Childrens Quality Assurance Unit, Software Management, Pensions, SEN.

In addition, the Council's web pages were found to be out of date in some areas. E.g. Community Engagement, Markets, Parking.

GOVERNANCE AND MONITORING / FOLLOW UP

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Overall there are sound Governance and effective monitoring arrangements in place across the Council. However the frameworks for areas such as Contract and Supplier Management, NRPF and TMOs could be strengthened. Business Continuity Plans were not in place for key contracts.

Recommendation implementation rates have improved.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to London Borough of Southwark is to provide the Audit, Governance and Standards Committee, and the Directors with an opinion on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Our internal audit work for the 12-month period from 1 April 2022 to 31 March 2023 was carried out in accordance with the internal audit plan approved by management and the Audit, Governance and Standards Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control, and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by London Borough of Southwark to manage risks in business areas identified by management set out in the 2022-23 Internal Audit Annual Plan approved by the Audit, Governance and Standards Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with London Borough of Southwark management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review.
- Reviewing the written policies and procedures and holding discussions with management to identify process controls.
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage.
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place.
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page five of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit, Governance and Standards Committee is to agree reports with management and then present and discuss the matters arising at the Audit, Governance and Standards Committee meetings.

Management actions on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner, then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

The implementation rate for previous recommendations is currently 91%. This rate is an improvement on the 87% in 2021-22.

Relationship with external audit

All our final reports are available to the external auditors through the Audit, Governance and Standards Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

Report by BDO LLP to London Borough of Southwark

As the internal auditors of London Borough of Southwark, we are required to provide the Audit, Governance and Standards Committee, and the Directors with an opinion on the adequacy and effectiveness of risk management, governance, and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides London Borough of Southwark with Moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2022-23. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2022-23
- Any follow-up action taken in respect of audits from previous periods for these audit areas.
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to London borough of Southwark.
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



KEY PERFORMANCE INDICATORS

| Description / KPI for Internal Audit 2022-23 | Actual and comment | RAG Rating |
|--|--|------------|
| Audit Coverage | | |
| Annual Audit Plan for 2022-23 delivered in line with timetable | All internal audit work agreed with senior management for completion during the year has been completed. Some audits as detailed in this report have been deferred to 2023-24. | |
| Actual days are in accordance with Annual Audit Plan - 1,030 days | We delivered 1,058 days of internal audit work the internal audit plan, the additional days related to work carried forward from 2021-22 and audits not in the original plan (e.g grant audits). | |
| Relationships and customer satisfaction | | |
| Customer satisfaction reports - overall score at average of at least 3.5 / 5 for surveys issued at the end of each audit. | We have received five survey responses relating to 2022-23 audits, providing an overall rating of 5 (exceptional) in four cases and 4 out of 5 in one case. | |
| Annual survey to Audit, Governance and Standards Committee to achieve score of at least 70%. | A survey will be issued during the year. | - |
| External audit can rely on the work undertaken by internal audit (where planned) | We completed a review following an Accounts Objection, to the specification and satisfaction of the external auditors. | |
| Staffing | | |
| At least 60% input from qualified staff | KPI has been met for the year. | |
| Audit Reporting | | |
| Issuance of draft report within 3 weeks of fieldwork `closing' meeting | All draft reports issued to date were within 3 weeks of the closing meeting. | |
| Finalise internal audit report 1 week after management responses to report are received. | All final reports issued to date were within 1 week of receipt of the complete management responses. | |
| 90% recommendations to be accepted by management | Recommendations are largely accepted by management following the closing meeting. | |
| Information is presented in the format requested by the customer | We have agreed the reporting format with the previous Strategic Director of Finance and Governance. | |
| Audit Quality | | |
| High quality documents produced by the auditor that are clear and concise and contain all the information requested - measured within customer satisfaction surveys | We have received five survey responses as at the end of the year, four providing a rating of 5 and one providing a rating of 4 out of five with regards to the quality of our outputs. | |

| Positive result from any external review | In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS). This is the highest of the three ratings categories. | |
|--|--|------------|
| Description / KPI for Council Management and Staff 2021-22 | Actual and comment | RAG Rating |
| Response to terms of reference and reports | | |
| Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within three weeks of receipt | With minor exceptions (usually due to leave commitments), Council management have responded in a timely manner. | |
| Implementation of recommendations | | |
| Audit sponsor to implement all audit recommendations within the agreed timeframe | At the end of the year 89% of recommendations due had been implemented. | |
| Co-operation with internal audit | | |
| Internal audit to confirm to each meeting of the Audit, Governance and Standards Committee whether appropriate co-operation has been provided by management and staff: a) providing unrestricted access to all the | We can confirm that to date the Council's management and staff have overall cooperated as per the commitments a) to e). | |
| Council's records, property, and personnel relevant to the performance of engagements | | |
| b) responding to internal audit requests and reports within the agreed timeframe and in a professional manner | | |
| being open to internal audit about risks and issues within the organisation | | |
| d) not requesting any service from internal audit that would impair its independence or objectivity. | | |
| e) providing honest and constructive feedback on the performance of internal audit | | |
| | | |
| | | |
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| | | |
| | | |

APPENDIX I

| ANNUAL OPINION DE | ANNUAL OPINION DEFINITION | | | | |
|--|--|--|--|--|--|
| Substantial - Fully meets expectations | Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. | | | | |
| Moderate - Significantly meets expectations | Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance. | | | | |
| Limited - Partly meets expectations | Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance. | | | | |
| No - Does not meet expectations | Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance. | | | | |

REPORT OPINION SIGNIFICANCE DEFINITION

| Level of Assurance | Design Opinion | Findings | Effectiveness Opinion | Findings |
|-----------------------|--|--|---|--|
| 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 noncompliance 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 in-year. | 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. |

| RECOMME | RECOMMENDATION SIGNIFICANCE DEFINITION | | | | | |
|---------|--|--|--|--|--|--|
| High | A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently. | | | | | |
| Medium | A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action. | | | | | |
| Low | Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. | | | | | |

FOR MORE INFORMATION:

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INTERNAL AUDIT SCHOOLS SUMMARY REPORT 2022-23

London Borough of Southwark

For presentation to the Audit, Governance and Standards Committee

17 July 2023



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1. INTRODUCTION AND BACKGROUND

PURPOSE OF REPORT

This report summarises the approach and key findings regarding the London Borough of Southwark school audits which were completed during 2022/23 by BDO LLP on behalf of the Council.

This report is presented to the Audit, Governance and Standards Committee, and will be shared with all schools via the School Forum.

INTERNAL AUDIT

What is Internal Audit?

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." (Source: International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors)

Why is Internal Audit needed?

- Legislation
- Public Accountability
- Risk management, governance, and control expertise
- Assurance on systems of control
- Fraud prevention, detection and/or investigation
- Objective advice
- Assistance in managing risks.

APPROACH TO INTERNAL AUDIT OF SCHOOLS

A cyclical plan to complete internal audits of every school over a four-year period is in place. The programme of audits is agreed by the Director of Education.

Due to the Covid-19 pandemic, schools audits were paused in the latter stages of 2019/20 which continued throughout 2020/21. In 2021/22, the Council had asked us to refocus attention onto the schools' budget and school financial strategy. Our work linked directly into the Schools Financial Value Standard. In 2022/23, the full programme of school audits was resumed, with 20 schools being audited between April 2022 and March 2023.

The purpose of a school audit is to assess whether adequate controls are in place to help prevent financial management weaknesses within the school that could result in budget overspend or inappropriate expenditure.

The work in 2022/23 was designed to assess the design and operational effectiveness of the controls in place to mitigate the key risks in seven areas:

- 1. **Governance** arrangements are inadequate or not formally documented to support effective administration and decision making that is in the best interests of the school.
- 2. Bank Account controls over the school's account(s) are weak, exposing the school to potential error and/or fraud which may result in a financial loss to the school.
- 3. The School's Budget is not balanced or aimed at recovering a deficit or achieving a prudent, but not excessive, level of unspent balances resulting in inefficient use of school funds. Where the school is in deficit, a clear recovery plan is not in place.
- 4. **Payroll** controls are inadequate without appropriate checks and adequate segregation of duties for making changes to personnel and payroll data leading to invalid or inappropriate payments.
- 5. Procurement is not well controlled resulting in purchases of goods and services that are not appropriate or

do not provide value for money.

- 6. Data is not adequately protected, allowing unauthorised access, leading to potential misuse or risk of harm to pupils and staff.
- 7. Cash is not controlled, leading to unidentified loss or theft.

The limitations to the scope of our work are as follows:

- Testing is performed on a sample basis, selected from transactions processed in the previous 12 months.
- The audit does not assess the adequacy of teaching arrangements at the school.
- Our work does not provide any guarantee against material errors, loss, or fraud, nor provide an absolute assurance that material error, loss or fraud do not exist.

RECOMMENDATIONS AND ASSURANCE OPINIONS

Recommendations are rated based on the risks associated with the findings arising from our audit work, where controls are not in place or not being complied with. Recommendations are rated as High, Medium, or Low.

We provide an overall assurance opinion on all school audits undertaken based on the categories and numbers of recommendations.

- The highest opinion is Substantial Assurance There is a sound system of internal control designed to achieve system objectives. The controls that are in place are being consistently applied.
- The lowest opinion is No Assurance Poor system of internal control and non-compliance and/or compliance with inadequate controls.

Please refer to Appendix 1 for all definitions for recommendations and assurance opinions.

2. SCHOOLS AUDITED FROM APRIL 2022 TO MARCH 2023

The table below summarises the recommendations raised, and audit assurance opinion provided.

| SCHOOL | STATUS | HIGH | MEDIUM | LOW | DESIGN | OPERATIONAL EFFECTIVENESS |
|--|------------------------------|------|--------|-----|-------------|------------------------------|
| Charlotte Sharman Primary School | Final Report | 8 | 15 | 4 | Moderate | Limited |
| Keyworth Primary School | Final Report | 2 | 8 | - | Moderate | Moderate |
| Southwark Inclusive Learning Service | Final Report | 1 | 4 | 5 | Moderate | Moderate |
| St Mary Magdalene Church of England Primary School | Final Report | 7 | 11 | 1 | Moderate | Limited |
| St Saviour's and St Olave's School | Final Report | 8 | 9 | 2 | Moderate | Limited |
| Haymerle School | Final Report | 2 | 6 | 4 | Moderate | Moderate |
| Peter Hills Church of England Primary School | Final Report | 3 | 10 | 1 | Moderate | Limited |
| Oliver Goldsmith Primary School | Final Report | 1 | 3 | 4 | Moderate | Moderate |
| Dulwich Wood Primary School | Final Report | 3 | 6 | 7 | Moderate | Limited |
| St Joseph's Junior School | Final Report | - | 3 | 3 | Moderate | Moderate |
| Phoenix Primary School | Final Report | - | 8 | 4 | Moderate | Moderate |
| Ilderton Primary School | Final Report | - | 8 | 2 | Moderate | Moderate |
| Tuke School | Draft Report 24-May 2023 | 2 | 6 | - | Moderate | Moderate |
| Grove Children and Family Centre | Draft Report 09-June 2023 | - | 2 | 2 | Substantial | Moderate |
| Michael Faraday Primary School | Draft Report 22-June 2023 | - | 6 | 5 | Moderate | Moderate |
| St Joseph's Roman Catholic Primary School (George Row) | Draft Report 22-June 2023 | - | 6 | 1 | Moderate | Moderate |

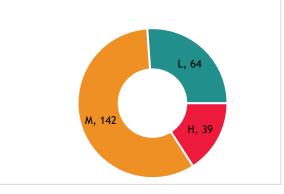
| SCHOOL | STATUS | HIGH | MEDIUM | LOW | DESIGN | OPERATIONAL EFFECTIVENESS |
|---|------------------------------|------|--------|-----|----------|------------------------------|
| St Peter's Church of England Primary School | Draft Report 26-June 2023 | 1 | 8 | 3 | Moderate | Moderate |
| St. George's Church of England Primary School | Draft Report 30-June 2023 | 1 | 11 | 4 | Moderate | Moderate |
| St Jude's Church of England Primary School | Draft Report 30-June 2023 | - | 6 | 4 | Moderate | Moderate |
| Crawford Primary School | Draft Report 30-June 2023 | - | 6 | 8 | Moderate | Moderate |

3. SUMMARY OF RECOMMENDATIONS RAISED IN 2022/23 AND ASSURANCE OPINIONS

The summaries of findings within this report are based on all school audits completed between April 2022 and March 2023.

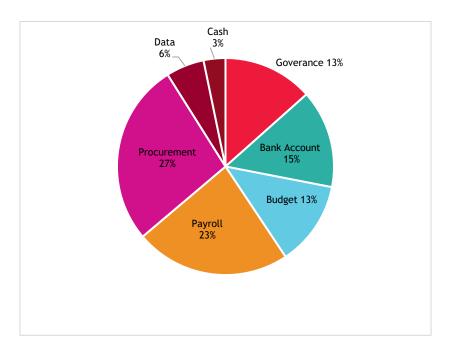
Number of Recommendations

The number of recommendations raised and the ratings of High, Medium, or Low is summarised below:



In 2022/23 a total of 245 recommendations were raised across 20 schools. This represents an average of 12 recommendations raised per school with the Borough.

A summary of the relative proportion of recommendations raised in each risk area is shown below:



As in previous audit cycles, most recommendations continue to be raised in the areas of Payroll and Procurement, with Budget, Bank Account and Governance also showing similarity to previous reports.

Assurance Opinions

The assurance levels provided during 2022/23 are summarised below:

| Overall Design Opinion | Percentage of schools | Overall Operational Effectiveness Opinion | Percentage of schools |
|------------------------|-----------------------|--|-----------------------|
| Substantial | 10% - 2 schools | Substantial | 0% |
| Moderate | 90% - 18 schools | Moderate | 75% - 15 schools |
| Limited | 0% | Limited | 25% - 5 schools |
| Νο | 0% | No | 0% |

The results indicate that whilst the controls are in place, there are several key areas of improvements that were identified and require addressing, to ensure that the schools audited have a well-controlled financial environment.

| 4.500 | Number of Recommendations | | | Common Themes 2022/23 |
|--------------|------------------------------|----|----|---|
| Area | н | м | L | |
| Governance | 1 | 11 | 20 | Key documents, including the Scheme of Delegation and the Financial Procedures were in place, however, in several cases they were not up to date with evidence of regular review by the Governing Body. In several schools, the Register of Business Interests was not up to date with missing declarations or incomplete declarations for Governors on the Governing Body. There were instances where evidence of the Governing Body meeting minutes being approved by the Chair of Governors could not be evidenced. |
| Bank Account | 1 | 18 | 17 | In most cases, the direct debit mandates were not retained, or the copies retained were signed by non-current staff members. These were not countersigned by current authorised staff members to validate the payments. In some instances, the bank reconciliations were complete with supporting documentation available, however these had not been signed by the preparer and an independent reviewer demonstrating lack of adequate segregation of duties. |
| Budget | 9 | 17 | 5 | In most cases, cashflow forecasting had not been undertaken to identity any shortfalls in the cash position. In some cases, budgets were not approved prior to the Council deadline of 31 May. |
| Payroll | 5 | 35 | 17 | In most cases, there was no evidence that the payroll contract had been subject to appropriate procurement/tendering process as an adequate number of quotes were not retained. In some cases, the draft and final payroll reports were not signed by the preparer and the reviewer to demonstrate that the payroll checks had been undertaken on a timely basis and anomalies resolved prior to authorisation of the pay run. In some cases, the overtime claim forms were not signed or did not include adequate information noting the reasons for the claim. In some cases, the starter/leaver forms were not retained to demonstrate that they had been processed onto the payroll system within a timely manner. However, we did not identify any such exceptions through our testing. |

| Area | | umber nmend | | Common Themes 2022/23 |
|-------------|----|----------------|----|--|
| Alea | н | м | L | Common memes 2022/23 |
| Procurement | 17 | 50 | 0 | • Purchase orders were not always raised for all appropriate purchases and authorised in accordance with the Financial Procedures. A clear segregation of duties was not always evident between the raising of purchase order and the receipting of goods/services. In addition, some purchase orders were raised retrospectively, after the invoice date. |
| | | | | Some invoice payments were more than 30 days overdue. |
| | | | | • There was a lack of documentary evidence in some instances that the goods received are checked for accuracy and that delivery documentation was appropriately annotated. |
| | | | | • In most instances, the appropriate number of quotes were not obtained as part of the procurement process and retained on file in line with the Financial Procedures. |
| | | | | • In some cases, the procurement card statements were not signed by the cardholder and an independent officer. |
| Data | 5 | 6 | 3 | • In most cases, there was no evidence that the ICT contract had been subject to appropriate procurement/tendering process as an adequate number of quotes were not retained. |
| Cash | 1 | 5 | 2 | In some cases, the cash collection process was not effectively working, including cash not being counted by two independent officers to demonstrate adequate segregation of duties and a safe log not being maintained. There were cases where receipts for the petty cash transactions |
| | | | | were not retained. |
| TOTALS | 39 | 142 | 64 | |

APPENDIX - DEFINITIONS

The table below sets out the definitions of assurance opinions and risk ratings, which are used for all internal audit assurance engagements.

Assurance Opinions

| | DESIGN OF INTERNAL CONTROL | FRAMEWORK | OPERATIONAL EFFECTIVENESS OF CONTROLS | | |
|-----------------------|---|---|--|---|--|
| LEVEL OF ASSURANCE | FINDINGS FROM REVIEW | DESIGN OPINION | FINDINGS FROM REVIEW | EFFECTIVENESS OPINION | |
| 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 in-year. | 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. | |

Risk Ratings

| RECOMMEND | | | | | | |
|-----------|--|--|--|--|--|--|
| High | A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently. | | | | | |
| Medium | A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action. | | | | | |
| Low | Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. | | | | | |

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| Item No. 11. | Classification: Open | Date: 17 July 2023 | Meeting Name: Audit, Governance and Standards Committee | |
|-----------------------------|-------------------------|---|---|--|
| Report title: | | Draft 2022-23 statement of accounts for Southwark council | | |
| Ward(s) or groups affected: | | All | | |
| From: | | Strategic Director of | of Finance | |

RECOMMENDATION

1. That the audit, governance and standards committee consider the draft 2022-23 statement of accounts which were published on 30 June 2023 (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 2022-23 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 2023, 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 to 31 July and

30 November respectively for financial years 2019-20 to 2021-22. For the 2022-23 accounts, the statutory deadlines have reverted back to the pre-Covid-19 pandemic dates of 31 May for draft publication and 30 September for the publication of audited accounts.

- 7. The regulations also require the draft accounts to be reviewed by the council's responsible section 151 officer (the Strategic Director of Finance) by 31 May, and for those accounts to be published for public inspection no later than the first working day of June, or else issue a notice of delay on its website. A notice of delay was published on 31 May stating that the council had to delay publication of the draft 2022-23 statement of accounts due to audit delays for prior year accounts and resourcing issues.
- 8. The draft 2022-23 statement of accounts have now been approved by the Strategic Director of Finance and were published on the council's website on 30 June 2023, with the period of public inspection commencing on 3 July 2023.
- 9. The external audit of the draft accounts is due to commence in July 2023 and it is currently expected that the audit will be completed by 30 November 2023.
- 10. With regard to prior year accounts, there was a year-long national moratorium by audit firms in the local government sector due to the resolution of a technical accounting matter regarding the valuation of infrastructure assets (e.g. highways, bridges, street lighting) on local authority balance sheets. This matter has been temporarily resolved by the issuance of legislation which allows local authorities to over-ride accounting regulations for infrastructure assets for a period up to 2024-25, after which it is expected that local authorities will move to accounting for these assets on a valuation rather than a cost basis.
- 11. The council's 2020-21 accounts were updated to incorporate the changes to infrastructure accounting and the 2020-21 audit is complete. We are expecting the 2020-21 audit opinion shortly
- 12. The council's 2021-22 draft accounts were presented to the audit, governance and standards committee in October 2022 and have been substantially audited. However, due a combination of a late audit start, the long-running infrastructure accounting matter, and further delays created by the triennial pension fund valuation, these accounts could not be finalised before drafting the 2022-23 statement of accounts. The 2021-22 accounts were initially based on the 2019 pension valuation but because the 2022 triennial valuation was carried out whilst the 2021-22 accounts were still open, this is a post balance sheet event, which meant the council had to restate the accounts based on the latest valuation.
- 13. It should be noted that the delays in completion and audit of prior year accounts is due to a result of national issues and not unique to Southwark. Only about 30% of local authorities published the 2022-23 accounts by the statutory deadline of 31 May and only 12% received their audit opinion for

2021-22 accounts by the statutory deadline for publication of audited accounts. The delays are a result of a number of factors including the increased complexity of accounts, a more rigorous approach by audit firms and lack of sufficient accounting and audit resources.

14. The audited accounts, together with the external auditors report, are expected to be presented to members at the November 2023 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

15. 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

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

Health impact statement

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

Climate change implications

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

Resource implications

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

Consultation

20. Consultation on the draft statement of accounts is carried out through formal public inspection. The accounts will be available for public inspection from 3 July 2023 until 11 August 2023.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

21. None required.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|-----------------------------|---------|--------------------------------|
| Department of Finance files | | Amarjit Uppal 0207 525 4578 |

APPENDICES

| No. | Title |
|------------|---|
| Appendix 1 | Draft 2022-23 statement of accounts for Southwark council |

AUDIT TRAIL

| Lead Officer | Clive Palfreyn | Clive Palfreyman, Strategic Director of Finance | | | |
|---------------------------------------|---|---|-----|--|--|
| Report Author | Amarjit Uppal | , Chief Accountant | | | |
| Version | Final | | | | |
| Dated | 3 July 2023 | | | | |
| Key Decision? | No | | | | |
| CONSULTAT | CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / | | | | |
| | CABIN | IET MEMBER | | | |
| Officer | Officer Title Comments Sought Comments included | | | | |
| Assistant Chief E | xecutive | No | N/A | | |
| (Governance and | (Governance and Assurance) | | | | |
| Strategic Director of Finance N/A N/A | | | | | |
| Cabinet MemberN/AN/A | | | | | |
| Date final report | 4 July 2023 | | | | |

Southwark southwark.gov.uk

DRAFT STATEMENT OF ACCOUNTS

2022/23

DRAFT VERSION SUBJECT TO AUDIT

Clive Palfreyman Strategic Director of Finance 30 June 2023

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

NARRATIVE REPORT

From Clive Palfreyman Director of Finance

Introduction

This narrative statement provides information about Southwark council, including the key issues affecting the council and its accounts for the period 2022-23. It complies with Regulation 8 of the Accounts and Audit Regulations 2015 which requires that the statement includes a comment on its financial performance and economy, efficiency and effectiveness in its use of resources in 2022-23.

The CIPFA code of practice (the 'Code') states that the narrative report provides information on the authority, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the authority has used its resources to achieve its desired outcomes in line with its objectives and strategies.

An Introduction to Southwark- Organisational Overview and External Environment

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 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, 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 has the 7th highest population density in England and Wales, with a population count in 2021 of 307,700, up from 288,300 in 2011. It is ethnically diverse with 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.

The median age of Southwark residents in 2021 was 34 years, over 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. And although Southwark has seen a 16% increase in over 65s, this is lower than the England average of a 20% increase.

Economic climate

In 2021/22, the Covid-19 pandemic was still prevalent and the council 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 2022/23, the pandemic restrictions have been lifted and ways of living and working have returned to a new normal.

The council budget for 2022/23 was based on assumptions that had been subjected to intense budget challenge from council members. And throughout the year, we paid close attention to the impact on the council of a materially deteriorating economic climate and a new emergency – the cost of living crisis - with rising interest rates and very high levels of inflation.

The strength of the council's response during the pandemic has facilitated an effective financial and operational response to the cost of living crisis. The council has created a cost of living fund bringing together resources from government grant and contributions from the council. This has provided a vital support network for the most vulnerable in the borough.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

· Community engagement and partnerships

The council continues to commit to a shared long term vision of the future, despite this uncertain economic climate.

We have launched the 'Southwark 2030' initiative through consultation with residents, community organisations and businesses to ensure the council's vision is a shared one. This builds on a legacy of good community relationships and partnerships already in place across the borough.

The council is part of the new South East London Integrated Care System, a partnership between with the NHS, the community and voluntary sector and provider partners to ensure health provision reaches individual residents and families wherever and how they need it.

Workforce

The council employed a total of 4,639 staff on 31 March 2023 (including permanent, fixed-term and casual staff), a slight increase compared to the 4,458 employed on 31 March 2022. The number of employees is expected to increase further during the course of 2023/24 as a result of decisions to insource services – including leisure centres – and a drive to reduce the use of agency workers.

The council is committed to exemplary employment practice. We are an accredited Living Wage employer and we participate in a number of schemes designed to promote an inclusive working environment, including Disability Confident and Stonewall's Diversity Champions.

Our Southwark Stands Together programme is focused on tackling racial disparities within our workforce and promoting anti-racist practice. Since we began delivering this programme, we have seen a reduction in the size of our ethnicity pay gap and an increase in the proportion of senior management roles that are filled by colleagues from Black, Asian and minority ethnic backgrounds. However, we know there is much more to do to achieve our ambition of eradicating racism and this programme continues to be of the highest priority. We have recently formed a consortium with Islington, Richmond, Wandsworth and Westminster councils to commission places on the "Black on Board" programme, which is designed to help ethnically diverse employees to develop the skills and confidence to take on board-level roles. We are also working with London Councils to pilot their new Tackling Race Inequality Standard before it is rolled out across the capital.

The council makes use of the apprenticeship levy to create apprenticeship opportunities for local people and existing employees. In the last year, we created apprenticeships across a diverse range of professions, including accountancy, social care, and skilled trades in our repairs and maintenance service. We also launched a new internship programme, which provides young people with the opportunity to access 12 weeks of paid work experience at the council.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Council Priorities and Resource allocation

The Council Delivery Plan (CDP) 2022-26 was agreed in September 2022 and is the council's business plan setting out the programme of work for the period. This plan replaced the previous Borough Plan. The CDP is a clear statement to our residents, businesses, local voluntary/community organisations and other stakeholders of how the council will deliver a fairer, greener and safer borough for all in Southwark.

The CDP is structured around seven priority themes, reflecting the topics that the people of Southwark said were most important to them. The themes are:

- Transforming our borough
- A thriving and inclusive economy
- A healthy environment
- · Quality, affordable homes
- · Keeping you safe
- Investing in communities
- Supporting families.

Council performance is measured against detailed performance schedules, which sit beneath this council plan. Responsibility is apportioned by lead cabinet member and chief officer for each commitment ensuring the whole organisation is working towards the delivery of the plan and that outcomes are measured and assessed.

To ensure that this plan has real impact, the measures and milestones that underpin it, are monitored on a quarterly basis through the year by the Corporate Management Team (CMT). An annual performance report is published each year.

The CDP is the strategic view of what the council wants to achieve and over the short, medium and long term. The financing of these plans is met through the medium term financial plan and annual budgets.

At the beginning of each financial year the council plans ahead over a three year period though the Medium Term Financial Strategy (MTFS). As a starting point, estimated changes in income streams from government grants, council tax and business rates and other income are assessed together with expected pay awards, inflationary costs, debt charges and demand pressures, recognising that the external economic environment will impact on the council's financial plans.

In 2022/23, the economic backdrop has shown an unusually high level of volatility from government policy changes, the war in Ukraine impacting on energy prices and an emerging cost of living crisis. Within these parameters, the council has continued to work hard to deliver the commitments by successfully maximising resources and making efficiency savings wherever possible.

The gap between the overall resources and expected net expenditure to deliver service plans is then assessed and both capital and revenue budgets are integrated to create a coherent plan of action.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Council Performance and Achievements in 2022/23

The annual performance report focuses on outcomes around the CDP priorities, with the commitment to Southwark's communities put at the centre of these initiatives. The council's website is the primary channel of communication for performance with updates also provided through regular e-newsletters, social media channels and through Southwark Life magazine.

Examples of the outcomes achieved in 2022/23 against these commitments are listed in the table below.

| Commitments | Outcomes |
|----------------------------------|--|
| | Southwark 2030 launched to empower communities to shape the places they live in and support local people to deliver for their communities. |
| Transforming our borough | Council focus on closing the gap in life chances through the delivery of the Council's Equality Framework. |
| | Ensuring the council is a great place to live- review of neighbourhood policy plans to clarify gaps in provision for what's on offer. |
| | Cost of Living Fund has supported 45,000 households and provided 15,000 children with school meals during school holidays. |
| | 1,800 children attended summer and winter holiday programmes Launched a Thriving High Streets fund |
| A thriving and inclusive economy | Major improvements in town centre, including Peckham, Canada Water, Old Kent Road Creation of 1240 green jobs in Southwark |
| | Southwark Pioneers Fund Grow your Enterprise fully operational to support sustainable business that have lasting impact on community |
| | 600 apprenticeships and 6,400 training opportunities created. |
| | Over 8,000 trees planted |
| | 214 new gardens/growing plots and 16 new nature sites established |
| | Council homes greener- insulation and heat pumps, |
| | More and better parks- including developments at Burgess Park and Pelier Park. |
| A healthy environment | Work to end carbon emissions in council operations and vehicles and the pension fund |
| | Better pavements for those with mobility issues. Increased disabled parking |
| | Working in partnership with the NHS, TfL, and local organisations to free up more land |
| | 126 cycle hangers providing 756 cycle spaces |
| | 1000 more electric charging points |
| | 1,500 council homes, built, in construction or gained planning permission |
| Quality, affordable homes | 99.7% of council estate inspections rated good or excellent |
| Quality, anordable nomes | 100% of rough sleepers receive support within 48hrs of a referral |
| | Increased protections and support for private renters |
| | $\pounds 2m$ anti – social behaviour task force created with visible presence and more community safety wardens |
| Keeping you safe | 1,895 street and estate lights upgraded to LED |
| | Launch of initiatives to make Southwark safe for young people |
| | Major campaign to tackle misogyny and violence against women and girls |
| | Southwark 2030- neighbourhood funding of local projects |
| Investing in communities | Expansion of services provided through the libraries (wifi printing/warm hubs/cashless payments) |
| | Events to celebrate diversity - 59 community events and festivals held/ 64 street parties. |
| | 27,000 people attended community events in 2022/23 |
| | Launched a new sure start for teenagers services |
| | Mental health support for children and young people through Nest walk-in service |
| | 97% of schools achieved good or outstanding Ofsed rating |
| Supporting families | Launch of Southwark Standard webpage under Southwark Stands Together to support teaching and careers advice. |
| | Access to good quality residential and care homes- new nursing home opened and more extra care housing |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Financial Performance - Revenue

For 2022/23, a net budget of £293m was approved by council assembly in February 2022. Council assembly also agreed a 2.99% increase in council tax and a contribution of £1m from reserves to support a balanced budget.

The revenue outturn position is summarised below:

| General Fund | Original budget £000 | Budget movement £000 | Revised budget £000 | Spend in Year £000 | Reserve transfers £000 | Total use of resources £000 | after using reserves £000 |
|---|----------------------------|----------------------------|---------------------------|--------------------------|------------------------------|-----------------------------------|---------------------------------|
| Children & Families | 67,317 | (1,967) | 65,350 | 64,714 | 1,742 | 66,456 | 1,106 |
| Adult Social Care | 77,709 | 2,416 | 80,125 | 77,808 | (171) | 77,637 | (2,488) |
| Commissioning & Central | 5,017 | (333) | 4,684 | 4,920 | (41) | 4,879 | 195 |
| Education | 19,526 | (1,100) | 18,426 | 21,772 | (2,217) | 19,555 | 1,129 |
| Public Health | - | - | - | (1,276) | 1,276 | - | - |
| Children & Adults total (excl. DSG) | 169,569 | (984) | 168,585 | 167,938 | 589 | 168,527 | (58) |
| Dedicated Schools Grant (DSG) In- Year | - | - | - | 2,037 | - | 2,037 | 2,037 |
| DSG Safety Valve Grant Receipt | - | - | - | (9,221) | - | (9,221) | (9,221) |
| DSG Total | - | - | - | (7,184) | - | (7,184) | (7,184) |
| Environment, Neighbourhoods and | 86,027 | 2,973 | 89,000 | 90,508 | 976 | 91,484 | 2,484 |
| Housing | 19,330 | 1,412 | 20,742 | 21,030 | 240 | 21,270 | 528 |
| Finance | 35,593 | 2,038 | 37,631 | 41,292 | (1,555) | 39,737 | 2,106 |
| Governance and Assurance | 22,036 | 1,542 | 23,578 | 25,589 | (780) | 24,809 | 1,231 |
| Strategy and Communities | 4,013 | 1,706 | 5,719 | 4,889 | 903 | 5,792 | 73 |
| Strategic Finance | (2,914) | (8,604) | (11,518) | (31,190) | 15,230 | (15,960) | (4,442) |
| Support Cost Reallocations | (42,340) | (83) | (42,423) | (42,423) | - | (42,423) | - |
| Contribution from Reserves | (2,078) | - | (2,078) | - | - | - | 2,078 |
| General Contingency | 4,000 | - | 4,000 | - | - | - | (4,000) |
| DSG balance to adjustment account | - | - | - | 7,184 | - | 7,184 | 7,184 |
| Net revenue budget | 293,236 | - | 293,236 | 277,633 | 15,603 | 293,236 | - |

Despite a highly volatile macro-economic environment, high rates of inflation, energy costs and regular increases in interest rates, a balanced revenue outturn was reported for 2022/23.

This is a good outcome for the council. For a further year, the council has managed to swiftly implement schemes to support residents most in need, and critically, ensuring the resources are available to support these schemes. Budgetary discipline has ensured value for money across the council enabling it to fulfil the promises made in the council delivery plan whilst ensuring financial stability.

Across adults and children's social care a balanced position has been achieved. While the shortage in the supply of children's social workers is still a key financial pressure within the department, the recruitment and retention initiatives that has been introduced started to improve the position on the previous year's outturn. Higher demand and cost pressures in home to school transport within the education service created additional financial pressures.

There continues to be ongoing pressure on the homelessness budget exacerbated by the cost of living crisis which has resulted in significant additional cost. The finance overspends are the result of significant additional administrative burdens on back office services to accommodate the increase in the number of welfare claimants and the greatly expanded programme to support those most vulnerable with the cost of living.

Strategic Finance includes a number of budgets that are not allocated directly to departments and which are managed centrally. These include treasury management, insurance, corporate provisions, levies and a number of technical accounting budgets, such as the reversal of depreciation. Movements to and from this budget area is expected, but do not impact on the net budget requirement or level of council tax that the council sets each year.

Pay and inflationary costs that have impacted on the budgets in 'Environment, Neighbourhoods and Growth' and 'Governance and Assurance' departments (and elsewhere) have been mitigated by the use of the contingency and planned use of reserves.

The £2m overspend for the Dedicated Schools Grant (DSG), is driven by increased demand. The DSG deficit account is unchanged due to regulation but we have a credit balance in the DSG due to having received £9.2m in 'safety valve' government funding in 2022/23. This reduces the overall DFG deficit to £14.5m.

Despite the external economic factors impacting on council budgets, the outturn position continues to demonstrate strong financial management and sound governance arrangements across the Council.

Housing Revenue Account (HRA) outturn 2022/23

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 2022/23 shows income from tenants and homeowners of £275.6m and spending of £282.3m. The underlying financial position for 2022/23 was impacted substantially by the inflationary energy costs, primarily gas and electricity in the district heating account. However, the position was ameliorated through better than expected rental income performance, one-off service underspends elsewhere across the HRA, and a combination of financing measures, including a reduction in the level of revenue contribution to the capital programme and the use of £6.7m of reserves.

The repair and maintenance of the housing stock consumes the largest proportion of operating resources, with the volume of work and cost of repairs, rising far in excess of budget expectations. In addition, there are a number of other significant underlying budget pressures in the HRA. New commitments have arisen from the management and maintenance of housing stock and new requirements arising from the Building Safety and Fire Safety Acts which will serve to exacerbate the pressure on both revenue and capital resources.

Overall, HRA reserves are at their lowest ever point and in the context of the size of the council's HRA and Housing Investment Programme (HIP), with combined annual turnover of over £600m, reserve levels are considered to be below the optimal level necessary, requiring the council to establish a more prudent and sustainable level of reserves going forward.

The council needs to borrow to fund the HIP, which is set to increase significantly, at the same time as meeting investment in current stock, building and fire safety works, investment in heat networks together with the council's commitments to carbon reduction. The continued growth in the council's debt, to finance the new homes programme has increased the revenue financing requirement by £3.1m more than last year. These costs will continue to accelerate rapidly over the short-term and with interest rates currently at over 5%, some 3% higher than two years ago, the servicing of the council's housing debt, will consume a much greater share of HRA resources to the detriment of other service priorities.

Collection Fund

The collection fund shows the transactions of the council as a billing authority in relation to council tax and business rates. Both taxation schemes are designed to be self-balancing; an estimate of any accumulated surplus or deficit is made each year and factored into the following year's tax requirement. Any difference between estimated and actual outturn will be received or borne by taxpayers in the following year.

Income raised from Council Tax is the single largest source of general funding for the council's revenue budget. In 2022/23, the Council collected £171m in Council Tax, of which £42m was collected on behalf of the GLA. The Council Tax for a Band D property (including the GLA precept) was £1,594.54 in 2022/23.

The financial downturn, during the pandemic and cost of living crisis, caused collection rates to be substantially lower than those that were predicted.

The Statement of Accounts provides further detail on the Collection Fund account for 2022/23.

Capital

Southwark has one of the largest capital investment programmes in London, with current committed plans to spend over £3.6 billion by 2032/33, with a further £1 billion planned for new homes and major works. Financing for these projects has yet to be established.

The capital programme delivers tangible benefits to the borough's residents. For example, to improvements in care homes, children's homes, parks and leisure centres. Capital budgets have added strength to the council's commitment to tackling the impact of climate change. As well as creating a £25m capital fund, the council has made significant progress across the individual capital programme projects to achieve energy efficiencies and reduce carbon emissions. There are projects to improve air quality, the completion of the programme of changing street lighting to LED lights, the delivery of 1000 EV charge points ahead of plan, an additional 646 cycle hangers.

Capital spending and financing in 2022/23 is shown in the following table.

| | 2022/23 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| Service: | | |
| Children's and adults' services (including schools) | 14,297 | 21,784 |
| Environment, Neighbourhoods and Growth (formerly Environment and Leisure) | 58,465 | 16,880 |
| Housing (formerly Housing and Modernisation) | 1,572 | 13,804 |
| Finance, Governance and Assurance (formerly Chief Executives) | 13,570 | 48,537 |
| Housing investment programme (HIP) | 316,959 | 210,850 |
| Total spending | 404,863 | 311,855 |
| Financed by: | | |
| Capital receipts | (36,582) | · · · · |
| Government grants and other contributions | (145,370) | (68,031) |
| Direct revenue contributions | (18,915) | (16,315) |
| Major repairs reserve | (51,708) | (55,046) |
| Prudential borrowing and credit arrangements | (152,288) | (158,755) |
| Total financing | (404,863) | (311,855) |

The scale of the capital programme is immense, representing a major element of the council's financial activities. The housing investment programme (HIP) is forecasting total expenditure of £2.7 billion over a 10 year period to 2031/32.

The council is under increasing pressure to address housing investment needs, driven by the need for new homes as well as dealing with its existing stock, in responding to new building and fire safety legislation, the need to maintain decency standards and the climate emergency. The council is facing these challenges during a period of sustained economic downturn and increasing financial uncertainty.

In particular, the HIP has been impacted by high levels of construction inflation and significant increases in the cost of borrowing, on which the new homes programme in particular is heavily reliant. These increases in costs reduce the amount that can be done within existing budgets.

Over recent months, the council has taken steps to limit new commitments to the new homes scheme beyond those already contractual committed, as the current commitment will exhaust the council's borrowing capability. In addition, the council will review closely the programme on existing stock not least in relation to the Building Safety Act 2022 which will incur significant additional costs both to complete surveys and to fund the costs of works emerging as a result.

Balance Sheet

Reserves

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

| | 1 April 2022 | Movement | 31 March |
|--|--------------|----------|--------------|
| | £000 | £000 | 2023 £000 |
| General Fund Balance | (22,445) | 2 | (22,443) |
| Formerly of December | | | |
| Earmarked Reserves | (10.070) | (00 700) | (00.570) |
| Corporate projects and priorities | (18,876) | (20,703) | (39,579) |
| Service reviews and improvement | (34,554) | 580 | (33,974) |
| Capital programme and capital investment | (36,723) | 964 | (35,759) |
| Strategic financial risk | (58,097) | (1,081) | (59,178) |
| Technical liabilities and smoothing reserves | (34,118) | (4,792) | (38,910) |
| Covid-19 reserves | (25,872) | 23,399 | (2,473) |
| Grant reserves | 0 | (2,617) | (2,617) |
| Subtotal | (208,240) | (4,250) | (212,490) |
| | | | |
| School reserves | | | |
| Schools - dedicated schools grant (DSG) | _ | (7,184) | (7,184) |
| reserve | | | () |
| School balances | (14,391) | 723 | (13,668) |
| Subtotal | (14,391) | (6,461) | (20,852) |
| Housing Revenue Account (HRA) | | | |
| HRA balance | (26,130) | 6,672 | (19,458) |
| Major repairs reserve | (_0,100) | 0,012 | (10,100) |
| Subtotal | (26,130) | 6,672 | (19,458) |
| | (,) | -, | (,, |
| Total revenue usable reserves | (271,206) | (4,037) | (275,243) |
| Capital reserves | (100,419) | (307) | (100,726) |
| Total usable reserves | (371,625) | (4,344) | (375,969) |

The Council maintains reserves to help smooth the impact of government funding reductions and to mitigate anticipated funding shocks arising from funding reforms or changes in government direction.

The general fund balance represents reserves set aside to mitigate and manage financial shocks and is a key financial resilience indicator. The unallocated reserve remains at £22.4m which is approximately 2% of gross general fund revenue expenditure.

Overall the general fund earmarked reserves have remained stable in 2022/23. Whilst Covid-19 reserves have been exhausted as planned, further funds have been set aside or re-purposed for a range of priorities. These include the bringing together of a number of funding sources to create a £15.5m Southwark Cost of Living Fund, £3m for the Southwark 2030 Fund, £2m for Streets for People and £11.6m set aside to mitigate pay inflation in 2023/24 and 2024/25.

In accordance with regulations, the deficit on the schools DSG reserve 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 2023 the HRA balance stood at £19.5m (£26.1m at 31 March 2022). The HRA holds reserves for specific purposes and as contingency against operational deficits, unforeseen events and to mitigate future risks in line with the council's medium-term financial strategy (MTFS), in the same manner as the council's General Fund. During 2022/23 it has been necessary to drawdown £6.7m of reserves to balance the HRA mainly due to the district heating account (£4.1m), which has been exposed to unprecedented price volatility and now carries forward a minor deficit for the first time since it was first established in 1985.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Borrowing and Lending

The council borrows money to support its ambitious capital programme, refinance maturing loans and to maintain target cash balances. As at 31 March 2023, actual total borrowings held by the council was £991m (£896m at 31 March 2022), of which £921m was long-term PWLB loans (£721m at 31 March 2022) and £70m short-term loans from other local authorities (£175m at 31 March 2022).

In accordance with IFRS 9 financial reporting requirements, long-term loans at amortised cost amounted to £894m at 31 March 2023 (£702m at 31 March 2022). This reflects accounting adjustments for accrued interest of £7m (£6m in 2021-22) and loans due for repayment within one year after the reporting period of £33m (£24m in 2021-22), which are included in the Notes to the accounts (Note 38) as short-term borrowings.

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 2022/23, in accordance with the approved treasury management strategy, the council increased its overall borrowings by £95m (Long-term PWLB loans: £220m raised with £20m repaid and short-term loans: £70m raised from other local authorities with £175m repaid). The weighted average rate of long-term borrowings was 3.72%.

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 2023, total investments stood at £220m (£161m at 31 March 2022). The overall rate of return on investments during 2022/23 was 2.07% (-0.04% in 2021/22). This increase in rate is reflective of the 8 increases in the Bank of England base rate from 0.75% in March 2022 to 4.25% in March 2023.

Pension Fund

The Pension Fund is underpinned by an investment strategy which was updated in December 2022. A revaluation is required every three years to set future contribution rates. The latest valuation, as at 31 March 2022, 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 2022 covering 109% of the liabilities. Contribution rates certified in the 2022 valuation will apply from 1 April 2023.

The council has committed to reduce carbon exposure in the Fund's investment and become net zero carbon by 2030, whilst still maintaining investment performance. Progress has been made during 2022/23 to implement this.

Following a strong recovery from the impact of the outbreak of the Covid-19 pandemic three years ago, the Fund faces a challenging market environment, with a number of risks and uncertainties in both the short and long term which will need to be managed. Persistently high inflation, tight monetary policy and lingering pessimism over the outlook for global GDP, as well as the impact of geopolitical tensions, will require careful ongoing monitoring of the investment strategy to ensure the Fund is not impacted negatively from market volatility.

Principal Risks and Uncertainties

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 for 2024/25 and 2026/27 will be regularly submitted to cabinet over 2023/24.

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. This has proved effective in managing the unexpected risks over the last few years and enabled the council to boost its financial resilience.

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council's governance arrangements are reviewed annually and within the annual governance statement (AGS), assurance is given on the effectiveness of the council's system of internal control.

The council's 2022/23 annual governance statement highlighted the significant risks and issues that arose and referenced those that might potentially impact on future years. In addition to the cost of living crisis, the issues that arose were:

i) The management of the council's housing delivery programmes as a key area of financial risk. The council is the largest council landlord in London and one of the biggest in the country. The cost of living and inflationary pressures over the past 6 months have negatively impacted on the Housing Revenue Account (HRA). The government have imposed restrictions on the rent rise for social housing at 7%. This has meant that rent rises have not risen in line with inflation, which will result in a cut to the overall HRA programme, given other costs have significantly increased.

ii) Capital resources under extreme pressure with additional borrowing required to support the new homes programmes with a consequent revenue financing impact on the HRA. The council has to consider the key housing priorities going forward within a climate of limited financial resources.

iii) The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and work to ensure the borough is also carbon neutral by 2030.

iv) The council is aware that recruitment and retention of staff is critical to service delivery. Shortage of workers due to people retiring earlier and the continuing impact of Brexit, have created further competition with private sector companies who have already adapted to this challenge by higher wages and enhanced benefits.

v) The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022/23 financial year. The programme focuses on improving SEND services in line with Southwark's SEND Strategy 2022-2025 and commits to reach an in-year balance on the DSG by 2024/25 and eliminating that deficit by 2026/27 with the support of £23m Safety Valve funding as set out in the DSG Management Plan.

vi) The council continued to prioritise the health and wellbeing of Southwark residents. In September 2021, Cabinet approved the insourcing of the council's leisure facilities which will take place on 21 June 2023.

vii) Cyber security and IT network security continues to require careful management, particularly in the context of the IT shared service arrangements.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 2022/23 (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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

TABLE 1 - EARMARKED RESERVES

COVID-19 RESERVES

| | 1 April 2022 | Net movement | 31 March 2023 |
|---|--------------|-----------------|------------------|
| | £000 | £000 | £000 |
| Covid-19 - Contain outbreak management | 2,058 | (763) | 1,295 |
| Covid-19 - Clinically extremely vulnerable | 678 | - | 678 |
| Covid-19 - Town centres and high streets | 500 | - | 500 |
| Covid-19 - Business rate retail relief section 31 Grant | 14,977 | (14,977) | - |
| Covid-19 - Council tax & NDR collection fund deficit | 7,659 | (7,659) | - |
| Total | 25,872 | (23,399) | 2,473 |

CORPORATE PROJECTS AND PRIORITIES RESERVES

| | 1 April 2022 £000 | Net movement £000 | 31 March 2023 £000 |
|--|----------------------|-------------------------|--------------------------|
| Southwark emergency support scheme | 7,110 | 8,411 | 15,521 |
| Corporate Software Application Development | - | 4,500 | 4,500 |
| Southwark 2030 Fund | - | 3,000 | 3,000 |
| Modernisation, service and operational improvement | 2,199 | 800 | 2,999 |
| Corporate Capacity Building | - | 2,200 | 2,200 |
| Southwark pioneers fund | 1,950 | (140) | 1,810 |
| Southwark scholarship scheme | 1,998 | (288) | 1,710 |
| Climate change emergency | 1,385 | - | 1,385 |
| NNDR One-Off Levy Grant | - | 972 | 972 |
| Health Transition and Integration | - | 880 | 880 |
| Rationalisation of Administrative Buildings | - | 750 | 750 |
| Food poverty | 795 | (277) | 518 |
| Neighbourhood fund | 603 | (112) | 491 |
| 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 |
| Southwark Living Wage Unit | - | 250 | 250 |
| Positive futures fund | 229 | - | 229 |
| Thriving Neighbourhood Model | - | 200 | 200 |
| Artefacts replacement and security | 181 | - | 181 |
| Cautionary Contact System | - | 150 | 150 |
| Community engagement and links development | 118 | - | 118 |
| Community hub - voluntary sector | 100 | - | 100 |
| Older People's Food Security Pilot | - | 100 | 100 |
| Windrush Commemoration Fund | - | 75 | 75 |
| Southwark stands together | 182 | (118) | 64 |
| Workers' Rights | - | 50 | 50 |
| London devolution reserve | 736 | (700) | 36 |
| Laptops for Southwark Schoolchildren | 6 | - | 6 |
| Total | 18,876 | 20,703 | 39,579 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| CAPITAL PROGRAMME AND OTHER CAPITAL INVESTI | MENT RESERVES | | |
|---|------------------------------------|-----------------|------------------------------------|
| | ваlances as at 31 March 2022 | Net movement | ваlances as at 31 March 2023 |
| | £000 | £000 | £000 |
| Aylesbury development | 6,000 | - | 6,000 |
| Highways and parking climate emergency projects | 7,698 | (2,300) | 5,398 |
| Regeneration & development | 5,288 | (509) | 4,779 |
| Planned preventative maintenance and building compliance | 4,088 | - | 4,088 |
| Information technology and csutomer services development | 2,195 | - | 2,195 |
| Streets For People | - | 2,000 | 2,000 |
| Building schools for the future private finance initiative transition | 1,623 | - | 1,623 |
| Schools capital programme contribution | 1,293 | - | 1,293 |
| Highways winter maintenance | 1,250 | (50) | 1,200 |
| Modernisation, service and operational improvement | 2,156 | (1,000) | 1,156 |
| Cycling safety | 1,000 | - | 1,000 |
| Digital innovation fund | 808 | 98 | 906 |
| Recycling fund | 477 | 418 | 895 |
| Capital contingency | 1,287 | (600) | 687 |
| Canada Water Highway | - | 600 | 600 |
| Law and Democracy business change management | 596 | - | 596 |
| Cycling Initiatives 2023-27 | - | 300 | 300 |
| Public realm | 500 | (210) | 290 |
| Cladding Remediation New Burdens Funding | - | 239 | 239 |
| Canada Water regeneration | 214 | - | 214 |
| Gym and fitness facilities | 150 | - | 150 |
| Black cultural centre | 100 | - | 100 |
| Highways Maintainance (Council Plan) | | 50 | 50 |
| Total | 36,723 | (964) | 35,759 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| SERVICE REVIEWS AND IMPROVEMENTS RESERVES | | | |
|---|------------------------------------|------------------|------------------------------------|
| | Baiances as at 31 March 2022 | Net movement | ваlances as at 31 March 2023 |
| | £000 | £000 | £000 |
| Adult social care resilience plan | 9,430 | (474) | 8,956 |
| Public health | 2,010 | 1,335 | 3,345 |
| Children and Adults transformation | 2,362 | 566 | 2,928 |
| Rough sleeping initiative | 2,462 | - | 2,462 |
| HR strategy review plan | 1,994 | - | 1,994 |
| Post-Covid social care demand | 4,099 | (2,426) | 1,673 |
| Adult social care residential homes | 1,500 | - | 1,500 |
| Leisure services insourcing | 2,400 | (1,177) | 1,223 |
| Children and Families Future Risks | - | 1,200 | 1,200 |
| HR service transformation | 1,300 | (288) | 1,012 |
| Temporary accommodation strategy | 915 | - | 915 |
| Leisure mobilisation | 800 | - | 800 |
| Health and wellbeing commitment to mental health | 973 | (235) | 738 |
| New homes bonus GLA funded programme | 721 | (101) | 620 |
| Highways transformation | 195 | 405 [´] | 600 |
| Local economy | 621 | (44) | 577 |
| Remand Future Pressures | - | 417 | 417 |
| Children and Adults Innovation Development | - | 400 | 400 |
| Environment and Leisure change programme | 372 | - | 372 |
| Adoption Support Fund | - | 295 | 295 |
| Workforce and member development | 271 | (7) | 264 |
| Adopt London south hosting reserve | 90 | 160 | 250 |
| Schools improvement traded service | 200 | - | 200 |
| Adult services workforce development | 157 | - | 157 |
| Blackfriars trust allocation | 138 | _ | 138 |
| Youth service review | 170 | (40) | 130 |
| Playground Provision Review | - | (10) | 110 |
| Southwark renters union | 100 | - | 100 |
| Youth parliament | 100 | _ | 100 |
| Greenland Dock Berth Viability | - | 100 | 100 |
| Local flood risk | 728 | (629) | 99 |
| Local Audit Fees (Redmond Review) | 720 | (023) 97 | 93 97 |
| Prevention of illegal tobacco distribution | - 91 | 57 | 97 91 |
| Special educational needs and disability internships coordination | 57 | - | 57 |
| Youth Provision Review 2023-24 | 57 | - 40 | 40 |
| Local education authority music service | - 14 | 40 | 40 14 |
| Troubled families | 284 | - (284) | 14 |
| Total | | | - |
| 1 Ulai | 34,554 | (580) | 33,974 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| TECHNICAL LIABILITIES AND SMOOTHING RESERVES | | | |
|---|---------------------|-----------------|---------------------|
| | Balances as | Net | Balances as |
| | at 31 March 2022 | Net movement | at 31 March 2023 |
| | £000 | £000 | £000 |
| Insurance reserve | 7,999 | 1,712 | 9,711 |
| Interest and debt equalisation | 5,500 | - | 5,500 |
| Schools de-delegated balances | 2,892 | 835 | 3,727 |
| Waste PFI equalisation | 2,921 | - | 2,921 |
| Freedom Pass Smoothing Reserve | - | 2,784 | 2,784 |
| Council tax and housing benefits subsidy equalisation | 3,124 | (480) | 2,644 |
| Planned Contribution to Support General Fund 2023-24 | - | 2,500 | 2,500 |
| Planned Contribution to Support General Fund 2025-26 | - | 2,500 | 2,500 |
| Planned contribution to support general fund 2024-25* | 5,000 | (2,500) | 2,500 |
| Contractual risk | 2,450 | - | 2,450 |
| Universal credit implementation | 964 | - | 964 |
| Election reserve | 768 | (59) | 709 |
| Planned contribution to support general fund 2022-23* | 2,500 | (2,500) | - |
| Total | 34,118 | 4,792 | 38,910 |

* These two reserves have been reclassified from Strategic Financial Risk Reserves to Technical Liabilities and Smoothing Reserves.

STRATEGIC FINANCIAL RISK RESERVES

| | | Balances as | | Balances as |
|---|---|-------------|----------|-------------|
| | | at 31 March | Net | at 31 March |
| | * | 2022 | movement | 2023 |
| | | £000 | £000 | £000 |
| Financial risk and future liabilities | | 15,893 | (6,570) | 9,323 |
| Business rate retention risk | | 13,244 | 4,040 | 17,284 |
| Fair funding review and levelling up | | 7,680 | (5,000) | 2,680 |
| Spending review risk | | 7,080 | - | 7,080 |
| Economic risk | | 6,157 | (250) | 5,907 |
| Pension liability risk | | 2,684 | - | 2,684 |
| Leaving European Union risk | | 2,459 | (2,459) | - |
| Fuel inflation across council estate | | 2,000 | (824) | 1,176 |
| Schools in financial difficulties and school closures | | 900 | 542 | 1,442 |
| Future Pay Award Smoothing | | - | 11,602 | 11,602 |
| Total | | 58,097 | 1,081 | 59,178 |
| | | | | |
| Earmarked Reserves | | 208,240 | 1,633 | 209,873 |

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

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 £14.5m if this is not funded by the Department of Education

SOUTHWARK COUNCIL

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STATEMENT OF ACCOUNTS 2022/23

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;
- manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets; and
- approve the Statement of Accounts.

The Strategic Director of Finance responsibilities

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

In preparing these Statements of Accounts, the Strategic Director of Finance has:

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

The Strategic Director of Finance 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 2023 and its income and expenditure for the financial year ended 31 March 2023.

Signature:

Signature:

Clive Palfreyman Strategic Director of Finance Councillor Barrie Hargrove Chair of the Audit, Governance and Standards Committee

Date: 30 June 2023

Date: ___ September 2023

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

Independent auditor's report to the members of Southwark Council

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

CORE FINANCIAL STATEMENTS 2022/23

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.

| | Notes | | | 2022/23 | | *Restated | 2021/22 |
|--|-------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Gross | Gross | Net | Gross | Gross | Net |
| | | Expend | Income | Expend | Expend | Income | Expend |
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | (| | | | |
| Children and Adults | | 564,947 | (390,215) | 174,732 | 580,303 | (356,622) | 223,681 |
| Environment Neighbourhoods and Growth | | 162,790 | (65,303) | 97,487 | 154,981 | (54,304) | 100,677 |
| Finance | | 212,617 | (168,754) | 43,863 | 203,959 | (163,163) | 40,796 |
| Governance and Assurance | | 59,678 | (2,077) | 57,601 | 29,582 | (2,179) | 27,403 |
| Strategy and Communities | | 6,911 | (1,748) | 5,163 | 14,040 | (5,129) | 8,911 |
| Housing GF | | 48,925 | (35,715) | 13,210 | 32,069 | (34,036) | (1,967) |
| Housing Revenue Account (HRA) | | 283,781 | (285,378) | (1,597) | 306,500 | (264,520) | 41,980 |
| Not post of sometime | | 1 220 640 | (040 400) | 200 450 | 4 224 424 | (970.052) | 444 404 |
| Net cost of services | | 1,339,649 | (949,190) | 390,459 | 1,321,434 | (879,953) | 441,481 |
| Other Operating Income and Expenditure | 8 | | | (17,461) | | | (7,276) |
| Financing and Investment Income and Expenditure | 9 | | | 53,155 | | | 12,457 |
| Taxation and Non-Specific Grant Income and Expenditure | 10 | | | (475,108) | | | (386,657) |
| (Surplus)/Deficit on Provision of Services | | | | (48,955) | | | 60,005 |
| (Surplus)/deficit on revaluation of non current assets | 23 | | | (101,506) | | | (87,540) |
| (Surplus) / deficit on financial assets measured at fair value through other comprehensive income | 39 | | | (606) | | | 452 |
| Remeasurement of the net defined benefit liability | 23 | | | (442,890) | | | (373,028) |
| Other Comprehensive Income and Expenditure | | | | (545,002) | | | (460,116) |
| Total Comprehensive Income and Expenditure | | | | (593,957) | | | (400,111) |

*2021/22 has been restated to reflect changes in departmental structure.

MOVEMENT IN RESERVES STATEMENT

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.

MOVEMENT IN RESERVES 2022/23

| | | Genera | I Fund Bala | nces | | | | | | | |
|---|----------------------------|--|---------------------------------|---|---------------|------------|-----------------------------|--------------------------------|-----------------------------|----------------|-----------------------|
| | General Fund Balance | Earmarked General Fund Reserves | Schools Balances Reserves | Dedicated Schools Grant Reserves | · · · | Revenue | Major Repairs Reserve | Capital Receipts Reserve | Total Usable Reserves | | Total Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance as at 1 April 2021 | (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 2021/22 Surplus/(deficit) on the provision of services Other Comprehensive Income and Expenditure | 71,121 | - | - | - | 71,121 | (11,116) | | - | 60,005 - | - (460,116) | 60,005 (460,116) |
| Total Comprehensive Income and Expenditure | 71,121 | | | _ | 71,121 | (11,116) | _ | _ | 60,005 | (460,116) | (400,111) |
| Adjustments between accounting basis & funding basis under regulations (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) | (371,531) | (400,111) |
| Transfers to/(from) earmarked reserves Increase/(Decrease) in Year | 4,205 (1,443) | (3,627) (3,627) | (578) (578) | - | - (5,648) | - 2,216 | - 3,500 | - (28,648) | - (28,580) | - (371,531) | - (400,111) |
| Balance as at 31 March 2022 | (22,445) | (208,240) | (14,391) | - | (245,076) | (26,130) | - | (100,419) | (371,625) | (4,049,793) | (4,421,418) |
| Balance as at 1 April 2022 | (22,445) | (208,240) | (14,391) | | (245,076) | (26,130) | - | (100,419) | (371,625) | (4,049,793) | (4,421,418) |
| Movement in reserves during 2022/23 Surplus/(deficit) on the provision of services Other Comprehensive Income and Expenditure | 74,886 | - | - | - | 74,886 - | (123,841) | - | - | (48,955) - | - (545,002) | (48,955) (545,002) |
| Total Comprehensive Income and Expenditure | 74,886 | - | | - | 74,886 | (123,841) | - | - | (48,955) | (545,002) | (593,957) |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | (85,595) | - | - | - | (85,595) | 130,513 | - | (307) | 44,611 | (44,611) | - |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (10,709) | - | - | - | (10,709) | 6,672 | - | (307) | (4,344) | (589,613) | (593,957) |
| Transfers to/(from) earmarked reserves Increase/(Decrease) in Year | 10,711 2 | (4,250) (4,250) | 723 723 | (7,184) (7,184) | - (10,709) | 6,672 | - | - (307) | - (4,344) | - (589,613) | - (593,957) |
| Balance as at 31 March 2023 | (22,443) | (212,490) | (13,668) | (7,184) | (255,785) | (19,458) | - | (100,726) | (375,969) | (4,639,406) | (5,015,375) |

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 2023 | 31 March 2022 |
|-------------------------------|-------|---------------|---------------|
| | | £000 | £000 |
| Property, plant and equipment | 13 | 5,816,997 | 5,500,643 |
| Heritage assets | | 1.223 | 1,223 |
| Investment property | 14 | 313.232 | 338,164 |
| Long-term investments | 39 | 13,822 | 19,994 |
| Long-term debtors | 17 | 29,235 | 24,896 |
| Long Term Assets | | 6,174,509 | 5,884,920 |
| Short-term investments | 39 | 125,320 | 87,141 |
| Inventories | | 520 | 480 |
| Short-term debtors | 17 | 153,174 | 193,009 |
| Assets held for sale | 15 | 14,576 | 14,531 |
| Cash and cash equivalents | 16 | 80,878 | 54,420 |
| Current Assets | | 374,468 | 349,581 |
| Short-term borrowing | 39 | (103,138) | (199,180) |
| Short-term creditors | 18 | (247,380) | (305,399) |
| Short-term provisions | 19 | (510) | (769) |
| Grants receipts in advance | 21 | (207,812) | (121,931) |
| Bank overdraft | 16 | (6,225) | (6,968) |
| Current Liabilities | | (565,065) | (634,247) |
| Long-term creditors | 18 | (6,703) | (7,648) |
| Long-term provisions | 19 | (22,470) | (23,275) |
| Long-term borrowing | 39 | (894,821) | (702,471) |
| Pension liabilities | 38 | 26,783 | (371,352) |
| Other long-term liabilities | 36 | (71,326) | (74,090) |
| Long Term Liabilities | | (968,537) | (1,178,836) |
| Net Assets | | 5,015,375 | 4,421,418 |
| Usable reserves | 12 | (375,969) | (371,625) |
| Unusable reserves | 23 | (4,639,406) | (4,049,793) |
| Total Reserves | | (5,015,375) | (4,421,418) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 | 2022/23 £000 | 2021/22 £000 |
|--|-------|-----------------|-----------------|
| Net surplus or (deficit) on the provision of services | | 48,955 | (60,005) |
| Adjustment to surplus or (deficit) on the provision of services for non cash movements | 24 | 223,787 | 335,243 |
| Adjust for items included in the net surplus/(deficit) on the provision | 24 | | (115 242) |
| of services that are investing and financing activities | 24 | (182,259) | (115,243) |
| Net cash flows from operating activities | | 90,483 | 159,995 |
| Net cash flows from investing activities | 25 | (152,209) | (138,426) |
| Net cash flows from financing activities | 26 | 88,927 | 3,511 |
| Net increase or (decrease) in cash and cash equivalents | | 27,201 | 25,080 |
| Cash and cash equivalents at the beginning of the reporting period | 16 | 47,452 | 22,372 |
| Cash and cash equivalents at the end of the reporting period | | 74,653 | 47,452 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

DISCLOSURE NOTES TO THE ACCOUNTS 2022/23

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 services 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 | ture and Funding Analysis 2022/23 | | | *Restated 2021/22 | | | | | | |
|--|---|---|--|---|--|---|---|--|------------------|--|
| | As reported for resource management (Narrative report) | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances | Net expenditure chargeable to the General Fund and HRA balances | Adjustments between funding and accounting basis (Note 7) | Net expenditure in the Comprehensive Income and Expenditure Statement | As reported for resource management (Narrative report) | Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances | Net expenditure chargeable to the General Fund and HRA balances | between funding | Net expenditure in the Comprehensive Income and Expenditure Statement |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Children and Adults (including dedicated schools grant) Environment Neighbourhoods and Growth | 168,527 91,484 | (21,883) (16,551) | 146,644 74,933 | 28,088 22,554 | 174,732 97,487 | 175,496 85,562 | (9,375) (8,666) | 166,121 76,896 | 57,560 23,781 | 223,681 100,677 |
| Finance | 23,777 | (17,150) | 6,627 | 37,236 | 43,863 | 24,469 | (45,413) | (20,944) | 61,740 | 40,796 |
| Governance and Assurance Strategy and Communities | 24,809 5,792 | (141) (1,163) | 24,668 4,629 | 32,933 534 | 57,601 5,163 | 25,060 3,981 | 297 4,396 | 25,357 8,377 | 2,046 534 | 27,403 8,911 |
| Housing GF Housing Revenue Account (HRA) | 21,270 | (11,050) 6,672 | 10,220 6,672 | 2,990 (8,269) | 13,210 (1,597) | 22,585 | (26,892) 2,216 | (4,307) 2,216 | 2,340 39,764 | (1,967) 41,980 |
| Support cost reallocations | (42,423) | 42,423 | - | - | - | (42,976) | 42,976 | - | - | - |
| Net cost of services | 293,236 | (18,843) | 274,393 | 116,066 | 390,459 | 294,177 | (40,461) | 253,716 | 187,765 | 441,481 |
| Other income and expenditure | (293,235) | 14,805 | (278,430) | (160,984) | (439,414) | (293,121) | 35,973 | (257,148) | (124,328) | (381,476) |
| (Surplus)/Deficit | 1 | (4,038) | (4,037) | (44,918) | (48,955) | 1,056 | (4,488) | (3,432) | 63,437 | 60,005 |
| Opening General Fund and HRA Balance at 1 April | | | (271,206) | | | | | (267,774) | | |
| (Surplus)/Deficit on General Fund and HRA Balance in year | | | (4,037) | | | | | (3,432) | | |
| Closing General Fund HRA Balance at 31 March | | | (275,243) | | | | | (271,206) | | |

*2021/22 has been restated to reflect changes in departmental structure.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The Statement of Accounts summarises the council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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 |

2.1.1 Highways Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

2.1.2 Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accruals basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cosy of the item can be measured reliably.

2.1.3 Measurement

Highways network infrastructure assets are generally measured at depreciated historical costs. However, this is a modified form of historical costs – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost. Where impairment losses are identified they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

2.1.4 Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systemic allocation of their depreciable amounts over their useful lives. Annual depreciation is the depreciation amount allocated each year. Depreciation is first charged the year after capitalisation. Useful lives of the highways network are assessed using industry standards where applicable as follows and the useful lives typically used are:

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| Category of Infrastructure | Useful | |
|----------------------------|------------|--|
| Asset | Economic | |
| Asset | Life (yrs) | |
| Build & Architecture | 15 | |
| Carriageways | 25 | |
| Footways | 30 | |
| Hard Landscaping | 25 | |
| Highways Structure | 50 | |
| Soft Landscaping | 5 | |
| Street Lighting | 25 | |
| Street Furniture | 15 | |
| Highway Drainage | 25 | |
| Parks Infrastructure | 10 | |

2.1.5 Disposals and Derecognitions

When a significant component of the Network is disposed of or decommissioned, the carrying amount of the component in the balance sheet 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 (if any) 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). Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction or the IFRS based Code when parts of the asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed.

In accordance with the temporary relief offered by the update to the Accounting Code on infrastructure assets this note does not include a disclosure of gross costs and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position (as rather than manually derecognising infrastructure components s they are replaced we assume (as per adoption of the Statutory Instrument issued by central government (DLUHC) in December 2022) that the assets being replaced have a gross book value of nil). The council is assured that this is the case following a review of the useful lives reported and assert that overall assets are being replaced in line with the useful lives proposed in the accounting policy.

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

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| Category | Accounting basis in | 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 account (other amounts) |
| 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 | 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 2022/23 Losses on soft loans and interest receivable on an amortised cost basis | Deferred debits/credits of premiums/discounts from earlier years Interest due to be received on soft loans in year | Financial instruments adjustment account |
| | Movements in the fair value of money market fund investments | Historical cost gains/losses for money market fund investments disposed of in year | |
| 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 2022/23 bills | Demand on the Collection Fund for 2022/23 plus share of estimated surplus/deficit for 2021/22 | Collection Fund adjustment account |
| Business rates | Accrued income from 2022/23 bills | Budgeted income receivable from the Collection Fund for 2022/23 plus share of estimated surplus/deficit 2021/22 | Collection Fund adjustment account |
| Holiday pay | Projected cost of untaken leave entitlements at 31 March 2023 | No charge | Accumulated absence adjustment account |
| Dedicated schools grant (DSG) | Expenditure incurred in 2022/23 to be met from dedicated schools grant | Expenditure incurred up to the amount of the grant receivable for 2022/23 | Dedicated schools grant adjustment account |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 nonland 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 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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 that is associated with each individual school.

| | Number of schools | Value of land and buildings recognised £000 |
|--|-------------------|---|
| Community schools, nursery schools and special schools | 46 | 405,919 |
| Voluntary aided faith schools and foundation schools | 25 | - |

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 IFRS16 until this becomes mandatory. |
|----------------|--|
| | The main impact of IFRS16 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 IFRS16, 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 2023/24 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.

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 BL 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.

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 investment in a new leisure centre which will be housed on the development. The council will make a payment towards the cost of construction, 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 2023 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:

| | | Increase in | n valuation | Decrease i | n valuation |
|--------------------------|-----------------------------------|-------------|-------------|------------|-------------|
| Asset category | Assets valued at 31 March 2023 | | | | |
| | | 1% | 5% | 1% | 5% |
| | £000 | £000 | £000 | £000 | £000 |
| Council dwellings | 3,687,539 | 36,875 | 184,377 | (36,875) | (184,377) |
| Other land and buildings | 934,063 | 9,341 | 46,703 | (9,341) | (46,703) |
| Surplus assets | 113,070 | 1131 | 5,654 | (1,131) | (5,654) |
| Investment property | 313,232 | 3,132 | 15,662 | (3,132) | (15,662) |
| Assets held for sale | 14,576 | 146 | 729 | (146) | (729) |
| Total | 5,062,480 | 50,625 | 253,125 | (50,625) | (253,125) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 2023 the outstanding net pensions liability was assessed at £-26.8m (£371.4m at 31 March 2022). 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 38.

5.5 Impairment allowance for doubtful debt

As at 31 March 2023, the council had an outstanding balance of short-term debtors totalling £245.1m. Against this debtors' balance, there is an impairment allowance of £92m. 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 on 30 June 2023. 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 2023, 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

| | 2022/23 | | | | | 2021/22 | | |
|--|--|---|----------------------|----------------------|--|---|----------------------|----------------------|
| Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments | Adjustments for Capital Purposes | Net change for the Pensions Adjustments | Other Differences | Total Adjustments |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Children and Adults | 18,840 | 19,759 | (10,511) | 28,088 | 45,283 | 20,836 | (8,559) | 57,560 |
| Environment Neighbourhoods and Growth | 26,871 | 11,569 | (15,886) | 22,554 | 23,749 | 13,909 | (13,877) | 23,781 |
| Finance | (12,161) | (6,298) | 55,695 | 37,236 | (6,096) | (4,566) | 72,402 | 61,740 |
| Governance and Assurance | 34,272 | 1,795 | (3,134) | 32,933 | 2,679 | 2,280 | (2,913) | 2,046 |
| Strategy and Communities | - | 551 | (17) | 534 | - | 552 | (18) | 534 |
| Housing GF | 1,708 | 941 | 341 | 2,990 | 1,326 | 1,144 | (130) | 2,340 |
| Housing Revenue Account (HRA) | 4,554 | 7,027 | (19,850) | (8,269) | 46,537 | 8,675 | (15,448) | 39,764 |
| Net cost of services | 74,084 | 35,344 | 6,638 | 116,066 | 113,478 | 42,830 | 31,457 | 187,765 |
| Other income and expenditure from the funding analysis | (130,637) | 9,411 | (39,758) | (160,984) | (88,956) | 13,982 | (49,354) | (124,328) |
| Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit | (56,553) | 44,755 | (33,120) | (44,918) | 24,522 | 56,812 | (17,897) | 63,437 |

*2021/22 has been restated to reflect changes in departmental structure.

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 through out 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.

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

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 2022/23. 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 Income and Expenditure:

| | 2022/23 | 2021/22 |
|--|-------------|-------------|
| | £000 | £000 |
| Expenditure | | |
| Employee expenses | 438,328 | 424,430 |
| Other services expenses | 749,103 | 748,400 |
| Depreciation, amortisation and impairment | 154,176 | 116,256 |
| Interest payments | 50,033 | 37,207 |
| Precepts and levies | 2,030 | 2,029 |
| Net losses on the disposal of assets | 17,398 | 33,058 |
| Subtotal | 1,411,068 | 1,361,380 |
| | | |
| Income | | |
| Fees, charges and other service income | (423,652) | (348,972) |
| Interest and investment income | 1,164 | (24,830) |
| Income from council tax and business rates (NDR) | (215,038) | (196,499) |
| Government grants and contributions | (785,608) | (684,445) |
| Net (gains) on disposal of assets | (36,889) | (46,629) |
| Subtotal | (1,460,023) | (1,301,375) |
| | | |
| (Surplus) / deficit on the provision of services | (48,955) | 60,005 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

8. OTHER OPERATING INCOME AND EXPENDITURE

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| | | |
| Levies | 2,030 | 2,029 |
| Payment to the government's housing capital receipts pool | - | 4,266 |
| (Gain)/loss on the disposal of non-current assets | (19,491) | (13,571) |
| | | |
| Total Other Operating Expenditure | (17,461) | (7,276) |

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2022/23 | 2021/22 |
|--|---------|----------|
| | £000 | £000 |
| | | |
| Interest payable and similar charges | 40,621 | 37,208 |
| Grant contributions towards interest costs on PFI schemes | - | (9,935) |
| Net interest on the net defined benefit liability | 9,412 | 13,982 |
| Interest receivable and similar income | (8,214) | (3,918) |
| Income, expenditure and changes in the fair value of investment properties | 11,336 | (24,880) |
| | | |
| Total Financing and Investment Income and Expenditure | 53,155 | 12,457 |

10. TAXATION AND NON-SPECIFIC GRANT INCOME

| | 2022/23 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| | | |
| Council Tax Income | (130,184) | (122,332) |
| Non-domestic rates income and expenditure | (84,853) | (74,167) |
| Un-ringfenced government grants | (114,700) | (122,127) |
| Capital Grants and contributions | (145,371) | (68,031) |
| | | |
| Total Taxation and Non-Specific Grant Income | (475,108) | (386,657) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 fund 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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| | Usable Reserves | | | | | |
|--|-------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|-------------------------------------|
| 2022/23 | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the capital adjustment acc | ount: | | | | | |
| Reversal of items debited or credited to the Comprehensive | e Income and | d Expenditu | re Statemer | nt: | | |
| Charges for depreciation and impairment of non-current assets | (41,261) | (51,708) | - | - | - | 92,969 |
| Revaluation losses on Property, Plant and Equipment | (40,142) | (21,065) | - | - | - | 61,207 |
| Movements in the fair value of Investment Properties | (25,744) | (1,061) | - | - | - | 26,805 |
| Capital grants and contributions applied | 27,219 | 118,151 | - | - | - | (145,370) |
| Revenue expenditure funded from capital under statute | (16,099) | (423) | - | - | - | 16,522 |
| Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement | (4,867) | (12,531) | - | - | - | 17,398 |
| Insertion of items not debited or credited to the Compreher | nsive Income | and Expen | diture State | ement: | | |
| Provision to reduce the capital financing requirement (minimum revenue provision MRP) | 11,193 | - | - | - | - | (11,193) |
| Lease and PFI repayment | 7,084 | 295 | - | - | - | (7,379) |
| Capital expenditure charged against the General Fund and HRA balances | 2,926 | 15,989 | - | - | - | (18,915) |
| Adjustments primarily involving the Capital Grants Unappli | ied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | - | - |
| Adjustments primarily involving the Capital Receipts Reser | ve: | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,865 | 34,024 | | (36,889) | - | - |
| Transfer from deferred debtors to usable capital receipts | | | | | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | | 36,582 | - | (36,582) |
| 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 | | | | | - | - |
| Adjustments primarily involving the deferred capital receip | ts reserve | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - | - | - | - | - |
| Adjustments primarily involving the Major Repairs Reserve | (MRR): | | | | | |
| MRR credited with an amount equal to the depreciation charged to the HRA | , | 51,708 | (51,708) | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | | | | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | 51,708 | - | - | (51,708) |

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| continued | | | | | | |
|--|-------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|-------------------------------------|
| 2022/23 Continued | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Financial Instruments | Adjustment | Account: | | | | |
| Repayment of premiums | 241 | 824 | - | - | - | (1,065) |
| 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 | (1,029) | 4,635 | | - | - | (3,606) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (71,690) | (15,094) | - | - | - | 86,784 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 35,608 | 6,421 | - | - | - | (42,029) |
| Adjustments primarily involving the Collection Fund Adjus | stment Accou | nt: | | | | |
| 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 | 1,326 | - | - | - | - | (1,326) |
| 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 | 25,953 | - | - | - | - | (25,953) |
| 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 | 823 | 347 | - | - | - | (1,170) |
| Adjustments primarily involving the Dedicated schools gra | ant adjustmer | nt account: | | | | |
| Movement of negative Dedicated Schools grant reserve to the DSG adjustment account | | | - | - | - | - |
| Total adjustments | (85,594) | 130,512 | - | (307) | - | (44,611) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

| continued | Usable Reserves | | | | | |
|--|-----------------------------|-------------------------------|------------------------------|-------------------------------------|-----------------------------------|--|
| 2021/22 | | | | | | Ē |
| | General Brund Balance | Housing Bevenue Account | Major trepairs Reserve | Capital m Receipts 00 Reserve | Capital Brants On Unapplied | Movement in Both Unusable Reserves |
| Adjustments primarily involving the capital adjustment acc | count: | | | | | |
| Reversal of items debited or credited to the Comprehensiv | e Income and | d Expenditu | re Statemer | nt: | | |
| 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 |
| Insertion of items not debited or credited to the Comprehe | nsive Income | and Expen | diture State | ment: | | |
| Provision to reduce the capital financing requirement (minimum revenue provision MRP) | 9,106 | - | - | - | - | (9,106) |
| Lease and PFI repayment | 6,310 | 273 | - | - | - | (6,583) |
| Capital expenditure charged against the General Fund and HRA balances | 1,713 | 14,602 | - | - | - | (16,315) |
| Adjustments primarily involving the Capital Grants Unappl | ied Account: | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | - | - |
| Adjustments primarily involving the Capital Receipts Rese | rve: | | | | | |
| 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) | - | - |
| Transfer from deferred debtors to usable capital receipts | - | - | | | - | - |
| 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 deferred capital receip | ots reserve | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - | - | - | - | - |
| Adjustments primarily involving the Major Repairs Reserve | e (MRR): | | | | | |
| MRR credited with an amount equal to the depreciation charged to the HRA | | 51,546 | (51,546) | - | - | - |
| Posting of HRA resources from revenue to the Major Repairs Reserve | | - | | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | | - | 55,046 | - | - | (55,046) |

| continued | | | | | | ~ |
|--|----------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|-------------------------------------|
| 2021/22 Continued | General Fund Balance | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments primarily involving the Financial Instruments | Adjustment / | Account: | | | | |
| Repayment of premiums | 242 | 824 | - | - | - | (1,066) |
| 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 Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (82,492) | (17,554) | | | | 100,046 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 36,787 | 6,447 | - | - | - | (43,234) |
| Adjustments primarily involving the Collection Fund Adjus | tment Accou | nt: | | | | |
| 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) |
| 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 | 1,387 | (10) | - | - | - | (1,377) |
| Adjustments primarily involving the Dedicated schools gra | nt adjustmer | nt account: | | | | |
| Movement of negative Dedicated Schools grant reserve to the DSG adjustment account | (1,056) | | - | - | - | 1,056 |
| Total adjustments | (76,769) | 13,332 | 3,500 | (28,648) | - | 88,585 |
| | | | | | | |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 2022/23, 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,
- and to carryforward revenue grants to meet grant funded revenue projects and commitments
- School Balances amounts set aside for future expenditure in schools
- · HRA Reserves amounts specifically required by statute to be set aside and ringfenced for future investment in HRA
- Capital Reserves includes capital receipts and capital grants set aside to finance future capital spending plans

| | 1 April 2021 | Transfer out 2021 | Transfer in 2021 | 31 March 2022 | 1 April 2022 | Transfer out 2022 | Transfer in 2022 | 31 March 2023 |
|---|-----------------|----------------------|------------------|------------------|-----------------|----------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| General Fund Reserve | (21,002) | - | (1,443) | (22,445) | (22,445) | 2 | - | (22,443) |
| Earmarked Reserves: | | | | | | | | |
| Corporate projects and priorities reserves | (22,803) | 3,927 | - | (18,876) | (18,876) | - | (20,703) | (39,579) |
| Service reviews and improvement reserves | (30,144) | - | (4,410) | (34,554) | (34,554) | 580 | - | (33,974) |
| Capital programme and other capital investment reserves | (24,497) | - | (12,226) | (36,723) | (36,723) | 964 | - | (35,759) |
| Strategic financial risk reserves | (54,324) | - | (11,273) | (65,597) | (65,597) | 6,419 | - | (59,178) |
| Technical liabilities and smoothing reserves | (19,420) | - | (7,198) | (26,618) | (26,618) | - | (12,292) | (38,910) |
| Covid-19 reserves | (53,425) | 27,553 | - | (25,872) | (25,872) | 23,399 | - | (2,473) |
| Revenue grants reserve | - | - | - | - | - | - | (2,617) | (2,617) |
| Total Earmarked Reserves | (204,613) | 31,480 | (35,107) | (208,240) | (208,240) | 31,362 | (35,612) | (212,490) |
| Schools Reserves | | | | | | | | |
| Schools DSG Reserve | - | | | - | - | | (7,184) | (7,184) |
| Schools balances | (13,813) | - | (578) | (14,391) | (14,391) | 723 | - | (13,668) |
| Total Schools Reserves | (13,813) | - | (578) | (14,391) | (14,391) | 723 | (7,184) | (20,852) |
| HRA Reserves | | | | | | | | |
| HRA General Reserve | (28,346) | 2,216 | - | (26,130) | (26,130) | 6,672 | - | (19,458) |
| Major Repairs Reserve | (3,500) | 55,046 | (51,546) | - | - | 51,708 | (51,708) | - |
| Total HRA Reserves | (31,846) | 57,262 | (51,546) | (26,130) | (26,130) | 58,380 | (51,708) | (19,458) |
| Capital Reserves | | | | | | | | |
| Capital Receipts Reserve | (71,771) | 18,564 | (47,212) | (100,419) | (100,419) | 36,582 | (36,889) | (100,726) |
| Capital Grants Unapplied Reserve | - | - | - | - | - | | | - |
| Total Capital Reserves | (71,771) | 18,564 | (47,212) | (100,419) | (100,419) | 36,582 | (36,889) | (100,726) |
| Total Usable Reserves | (343,045) | 107,306 | (135,886) | (371,625) | (371,625) | 127,049 | (131,393) | (375,969) |

13. PROPERTY, PLANT AND EQUIPMENT (PP&E)

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.

| 2022/23 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | *Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | TOTAL PP&E | PFI Assets Included in Property, Plant and Equipment |
|--|----------------------|-----------------------------|--|---------------------------|---------------------|----------------|------------------------------|------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Gross Book Value | | | | | | | | | |
| Opening balance | 3,538,920 | 964,605 | 115,698 | 329,983 | 18,382 | 125,976 | 497,945 | 5,591,509 | 89,261 |
| Additions | 104,961 | 15,371 | 15,313 | 18,767 | 599 | 44 | 232,586 | 387,641 | 2,353 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 64,296 | (23,305) | - | - | - | (12,593) | - | 28,398 | (446) |
| Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (61,303) | | | | | | | (61,303) | |
| Derecognition – Disposals | (10,874) | (1,727) | | | | | (3,575) | (16,176) | - |
| Derecognition – Other | , í | | | | | | . , | - | - |
| Assets reclassified | 51,539 | (20,881) | | | | (357) | (33,507) | (3,206) | - |
| Balance as at 31 March 2023 | 3,687,539 | 934,063 | 131,011 | 348,750 | 18,981 | 113,070 | 693,449 | 5,926,863 | 91,168 |
| Depreciation and Impairment | | | | | | | | | |
| Opening balance | (286) | (9,056) | (80,308) | - | (901) | (119) | (196) | (90,866) | (10,359) |
| Depreciation charge | (50,209) | (16,185) | (6,882) | (19,577) | - | (21) | | (92,874) | (2,152) |
| Depreciation written out on revaluations recognised in the Revaluation Reserve | 57,917 | 15,102 | | | | 89 | | 73,108 | 223 |
| Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services | - | | | | | | | - | |
| Derecognition – Disposals | 155 | 238 | | | | | - | 393 | - |
| Derecognition – Other | | | | | | | | - | - |
| Assets reclassified | | 325 | | | | 48 | | 373 | - |
| Balance as at 31 March 2023 | 7,577 | (9,576) | (87,190) | (19,577) | (901) | (3) | (196) | (109,866) | (12,288) |
| Net Book Value at 31 March 2023 | 3,695,116 | 924,487 | 43,821 | 329,173 | 18,080 | 113,067 | 693,253 | 5,816,997 | 78,880 |

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

| 2021/22 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | *Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | TOTAL PP&E | 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 | 322,848 | 18,151 | 125,436 | 311,510 | 5,412,768 | 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 2022 | 3,538,920 | 964,605 | 115,698 | 348,313 | 18,382 | 125,976 | 497,945 | 5,609,839 | 89,261 |
| Depreciation and Impairment | | | | | | | | | |
| Opening balance | (13) | (8,784) | (74,339) | - | (901) | (94) | (36) | (84,167) | (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 2022 | (286) | (9,056) | (80,308) | (18,330) | (901) | (119) | (196) | (109,196) | (10,359) |
| Net Book Value at 31 March 2022 | 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 (PP&E) continued

*Infrastructure assets

In accordance with the temporary relief offered by the update to the Accounting Code on infrastructure assets this note does not include a disclosure of gross costs and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position (as rather than manually derecognising infrastructure components as they are replaced we assume (as per adoption of the Statutory Instrument issued by central government (DLUHC) in December 2022) that the assets being replaced have a gross book value of nil). The council is assured that this is the case following a review of the useful lives reported and assert that overall assets are being replaced in line with the useful lives proposed in the accounting policy.

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.

13. PROPERTY, PLANT AND EQUIPMENT (PP&E) continued

At 31 March 2023, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £423.0 million. Similar commitments at 31 March 2022 were £399.1 million.

The commitments are as below:

| | £m |
|-------------------------|-------|
| General Fund | 42.1 |
| Housing Revenue Account | 380.9 |
| Total | 423.0 |

The highest value contractual commitments are:

General Fund

| | £m |
|---|------|
| Canada Water Leisure Centre | 20.2 |
| Elephant and Castle, Transport for London works | 13.0 |
| Total | 33.2 |

Housing Revenue Account

| | £m |
|---------------------------------|-------|
| Tustin Low Rise Works Phase 1 | 90.2 |
| Aylesbury FDS PK B New Build | 62.7 |
| Kingswood Flat Roof Blocks QHIP | 22.9 |
| Albion New Homes-Contruction | 19.6 |
| Cator Street 2 | 17.1 |
| Total | 212.5 |

14. INVESTMENT PROPERTIES

The income and expenditure on investment assets was as follows:

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| | | |
| Rental income from investment property | (20,589) | (20,913) |
| Fair value adjustments - (upwards)/downwards revaluation | 26,806 | (9,407) |
| Direct operating expenses arising from investment property | 5,119 | 5,440 |
| | | |
| Net (gain)/loss included in Financing and Investment Income in CIES | 11,336 | (24,880) |

The movement in the fair value of investment properties held was as follows:

| | 2022/23 | 2021/22 |
|---|----------|---------|
| | £000 | £000 |
| | | |
| Balance as at 1 April | 338,164 | 328,544 |
| | | |
| Additions | 655 | 473 |
| Disposals | (1,616) | - |
| Net gains/(losses) from fair value adjustments | (26,806) | 9,407 |
| Transfers (to)/from property, plant and equipment (PPE) | 2,835 | (260) |
| | | |
| Balance as at 31 March | 313,232 | 338,164 |

As at 31 March 2023 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 | |
|---|-----------------|---------|-------------|---------|
| | 2022/23 2021/22 | | 2022/23 | 2021/22 |
| | £000 | £000 | £000 | £000 |
| | | | | |
| Balance at 1 April | 14,531 | 11,344 | - | 3,920 |
| | | | | |
| Additions | 45 | 523 | - | - |
| Transfers (to)/from property, plant and equipment (PPE) | - | 5,600 | - | (3,920) |
| Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services | - | (25) | | - |
| Assets sold | - | (2,911) | - | - |
| | | | | |
| Balance at 31 March | 14,576 | 14,531 | - | - |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 |
|--|----------|----------|
| | 2023 | 2022 |
| | £000 | £000 |
| | | |
| Cash held by the council | - | - |
| Short-term funds in money markets | 80,878 | 54,420 |
| | | |
| Subtotal | 80,878 | 54,420 |
| | | |
| Bank current accounts (bank overdraft) | (6,225) | (6,968) |
| | | |
| Total cash and cash equivalents | 74,653 | 47,452 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

17. DEBTORS

| | 31 March 2023 | | | | *Restated 31 March 2022 | | | |
|---|--------------------------------|-------------------------|------------------------------|----------------------|--------------------------------|-------------------------|------------------------------|----------------------|
| | GROSS Short-term Debtors | Impairment Allowance | NET Short-term Debtors | Long-term Debtors | GROSS Short-term Debtors | Impairment Allowance | NET Short-term Debtors | Long-term Debtors |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Trade receivables | 129,838 | (55,791) | 74,047 | 29,235 | 120,988 | (51,930) | 69,058 | 24,896 |
| Central government bodies | 34,351 | - | 34,351 | - | 59,924 | - | 59,924 | - |
| Council Tax receivable from taxpayers | 38,289 | (20,255) | 18,034 | - | 39,161 | (17,977) | 21,184 | - |
| Housing benefit debtors | 18,694 | (9,657) | 9,037 | - | 19,160 | (9,938) | 9,222 | - |
| Non domestic rates receivable from taxpayers | 10,387 | (6,247) | 4,140 | - | 9,207 | (5,874) | 3,333 | - |
| Payments in advance | 6,220 | - | 6,220 | - | 9,116 | - | 9,116 | - |
| Public bodies | 7,345 | - | 7,345 | - | 21,172 | - | 21,172 | - |
| Total | 245,124 | (91,950) | 153,174 | 29,235 | 278,728 | (85,719) | 193,009 | 24,896 |

*2021/22 comparative has been restated to reflect the presentational changes in debtor categories.

Debtors with central government bodies, council tax, housing benefit, non-domestic rates and payments in advance are included as a non-financial asset under note 39 Financial Instruments, because they do not meet the definition of a financial asset.

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.

DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

| Age of debt | 31 March 2023 £000 | 31 March 2022 £000 |
|-----------------------|--------------------------|--------------------------|
| Less than 1 year | 14,147 | 14,989 |
| Between 1 and 2 years | 9,037 | 8,096 |
| Between 2 and 3 years | 6,123 | 6,556 |
| More than 3 years | 19,369 | 18,727 |
| Total Council's share | 48,676 | 48,368 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

18. CREDITORS

| | 31 March 2023 | | *Restated 31 March 2 | |
|--|---------------|-----------|----------------------|-----------|
| | Short-term | Long-term | Short-term | Long-term |
| | Creditors | Creditors | Creditors | Creditors |
| | £000 | £000 | £000 | £000 |
| | | | | |
| Trade payables | (109,639) | (6,703) | (89,545) | (7,648) |
| Central government bodies | (38,680) | - | (114,893) | - |
| Council Tax refundable to taxpayers | (6,318) | - | (8,753) | - |
| Non domestic rates refundable to taxpayers | (11,360) | - | (11,093) | - |
| Employee Benefits | (6,942) | - | (8,112) | - |
| PFI finance lease liability | (5,118) | - | (7,380) | - |
| Public bodies | (24,367) | | (8,465) | |
| Receipts in advance | (44,956) | - | (57,158) | - |
| | | | | |
| Total | (247,380) | (6,703) | (305,399) | (7,648) |

*2021/22 comparative has been restated to reflect the presentational changes in creditor categories.

Creditors with central government bodies, council tax, non-domestic rates and receipts in advance are included as a non-financial liability in note 39 Financial Instruments, because they do not meet the definition of a financial liability.

The reduction in Central government bodies balance is mainly due to returning of the GLA and central government's share (£38.9m) of the section 31 grants which was provided in 2021/22 to help with cash flow related to business rates reliefs. Additionally, £17.6m of Energy Rebate Grant and £18.6m Covid-19 additional relief fund (CARF) was received in 2021/22 and utilised in 2022/23.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

19. PROVISIONS

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.

| 2022/23 | 1 April 2022 | Increase during year | Utilised during year | 31 March 2023 |
|--|--------------|-------------------------|-------------------------|------------------|
| | £000 | £000 | £000 | £000 |
| | | | | |
| Long-term provisions | | | | |
| Insurance provision | (9,030) | (1) | - | (9,031) |
| Water refund provision | (1,098) | - | 145 | (953) |
| Business rates appeals | (10,095) | - | 689 | (9,406) |
| Employee remuneration related | (15) | - | 15 | - |
| Southwark Business Services employment terms | (828) | - | 69 | (759) |
| Public Health | (1,476) | - | - | (1,476) |
| Housing & Modernisation provisions | (377) | - | - | (377) |
| Civil refunds | (356) | - | - | (356) |
| Other | - | (112) | - | (112) |
| | | | | |
| Total Long-term provisions | (23,275) | (113) | 918 | (22,470) |
| | | | | |
| Short-term provisions | | | | |
| Business rates appeals | (769) | - | 259 | (510) |
| Southwark Business Services employment terms | - | - | - | - |
| | | | | |
| Total Short-term provisions | (769) | - | 259 | (510) |

| 2021/22 | 1 April 2021 £000 | Increase during year £000 | Utilised during year £000 | 31 March 2022 £000 |
|--|----------------------|---------------------------------|---------------------------------|--------------------------|
| | | 2000 | 2000 | |
| 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) |
| Other | - | - | - | - |
| | | | | |
| Total Long-term provisions | (23,585) | (2,209) | 2,519 | (23,275) |
| Short-term provisions | | | | |
| Business rates appeals | (007) | | 00 | (700) |
| | (867) | - | 98 | (769) |
| Southwark Business Services employment terms | (354) | - | 354 | - |
| Total Short-term provisions | (1,221) | - | 452 | (769) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

20. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department for Education to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School 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 2022/23 are as follows:

| | Central Expenditure | Individual Schools Budgets | Total | Total |
|---|------------------------|----------------------------------|-----------|-----------|
| | | | 2022/23 | 2021/22 |
| | £000 | £000 | £000 | £000 |
| | | | | |
| Final DSG before academy and high needs figure recoupment | | | (360,251) | (350,214) |
| Academy and High needs figure recouped | | | 157,695 | 151,158 |
| | | | | |
| Total DSG after academy and high needs figure recoupment | | | (202,556) | (199,056) |
| | | | | |
| Plus: Brought forward from previous year | | | - | - |
| Less: Carry-forward agreed in advance | | | - | - |
| | | | | |
| Agreed initial budgeted distribution for the year | (67,998) | (134,558) | (202,556) | (199,056) |
| | | | | |
| In year adjustments | (9,072) | - | (9,072) | 573 |
| | | | | |
| Final budget distribution for the year | (77,070) | (134,558) | (211,628) | (198,483) |
| | | | | |
| Less: Actual central expenditure | 69,886 | - | 69,886 | 50,489 |
| Less: Actual ISB deployed to schools | - | 134,558 | 134,558 | 149,050 |
| Plus: Local authority contribution | - | - | - | - |
| | | | | |
| Carry-forward Deficit | (7,184) | - | (7,184) | 1,056 |

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 surplus of £7.184m has been transferred to the usable reserve account per accounting regulation, although, the unusable reserve balance total remains at £21.651m. The usable and unusable reserve balances is tabled below:

| Per Note 12 Usable Reserve and Note 23 Unusable Reserves | 2022/23 | 2021/22 |
|--|---------|---------|
| Dedicated Schools Grant balances | £000 | £000 |
| | | |
| DSG unusable reserve as at 1 April | 21,651 | 20,595 |
| Addition to DSG unusable reserve during the year | - | 1,056 |
| Total of DSG unusable reserve as at 31 March (Note 23) | 21,651 | 21,651 |
| | | |
| DSG usable reserve as at 1 April | - | - |
| Addition to DSG unusable reserve during the year | (7,184) | - |
| Total of DSG usable reserve as at 31 March (Note 12) | (7,184) | - |
| | | |
| Dedicated Schools Grant net accumulated balance | 14,467 | 21,651 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

21. GRANT INCOME

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

| | 2022/23 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| Credited to Taxation and Non Specific Grant Income | | |
| Capital grants and contributions | (145,371) | (68,031) |
| Revenue support grant | (37,776) | (36,649) |
| Business rates top up | (39,518) | (35,854) |
| Business rates relief/section 31 grants | (22,948) | (23,798) |
| Covid-19 general funding | - | (16,481) |
| New homes bonus | (5,113) | (8,202) |
| Lower tier support grant | (9,345) | (1,264) |
| Covid-19 tax income guarantee | - | 121 |
| | | |
| Sub total | (260,071) | (190,158) |
| Credited to Provision of Services | | |
| Dedicated Schools grant | (209,005) | (199,327) |
| Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants | (63,482) | (63,233) |
| Housing Benefits Subsidy - rent allowances | (52,575) | (55,874) |
| Public Health | (29,504) | (28,698) |
| Housing Benefits Subsidy - non-housing revenue account rent rebates | (20,825) | (19,757) |
| Better Care Fund | (19,170) | (18,143) |
| Improved Better Care Fund | (17,847) | (17,323) |
| Social Care Support grant | (17,776) | (13,199) |
| The Private Finance Initiative (PFI) | (9,935) | (9,935) |
| Pupil Premium grant | (10,336) | (9,198) |
| Homelessness prevention grant | (6,413) | (6,792) |
| Covid-19 Infection control grant | - | (5,176) |
| Other grants individually less than £5 million | (68,669) | (47,632) |
| Sub total | (525,537) | (494,287) |
| Total | (785,608) | (684,445) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

21. GRANT INCOME continued

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

| | 2022/23 | 2021/22 |
|---|-----------|-----------|
| | £000 | £000 |
| | | |
| Balance as at 1 April | (121,931) | (75,473) |
| | | |
| New capital grants received in advance | (231,252) | (114,489) |
| | | |
| Amounts released to the CIES (conditions met) | 145,371 | 68,031 |
| | | |
| Balance as at 31 March | (207,812) | (121,931) |

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

| | 2022/23 | 2021/22 |
|-----------------------------------|-----------|-----------|
| | £000 | £000 |
| | | |
| Planning Gains | (108,887) | (69,955) |
| New homes | (1,821) | (1,497) |
| Schools | (1,198) | (1,198) |
| Education | (12,538) | (7,431) |
| Disabled facilities grant (DLUHC) | (73,132) | (33,843) |
| Transport for London (TFL) | (2,279) | (2,131) |
| Other grants | (7,957) | (5,876) |
| | | |
| Balance as at 31 March | (207,812) | (121,931) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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.

| | 2022/23 | | 2021/22 | |
|--|----------|----------|----------|----------|
| | £000 | £000 | £000 | £000 |
| Funding Provided to the Pooled Budget: | | | | |
| · Council | (19,533) | | (19,009) | |
| Clinical Commissioning Group | (26,592) | | (25,168) | |
| | | (46,125) | | (44,177) |
| | | | | |
| Expenditure met from the pooled budget: | | | | |
| · Council | 38,703 | | 37,151 | |
| Clinical Commissioning Group | 7,422 | | 7,026 | |
| | | 46,125 | | 44,177 |
| | | | | |
| Net (surplus)/deficit arising on the pooled budget | | - | | - |

Integrated Community Equipment Store (ICES)

Southwark council and the NHS SEL ICB 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 £2.41m in 2022/23 (£2.57m in 2021/22).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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'. The Unusable Reserves comprise:

| | 2022/23 | 2021/22 |
|--|-------------|-------------|
| | £000 | £000 |
| | | |
| Capital Adjustment Account | (2,617,012) | (2,522,356) |
| Revaluation Reserve | (2,054,567) | (1,991,470) |
| Pensions Reserve | (26,783) | 371,352 |
| Collection Fund Adjustment Account | 7,230 | 34,509 |
| Financial Instruments Adjustment Account | 23,368 | 28,039 |
| Dedicated Schools Grant Adjustment Account | 21,651 | 21,651 |
| Accumulating Absences Adjustment Account | 6,942 | 8,112 |
| Financial Instruments Revaluation Reserve | (235) | 370 |
| | | |
| Total unusable reserves | (4,639,406) | (4,049,793) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

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.

Note 11, adjustments between accounting basis and funding basis under regulations, provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

| | 2022 | 2/23 | 2021 | /22 |
|--|-----------|-------------|----------|-------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 April | | (2,522,356) | | (2,527,048) |
| | | | | • • • • |
| 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 | 92,969 | | 94,297 | |
| Revaluation losses on Property Plant & Equipment and AHFS | 61,207 | | 88,462 | |
| Revenue expenditure funded from capital under statute | 16,522 | | 12,057 | |
| Movements in the market value of Investment Properties | 26,805 | | (9,407) | |
| 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 | 17,398 | | 33,058 | |
| | | 214,901 | | 218,467 |
| | | | | |
| Adjusting amounts written out of the revaluation reserve for disposals and restatements | (9,013) | | (16,325) | |
| Adjusting amounts written out of the Revaluation Reserve for the difference between fair value depreciation and historical cost depreciation | (29,396) | | (28,660) | |
| Net written out amount of the cost of non current assets consumed in the year | | (38,409) | | (44,985) |
| | | | | |
| Capital financing applied in the year: | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (36,582) | | (13,709) | |
| Use of the Major Repairs Reserve to finance new capital expenditure | (51,708) | | (55,046) | |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (145,370) | | (68,031) | |
| Provision for the financing of capital investment charged against the General Fund and HRA balances | (18,572) | | (15,689) | |
| Capital expenditure charged against the General Fund and HRA balances | (18,915) | | (16,315) | |
| | | (271,147) | | (168,790) |
| | | | | |
| Balance at 31 March | | (2,617,011) | | (2,522,356) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

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.

| | 2022/23 | | 2021 | /22 |
|---|-----------|-------------|-----------|-------------|
| | £000 | £000 | £000 | £000 |
| | | | | |
| Balance at 1 April | | (1,991,470) | | (1,948,914) |
| | | | | |
| Upward revaluation of assets | (179,402) | | (154,699) | |
| Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of Services | 77,896 | | 67,159 | |
| Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of Services | | (101,506) | | (87,540) |
| Adjusting amounts written to the Capital Adjustment Account for disposals and restatements | | 9,013 | | 16,325 |
| Difference between fair value depreciation and historical cost depreciation | | 29,396 | | 28,659 |
| | | | | |
| Balance at 31 March | | (2,054,567) | | (1,991,470) |

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.

| | 2022/23 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| | | |
| Balance at 1 April | 371,352 | 687,568 |
| | | |
| Remeasurements of the net defined benefit liability | (442,890) | (373,028) |
| 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 | 86,784 | 100,046 |
| Employer's pension contributions and direct payments payable to pensioners in the year | (42,029) | (43,234) |
| | | |
| Balance at 31 March | (26,783) | 371,352 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Collection Fund Adjustment Account

| | 2022/23 | 2021/22 |
|--|----------|----------|
| | £000 | £000 |
| | | |
| Balance at 1 April | 34,509 | 49,450 |
| | | |
| 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 | (27,279) | (14,941) |
| | | |
| Balance at 31 March | 7,230 | 34,509 |

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

| Collection Fund Adjustment Account - Council Tax | 2022/23 | 2021/22 |
|--|----------|----------|
| · · · · · · · · · · · · · · · · · · · | £000 | £000 |
| | 2000 | 2000 |
| Balance at 1 April | 2,321 | 5,348 |
| | | |
| 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 | (1,326) | (3,027) |
| | | |
| Balance at 31 March | 995 | 2,321 |
| | | |
| Collection Fund Adjustment Account - Business Rates | 2022/23 | 2021/22 |
| | £000 | £000 |
| | | |
| Balance at 1 April | 32,188 | 44,102 |
| | | |
| 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 | (25,953) | (11,914) |
| | | |
| Balance at 31 March | 6,235 | 32,188 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

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.

Amongst the transactions on this account are premiums paid on the early redemption of loans; premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out to the Movement in Reserves Statement. Over time the expense is posted back to 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 2023 includes £12.5 million premiums (£13.6 million at 31 March 2022) to be discharged in future.

| | 2022/23 | 2021/22 |
|---|---------|---------|
| | £000 | £000 |
| | | |
| Balance at 1 April | 28,039 | 30,681 |
| | | |
| 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 | (3,606) | (1,577) |
| | | |
| Balance at 31 March | 23,368 | 28,039 |

Dedicated Schools Grant Adjustment Account

| | 2022/23 | 2021/22 |
|--|---------|---------|
| | £000 | £000 |
| | | |
| Balance at 1 April | 21,651 | 20,595 |
| | | |
| Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account. | - | - |
| In year dedicated schools grant deficit | - | 1,056 |
| | | |
| Balance at 31 March | 21,651 | 21,651 |

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.

Southwark council entered into a Department for Education Basic Safety Value agreement in 2023 for the period 2022/23 to 2026/27. Additional DSG funding from government in 2023 and future financial years is subject to compliance with the conditions in the DfE Basic Safety Value agreement approved by Southwark council which is intended to eliminate the cumulative DSG deficit by 2026/27 at the latest.

The DSG deficit account is unchanged due to regulation but we have a credit balance in the DSG (note 20) due to having received £9.2m in 'safety valve' government funding in 2022/23. This reduces the overall deficit to £14.5m, please see note 20.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

23. UNUSABLE RESERVES continued

Accumulating Absences Adjustment Account

The Accumulated Absences Account absorbs the timing differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| | 2022/23 | 2021/22 |
|---|---------|---------|
| | £000 | £000 |
| | | |
| Balance at 1 April | 8,112 | 9,489 |
| | | |
| 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 | (1,170) | (1,377) |
| | | |
| Balance at 31 March | 6,942 | 8,112 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

24. CASH FLOW FROM OPERATING ACTIVITIES

| | 2022/23 | 2021/22 |
|--|-----------|----------|
| | £000 | £000 |
| Adjustment to surplus or deficit on the provision of services for non cash movement: | | |
| | | |
| Depreciation and impairment of non-current assets | 92,969 | 94,297 |
| Upward/(downward) revaluations | 88,012 | 79,055 |
| Increase/(decrease) in impairment for credit lossess (bad debts) | 6,231 | 6,818 |
| Increase/(decrease) in creditors | (53,846) | 33,465 |
| (Increase)/decrease in debtors | 29,265 | 31,071 |
| (Increase)/decrease in inventories | (40) | 552 |
| Movement in pension liability | 44,755 | 56,812 |
| Increase/(decrease) in provisions | (1,064) | 880 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 17,398 | 33,058 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 107 | (765 |
| | 223,787 | 335,243 |
| | | |
| | 2022/23 | 2021/22 |
| | £000 | £000 |
| Adjustment for items included in the net surplus or deficit on the provision of services that | | |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (36,889) | (47,212 |
| Capital grants included in Taxation and non-specific grant income | (145,370) | (68,031 |
| | (140,070) | (00,001 |
| Total | (182,259) | (115,243 |

The cash flows from operating activities include the following amounts:

| | 2022/23 | 2021/22 |
|-------------------|---------|---------|
| | £000 | £000 |
| | | |
| Interest received | (8,214) | (3,109) |
| Interest paid | 40,621 | 37,471 |
| | | |
| Net interest | 32,407 | 34,362 |

25. CASH FLOW FROM INVESTING ACTIVITIES

| | 2022/23 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| | | |
| Purchase of PP&E, Investment Property and Intangible Assets | (388,341) | (298,748) |
| Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets | 36,889 | 47,212 |
| Proceeds from sale of short-term investments (not considered to be cash equivalents) | (32,008) | (1,378) |
| Capital grants and contributions received | 231,251 | 114,488 |
| | | |
| Net cash flows from Investing Activities | (152,209) | (138,426) |

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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

26. CASH FLOW FROM FINANCING ACTIVITIES

| | 2022/23 £000 | 2021/22 £000 |
|---|-----------------|-----------------|
| | 2000 | 2000 |
| Cash payments for the reduction of the outstanding liability relating to a finance lease and on- balance-sheet PFI contracts | (7,380) | (6,781) |
| Cash receipts of short and long-term borrowing | 192,349 | 225,199 |
| Repayments of short and long term borrowing | (96,042) | (214,907) |
| Net Cash flows from Financing Activities | 88,927 | 3,511 |

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (IAS 7)

| | Long-term borrowings £000 | Short-term borrowings £000 | Lease liabilities £000 | Total £000 |
|--|------------------------------------|----------------------------------|------------------------------|---|
| Opening balance as at 1 April 2021 | (683,989) | (207,370) | (86,484) | (977,843) |
| Financing cash flows Non-financing cash flows | (32,093) 13,611 | 22,000 (13,810) | 6,582 (1,569) | (3,511) (1,768) |
| Closing balance as at 31 March 2022 | (702,471) | (199,180) | (81,471) | (983,122) |
| Opening balance as at 1 April 2022 | (702,471) | (199,180) | (81,471) | (983,122) |
| Financing cash flows: Repayment Proceeds Subtotal | - (192,349) (192,349) | 96,042 - 96,042 | 7,380 7,380 | 103,422 (192,349) (88,927) |
| Non-financing cash flows: Acquisition Fair value Reclassification Subtotal | | _ | (2,353) (2,353) | (2,353) - - (2,353) |
| Closing balance as at 31 March 2023 | (894,820) | (103,138) | (76,444) | (1,074,402) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

28. EXTERNAL AUDIT COSTS

| | 2022/23 | 2021/22 |
|--|---------|---------|
| | £000 | £000 |
| | | |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 329 | 253 |
| Fees payable to the appointed auditor for the certification of grant claims and returns for the year | | 45 |
| Additional fees payable to the appointed auditor for the certification of grant claims and returns for 2020/21 | | 14 |
| Fees payable in respect of other services provided by the appointed auditor during the year | | 10 |
| | | |
| Total | 329 | 322 |

29. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2022/23 was £1,383,827 (£1,350,800 in 2021/22).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

30. OFFICERS' REMUNERATION

In accordance with regulation, 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 both 2022/23 and 2021/22.

| | 2022 | 2/23 | *Restated 2021/22 | |
|---|--------------|--|-------------------|--|
| Postholder | Remuneration | Council's contributions to the Pension Fund | Remuneration | Council's contributions to the Pension Fund |
| | £000 | £000 | £000 | £000 |
| Chief Executive - A Loderick | 191,046 | 35,152 | - | - |
| Chief Executive - E Kelly | 60,743 | 11,177 | 210,277 | 30,490 |
| Strategic Director of Environment & Leisure - C Bruce | 199,320 | 36,675 | 185,733 | 26,931 |
| Strategic Director of Housing and Modernisation – M Scorer | 199,413 | 36,692 | 191,901 | 27,826 |
| Strategic Director of Finance - D Whitfield | 199,320 | 36,675 | 185,733 | 26,931 |
| Strategic Director of Children's & Adult Services - D Quirke-Thornton | 186,840 | 34,379 | 174,033 | 25,235 |
| Director of Public Health | 129,677 | 23,861 | 121,218 | 22,304 |
| Director of Children and Families - A Smith | 158,281 | 29,124 | - | - |
| Assistant Chief Executive - Governance and Assurance | 143,870 | 26,472 | 136,886 | 25,187 |
| Assistant Chief Executive - Strategy and Communities | 120,718 | 22,212 | 109,187 | 22,304 |

*2021/22 figures has been restated to include 2022/23 comparatives.

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 that 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.

Notes on related 2021/22 figures:

- The Chief Executive A Loderick commenced the role in May 2022.
- The previous Chief Executive E Kelly left the council in May 2022.

• The Director of Children and Families took up the statutory role for Children's Services on 1 April 2022, the role was previously undertaken by the Strategic Director of Children and Families.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

30. OFFICERS' REMUNERATION continued

During 2022/23 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:

| | | | Number of employees | Number of employees |
|-------------------|---------|-------------|---------------------|---------------------|
| | Oshaala | N | 0000/00 | 0004/00 |
| Band (£) | Schools | Non schools | 2022/23 | 2021/22 |
| 50.000 - 54.999 | 147 | 308 | 455 | 406 |
| 55,000 - 59,999 | 84 | 243 | | |
| 60,000 - 64,999 | 66 | 54 | - | |
| 65,000 - 69,999 | 39 | 52 | 3 | 101 |
| 70,000 - 74,999 | 32 | 64 | 96 | |
| 75,000 - 79,999 | 23 | 8 | 31 | 42 |
| 80,000 - 84,999 | 12 | 28 | 40 | 34 |
| 85,000 - 89,999 | 19 | 15 | 34 | 16 |
| 90,000 - 94,999 | 7 | 12 | 19 | 16 |
| 95,000 - 99,999 | 11 | 2 | 13 | 22 |
| 100,000 – 104,999 | 4 | 19 | 23 | 4 |
| 105,000 - 109,999 | 2 | 1 | 3 | 5 |
| 110,000 - 114,999 | 1 | 4 | 5 | 1 |
| 115,000 – 119,999 | 1 | - | 1 | 2 |
| 120,000 – 124,999 | - | - | - | 5 |
| 125,000 – 129,999 | 1 | 3 | | |
| 130,000 – 134,999 | 1 | 3 | | |
| 135,000 – 139,999 | - | 1 | 1 | - |
| 140,000 – 144,999 | - | 3 | | |
| 150,000 - 154,999 | - | 2 | | - |
| 160,000 – 164,999 | - | 1 | 1 | - |
| Total | 450 | 823 | 1,273 | 1,005 |

For the financial year 2022/23, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employments) was 37 (for 2021/22 was 23).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

31. TERMINATION BENEFITS

| Exit | Number of ex | | Number of ex Non-so | | Total numl packa | | Total cos packages | |
|-----------------------|--------------|-----------|------------------------|-----------|---------------------|-----------|-----------------------|---------|
| package | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 |
| cost band | No. staff | No. staff | No. staff | No. staff | No. staff | No. staff | £000 | £000 |
| £0 - £20,000 | 21 | 59 | 26 | 27 | 47 | 86 | 249 | 514 |
| £20,001 - £40,000 | 1 | 5 | 9 | 10 | 10 | 15 | 276 | 416 |
| £40,001 - £60,000 | 1 | - | 1 | 4 | 2 | 4 | 96 | 196 |
| £60,001 - £80,000 | | - | 2 | 3 | 2 | 3 | 138 | 215 |
| £80,001 - £100,000 | | - | 1 | - | 1 | - | 90 | - |
| Total | 23 | 64 | 39 | 44 | 62 | 108 | 849 | 1,341 |

Five compulsory redundancies were made by schools in 2022/23 totalling £66,045 with 4 within the £0 to £20,000 exit package band and 1 in the £20,001 to £40,000 exit package cost band (2021/22 forty-one compulsory redundancies totalling £268,934).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

32. 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 2023 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 2022/23 is shown in note 29. 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 outflows in 2022/23 were declared by 9 councillors and no submission from chief officers (13 and 1 respectively in 2021/22):

• with voluntary bodies or charitable organisations that received funding totalling an estimated value of £0.1 million (£0.2 million in 2021/22):

• with businesses or other organisations that have contracted for goods and services with the council to the estimated value of $\pounds 4.0$ million ($\pounds 0.6$ million in 2021/22):

Related party interests for which transactions exist for financial inflows in 2022/23 were declared by 9 councillors and no submission from chief officers (9 and 0 respectively in 2021/22):

• from businesses or other organisations that the council have contracted for goods and services to the estimated value of $\pounds 0.0$ million ($\pounds 0.8$ million in 2021/22):

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 2021/22) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

33. 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.

| | 2022/23 | 2021/22 |
|--|-----------|-----------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 1,362,956 | 1,219,890 |
| Opening Capital Financing Requirement | 1,362,956 | 1,219,690 |
| Capital Investment | | |
| Property, Plant & Equipment (including assets held for sale) | 387,686 | 299,325 |
| Revenue expenditure funded from capital under statute (REFCUS) | 16,522 | 12,057 |
| Long-term debtors | - | - |
| Investment property | 655 | 473 |
| Total capital investment | 404.863 | 311,855 |
| | 404,000 | 011,000 |
| Sources of capital finance | | |
| Capital receipts | (36,582) | (13,708) |
| Government grants and other contributions | (145,370) | (68,031) |
| Direct revenue contributions | (18,915) | (16,315) |
| Major Repairs Reserve | (51,708) | (55,046) |
| Minimum revenue provision (MRP) / loans fund principal | (18,572) | (15,689) |
| Total capital investment financed | (271,147) | (168,789) |
| Closing Capital Financing Requirement | 1,496,672 | 1,362,956 |
| Explanation of movement | | |
| Increase in underlying need to borrow | 131,363 | 141,498 |
| Assets acquired under private finance initiative (PFI) contracts | 2,353 | 1,568 |
| Net movement in year | 133,716 | 143,066 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

34. 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:

| | 2022/23 | 2021/22 |
|-------------------------|---------|---------|
| | £000 | £000 |
| | | |
| Minimum lease payments | 2,267 | 2,722 |
| Less sub-lease payments | (460) | (490) |
| | | |
| Total | 1,807 | 2,232 |

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

| | 2022/23 | 2021/22 |
|---------------------|---------|---------|
| | £000 | £000 |
| | | |
| Within 1 year | 1,399 | 2,603 |
| Within 2 to 5 years | 1,949 | 5,365 |
| After 5 years | 6,488 | 8,703 |
| | | |
| Total | 9,836 | 16,671 |

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:

| | 31/03/2023 | 31/03/2022 |
|---------------------|------------|------------|
| Period due | £000 | £000 |
| | | |
| Within 1 year | 17,420 | 17,586 |
| Within 2 to 5 years | 55,242 | 56,308 |
| After 5 years | 65,887 | 69,471 |
| | | |
| Total due | 138,549 | 143,365 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

35. 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 (academy) 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 Amber Infrastructure Limited.
- St Thomas is a new build secondary (voluntary aided) 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 Amber Infrastructure Limited.
- Sacred Heart Catholic School is a new build secondary (academy) 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 Amber Infrastructure Limited.
- 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 has enabled 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 with Veolia, 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 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 above schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

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 |
| | 40.000 | 1= 000 | 10.000 | | | |
| Opening balance as at 1 April 2021 | 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) |
| | | | | | | |
| Closing balance as at 31 March 2022 | 12,849 | 16,769 | 16,107 | 31,787 | 3,959 | 81,471 |
| | | | | | | |
| Opening balance as at 1 April 2022 | 12,849 | 16,769 | 16,107 | 31,787 | 3,959 | 81,471 |
| | | | | | | |
| New liability incurred | | | | 2,252 | 101 | 2,353 |
| Repayments made in year | (243) | (701) | (649) | (5,493) | (294) | (7,380) |
| | | | | | | |
| Closing balance as at 31 March 2023 | 12,606 | 16,068 | 15,458 | 28,546 | 3,766 | 76,444 |

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

| | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Total |
|--------------------------------|-----------------------------|---|--------------------------|---------|
| | £000 | £000 | £000 | £000 |
| | | | | |
| Net Book Value at 1 April 2021 | 58,752 | 14,402 | 4,334 | 77,488 |
| | | | | |
| Additions | - | 1,469 | 100 | 1,569 |
| Depreciation & Impairment | (853) | (978) | (197) | (2,028) |
| Revaluation | 1,873 | - | - | 1,873 |
| Net Book Value at 1 April 2022 | 59,772 | 14,893 | 4,237 | 78,902 |
| Net Book Value at 1 April 2023 | 59,772 | 14,893 | 4,237 | 78,902 |
| Additions | | 2,252 | 101 | 2,353 |
| Depreciation & Impairment | (899) | (1,051) | (202) | (2,152) |
| Revaluations | (223) | - | - | (223) |
| Net Book Value at 1 April 2023 | 58,650 | 16,094 | 4,136 | 78,880 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The projected payments under the agreements are as follows:

| | 1 year | 2-5 years | 6-10 years | 11-15 years | 16-20 years | Total |
|--------------------------------------|--------|-----------|------------|-------------|-------------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| St Michael's Catholic College | | | | | | |
| Liability | 640 | 2,098 | 5,390 | 4,478 | | 12,606 |
| Interest | 1,593 | 5,748 | 4,827 | 1,018 | | 13,186 |
| Service Charges | 630 | 3,371 | 32,725 | 2,883 | | 39,609 |
| St Thomas the Apostle College | | | | | | |
| Liability | 594 | 3,136 | 6,206 | 6,132 | | 16,068 |
| Interest | 1,691 | 6,025 | 5,267 | 1,337 | | 14,320 |
| Service Charges | 313 | 1,338 | 1,934 | 1,087 | | 4,672 |
| Lifecycle Payments | 114 | 614 | 1,145 | 902 | | 2,775 |
| Sacred Heart Catholic School | | | | | | |
| Liability | 453 | 2,646 | 5,555 | 6,804 | | 15,458 |
| Interest | 1,556 | 5,612 | 5,064 | 1,684 | | 13,916 |
| Service Charges | 495 | 2,152 | 3,079 | 3,358 | | 9,084 |
| Lifecycle Payments | 209 | 703 | 855 | 1,351 | | 3,118 |
| Integrated Waste Management Facility | | | | | | |
| Liability | 3,215 | 12,120 | 13,211 | | | 28,546 |
| Interest | 1,589 | 4,904 | 2,952 | | | 9,445 |
| Service Charges | 22,221 | 95,170 | 134,726 | | | 252,117 |
| Lifecycle Payments | 2,251 | 12,375 | 17,690 | | | 32,316 |
| Heat Supply Arrangement | | | | | | |
| Liability | 216 | 1,153 | 2,397 | | | 3,766 |
| Interest | 462 | 1,560 | 996 | | | 3,018 |
| Service Charges | 1,378 | 5,865 | 8,195 | | | 15,438 |
| Lifecycle Payments | 104 | 444 | 621 | | | 1,169 |

36. OTHER LONG-TERM LIABILITIES

| | 31 March 2023 | 31 March 2022 |
|--|------------------|------------------|
| | £000 | £000 |
| | | |
| Payments due under PFI schemes and similar arrangements: | | |
| St Michaels Catholic college | (11,966) | (12,606) |
| St Thomas the Apostle College | (15,474) | (16,069) |
| Sacred Heart Catholic school | (15,005) | (15,457) |
| Integrated waste Management Facility | (25,331) | (26,295) |
| Heat Supply Arrangement | (3,550) | (3,663) |
| | | |
| Total cash and cash equivalents | (71,326) | (74,090) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

37. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES (NHS AND TECAHERS)

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 2022/23 the council paid £13.1m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.6% of pensionable pay (£13.3m and 23.6% respectively in 2021/22). It also paid £0.033m to the NHS Pension Scheme representing 14.4% of pensionable pay (£0.032m 2021/22, representing 14.4% of pensionable pay). In 2022/23 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 38.

38. 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.

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SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

Transactions relating to post employment benefits

Net adjustment between accounting basis

and funding basis under regulations

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:

| | | 2022/23 | | 2021/22 | | | |
|--|--------------|--------------|--------------|-----------|---------|-----------|--|
| | Council | LPFA | Total | Council | LPFA | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Comprehensive Income and Expenditure Statement | | | | | | | |
| Cost of services: | | | | | | | |
| - Current service cost | 76,500 | 272 | 76,772 | 82,900 | 364 | 83,264 | |
| - Past service costs | 600 | - | 600 | 2,800 | - | 2,800 | |
| Financing and investment income and expe | nditure: | | | | | | |
| - Net interest expense/(income) | 9,800 | (388) | 9,412 | 14,100 | (118) | 13,982 | |
| Total post employment benefit charged to the surplus or deficit on the provision of services | 86,900 | (116) | 86,784 | 99,800 | 246 | 100,046 | |
| Other comprehensive income and expendite | | | | | | | |
| Other comprehensive income and expenditu Remeasurement of the net defined benefit liabil | | | | | | | |
| - Return on plan assets (excluding amount included in the net interest expense) | 147,700 | (280) | 147,420 | (104,200) | (7,619) | (111,819) | |
| - Actuarial gains and losses arising on changes in demographic assumptions | - | (1,655) | (1,655) | (30,600) | - | (30,600) | |
| - Actuarial gains and losses arising on changes in financial assumptions | (885,400) | (14,341) | (899,741) | (159,200) | (1,325) | (160,525) | |
| - Actuarial gains and losses arising on changes in liability experience | 206,700 | 4,690 | 211,390 | (70,200) | 116 | (70,084) | |
| - Other actuarial gains and losses on assets | 99,800 | (104) | 99,696 | | - | - | |
| Total remeasurements in other comprehensive income and expenditure | (431,200) | (11,690) | (442,890) | (364,200) | (8,828) | (373,028) | |
| Total post employment benefit charged to the comprehensive income and expenditure statement | (344,300) | (11,806) | (356,106) | (264,400) | (8,582) | (272,982) | |
| | | 2022/23 | | | 2021/22 | | |
| | Council | LPFA | Total | Council | LPFA | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Movement in reserves statement | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 | |
| - Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code | (86,900) | 116 | (86,784) | (99,800) | (246) | (100,046) | |
| | | | | | | | |
| Actual amount charged against the General | Fund Balance | for pensions | in the year: | | | | |
| - Employers' contributions payable to the scheme | 41,900 | 129 | 42,029 | 43,100 | 134 | 43,234 | |
| | | | | | | | |

245

(44,755)

(56,700)

(112)

(56,812)

(45,000)

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

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:

| | | 2022/23 | | 2021/22 | | | |
|--|-----------------|----------|-------------|-------------|----------|-------------|--|
| | Council LPFA To | | | Council | Total | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Fair value of plan assets | 1,831,200 | 66,884 | 1,898,084 | 2,038,000 | 67,328 | 2,105,328 | |
| Less Present value of defined benefit obligation | (1,831,200) | (40,101) | (1,871,301) | (2,424,200) | (52,480) | (2,476,680) | |
| | | | | | | | |
| Net (liability) arising from defined benefit obligation | - | 26,783 | 26,783 | (386,200) | 14,848 | (371,352) | |

Reconciliation of movement in the fair value of the scheme assets:

| | | 2022/23 | | 2021/22 | | | |
|--|-----------|---------|-----------|-----------|---------|-----------|--|
| | Council | LPFA | Total | Council | LPFA | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| | | | | | | | |
| Opening balance at 1 April | 2,038,000 | 67,328 | 2,105,328 | 1,901,000 | 61,349 | 1,962,349 | |
| | | | | | | | |
| Interest income on assets | 54,900 | 1,718 | 56,618 | 39,900 | 1,140 | 41,040 | |
| Remeasurement gains/(losses) on assets | (147,700) | 280 | (147,420) | 104,200 | 7,619 | 111,819 | |
| Other acturial gains/(losses) | (99,800) | 104 | (99,696) | - | - | - | |
| Administration expenses | - | (20) | (20) | - | (80) | (80) | |
| Employer contributions | 41,900 | 129 | 42,029 | 43,100 | 134 | 43,234 | |
| Contribution by participants | 14,100 | 43 | 14,143 | 13,000 | 44 | 13,044 | |
| Contribution by admitted bodies | 700 | - | 700 | 800 | - | 800 | |
| Net benefits paid out | (70,900) | (2,698) | (73,598) | (64,000) | (2,878) | (66,878) | |
| | | | | | | | |
| Closing balance at 31 March | 1,831,200 | 66,884 | 1,898,084 | 2,038,000 | 67,328 | 2,105,328 | |

Reconciliation of movement in the present value of defined benefit obligation (liabilities):

| | | 2022/23 | | 2021/22 | | | |
|---|-------------|----------|-------------|-------------|----------|-------------|--|
| | Council | LPFA | Total | Council | LPFA | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| | | | | | | | |
| Opening balance at 1 April | (2,424,200) | (52,480) | (2,476,680) | (2,594,700) | (55,217) | (2,649,917) | |
| | | | | | | | |
| Current service cost | (76,500) | (252) | (76,752) | (82,900) | (284) | (83,184) | |
| Interest cost | (64,700) | (1,330) | (66,030) | (54,000) | (1,022) | (55,022) | |
| Contribution by admitted bodies | (700) | - | (700) | (800) | - | (800) | |
| Contributions by scheme participants | (14,100) | (43) | (14,143) | (13,000) | (44) | (13,044) | |
| Change in financial assumptions | 885,400 | 14,341 | 899,741 | 159,200 | 1,325 | 160,525 | |
| Change in demographic assumptions | - | 1,655 | 1,655 | 30,600 | - | 30,600 | |
| Experience loss/(gain) on defined benefit obligation | (206,700) | (4,690) | (211,390) | 70,200 | (116) | 70,084 | |
| Benefits paid | 70,900 | 2,698 | 73,598 | 64,000 | 2,878 | 66,878 | |
| Past service costs | (600) | - | (600) | (2,800) | - | (2,800) | |
| | | | | | | | |
| Closing balance at 31 March | (1,831,200) | (40,101) | (1,871,301) | (2,424,200) | (52,480) | (2,476,680) | |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

Scheme assets comprised:

| | | 2022/23 | | | 2021/22 | | | |
|---------------------------|-----------|---------|-----------|-----------|---------|-----------|--|--|
| | Council | LPFA | Total | Council | LPFA | Total | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | |
| Quoted | | | | | | | | |
| - Equities | 937,574 | 39,332 | 976,906 | 1,112,748 | 37,785 | 1,150,533 | | |
| - Government bonds | 135,509 | - | 135,509 | 173,230 | - | 173,230 | | |
| - Corporate bonds | 168,470 | - | 168,470 | 185,458 | - | 185,458 | | |
| - Target return portfolio | - | 12,436 | 12,436 | - | 14,307 | 14,307 | | |
| - Other | 29,299 | - | 29,299 | 34,646 | - | 34,646 | | |
| | | | | | | | | |
| Subtotal | 1,270,853 | 51,768 | 1,322,621 | 1,506,082 | 52,092 | 1,558,174 | | |
| | | | | | | | | |
| Unquoted | | | | | | | | |
| - Equities | 43,949 | - | 43,949 | 26,494 | - | 26,494 | | |
| - Infrastructure | - | 8,463 | 8,463 | - | 6,725 | 6,725 | | |
| - Property | 278,342 | 6,568 | 284,910 | 311,814 | 5,880 | 317,694 | | |
| - Cash | 71,417 | 85 | 71,502 | 71,330 | 2,631 | 73,961 | | |
| - Other | 166,639 | | 166,639 | 122,280 | - | 122,280 | | |
| | | | | | | | | |
| Subtotal | 560,347 | 15,116 | 575,463 | 531,918 | 15,236 | 547,154 | | |
| | | | | | | | | |
| Total | 1,831,200 | 66,884 | 1,898,084 | 2,038,000 | 67,328 | 2,105,328 | | |

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 2023. The LPFA actuary uses market values at 31 January 2023, then indexed for market movements to arrive at a valuation for 31 March 2023.

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 2022 and rolled forward.

Principal assumptions used by the actuaries

| | Cour | ncil | LPFA | | |
|---|---------|---------|---------|---------|--|
| | 2022/23 | 2021/22 | 2022/23 | 2021/22 | |
| Mortality assumptions | | | | | |
| Longevity at 65 for current pensioners | | | | | |
| - Men (years) | 21.6 | 21.5 | 20.2 | 20.9 | |
| - Women (years) | 24.2 | 24.1 | 23.4 | 23.7 | |
| | | | | | |
| Longevity at 45 for future pensioners | | | | | |
| - Men (years) | 22.9 | 22.8 | 21.7 | 22.4 | |
| - Women (years) | 25.7 | 25.6 | 25.2 | 25.6 | |
| Principal financial assumptions | | | | | |
| - Rate of inflation CPI | 2.7% | 3.0% | 2.9% | 3.4% | |
| - Rate of increase in salaries | 4.2% | 4.5% | 3.9% | 4.4% | |
| - Rate of increase in pensions | 2.7% | 3.0% | 2.9% | 3.4% | |
| - Rate of pension accounts revaluation | 2.7% | 3.0% | 0.0% | 0.0% | |
| - Rate for discounting scheme liabilities | 4.7% | 2.7% | 4.8% | 2.6% | |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

38. DEFINED BENEFIT PENSION SCHEMES continued

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 | e | Impact of decrease | | | |
|---|-----------|----------------|-----------|--------------------|--------|-----------|--|
| | Council | LPFA | Total | Council | LPFA | Total | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| | | | | | | | |
| Present value of total obligation | | | | | | | |
| Longevity (+/- 1 Year) | 1,878,800 | 42,398 | 1,921,198 | 1,783,600 | 37,940 | 1,821,540 | |
| Rate of increase in salaries (+/- 0.1%) | 1,833,000 | 40,111 | 1,873,111 | 1,829,400 | 40,091 | 1,869,491 | |
| Rate of increase in pensions (+/- 0.1%) | 1,858,700 | 40,490 | 1,899,190 | 1,803,700 | 39,718 | 1,843,418 | |
| Rate for discounting scheme liabilities (+/- 0.1%) | 1,801,900 | 39,715 | 1,841,615 | 1,860,500 | 40,493 | 1,900,993 | |
| | | | | | | | |
| Projected service cost | | | | | | | |
| Longevity (+/- 1 Year) | 38,300 | 157 | 38,457 | 35,500 | 146 | 35,646 | |
| Rate of increase in salaries (+/- 0.1%) | 36,900 | 152 | 37,052 | 36,900 | 151 | 37,051 | |
| Rate of increase in pensions (+/- 0.1%) | 38,400 | 155 | 38,555 | 35,500 | 149 | 35,649 | |
| Rate for discounting scheme liabilities (+/- 0.1%) | 35,500 | 149 | 35,649 | 38,400 | 154 | 38,554 | |

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 obligation of £1,871m (£2,477m at 31 March 2022) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net asset of £27m (liability of £371m at 31 March 2022).

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 2023/24 is £36.90m for the council scheme and £0.15m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 15.9 years (19.5 years 2021/22) and 10 years for LPFA scheme members (13 years 2021/22).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

39. 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. Nonexchange 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 | Short | rt Term To | | otal | |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|
| | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 | |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Borrowings | | | | | | | |
| At amortised cost | (894,821) | (702,471) | (103,138) | (199,180) | (997,959) | (901,651) | |
| Cash and Cash Equivalents | | | | | | | |
| Bank overdraft at amortised cost | | - | (6,225) | (6,967) | (6,225) | (6,967) | |
| PFI and Other liabilities | | | | | | | |
| At amortised cost | (71,326) | (74,090) | (5,118) | (6,582) | (76,444) | (80,672) | |
| Creditors | | | | | | | |
| At amortised cost | (6,703) | (7,648) | (109,639) | (266,943) | (116,342) | (274,591) | |
| Total Financial Liabilities | (972,850) | (784,209) | (224,120) | (479,672) | (1,196,970) | (1,263,881) | |
| Non-Financial Liabilities | | | (132,623) | (31,874) | (132,623) | (31,874) | |
| Total | (972,850) | (784,209) | (356,743) | (511,546) | (1,329,593) | (1,295,755) | |

The total short-term borrowing includes £33.1m (£24.2m at 31 March 2022) representing accrued interest and principal payments due within 12 months on long-term borrowing.

The creditors lines in the balance sheet include £132.6m (£31.9m at 31 March 2022) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

39. FINANCIAL INSTRUMENTS continued

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 | Ferm | Short | Term | Tot | al |
|--|----------|----------|----------|----------|----------|----------|
| | 31 March |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Investments | | | | | | |
| At fair value through other comprehensive income | 13,822 | 19,994 | 95,047 | 86,156 | 108,869 | 106,150 |
| At amortised cost | - | - | 30,273 | 985 | 30,273 | 985 |
| Total Investments | 13,822 | 19,994 | 125,320 | 87,141 | 139,142 | 107,135 |
| | | | | | | |
| Cash and Cash Equivalents | | | | | | |
| At fair value through profit and loss | - | - | 80,878 | 54,419 | 80,878 | 54,419 |
| | | | | | | |
| Debtors | | | | | | |
| Trade receivables at amortised cost | 29,235 | 24,896 | 74,047 | 137,664 | 103,282 | 162,560 |
| | | | | | | |
| Total Financial Assets | 43,057 | 44,890 | 280,245 | 279,224 | 323,302 | 324,114 |
| | | | | | | |
| Non-Financial Assets | - | - | 79,127 | 55,345 | 79,127 | 55,345 |
| | | | | | | |
| Total | 43,057 | 44,890 | 359,372 | 334,569 | 402,429 | 379,459 |

The short-term debtors line on the balance sheet include £115.3m (£55.3m at 31 March 2022) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

39. FINANCIAL INSTRUMENTS continued

Financial Instruments – Gains and Losses

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

| | | | 2022/23 | | | 2021/22 | | | | |
|--|--|---------------------------------------|--|---|---------------|--|---------------------------------------|--|---|-----------------|
| | Financial Liabilities at amortised cost | Financial Assets at amortised cost | fair value through other comprehensive income | Financial Assets at fair value through profit or loss | Total | Financial Liabilities at amortised cost | Financial Assets at amortised cost | fair value through other comprehensive income | Financial Assets at fair value through profit or loss | Total |
| | £000 | | £000 | £000 | £000 | £000 | £000 | | £000 | £000 |
| Interest expense Other charges | 40,327 294 | | | | 40,327 294 | 29,812 7,395 | - | | - | 29,812 7,395 |
| Total expenses in surplus or deficit on the provision of services | 40,621 | | - | - | 40,621 | 37,207 | - | | | 37,207 |
| Interest Income | | (4,344) | (1,376) | (2,494) | (8,214) | - | (3,507) | (356) | (55) | (3,918) |
| Total income in surplus or deficit on the provision of services | - | (4,344) | (1,376) | (2,494) | (8,214) | - | (3,507) | (356) | (55) | (3,918) |
| Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure | - | | (606) | - | (606) | - | - | 452 | - | 452 |
| Net (gain)/loss for the year | 40,621 | | (1,982) | (2,494) | 31,801 | 37,207 | (3,507) | 96 | (55) | 33,741 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

40. 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 2023 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 2023 is set out below:

| | £000 | | | | % | | | |
|-------------------|--------|--------|---------|---------|-------|-------|-------|--------|
| | Α | AA | AAA | Total | А | AA | AAA | Total |
| | £000 | £000 | £000 | £000 | % | % | % | % |
| Up to 1 year | 26,373 | 63,222 | 116,603 | 206,198 | 11.9% | 28.5% | 53.4% | 93.8% |
| 1 - 2 years | 2,134 | 279 | 4,170 | 6,583 | 1.0% | 0.1% | 1.9% | 3.0% |
| 2 - 5 years | 535 | 1,776 | 4,928 | 7,239 | 0.2% | 0.8% | 2.2% | 3.2% |
| Total investments | 29,042 | 65,277 | 125,701 | 220,020 | 13.1% | 29.4% | 57.5% | 100.0% |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS continued

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 17.

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:

| | 2022/23 | 2021/22 |
|-------------------------|---------|---------|
| | £000 | £000 |
| Less than 1 year | 85,565 | 193,279 |
| Between 1 and 5 years | 122,736 | 85,855 |
| Between 5 and 10 years | 101,853 | 79,029 |
| Between 10 and 20 years | 75,354 | 42,558 |
| Over 20 years | 605,361 | 495,361 |
| | | |
| Total | 990,869 | 896,082 |

Market risk

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

Outstanding long-term council debt at 31 March 2023 is primarily from the PWLB with short-term borrowing from other local authorities. The debt is at fixed rates, with an average maturity of 23.0 years (29.5 years at 31 March 2022). 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 £81m. 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 2.56 years. Within that, the weighted average life of investments measured at fair value through other comprehensive income is 1.87 years. A 1% change in discount rates on these investments would change the fair value by £0.8m and would be reflected in other comprehensive income or the surplus or deficit on the provision of services as appropriate.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

41. 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 | Valued at Fair Value at year end by Head of Property, taking into account the characteristics of the | Quoted rents, yields etc. for |
| Assets held for sale | Fair value | 2 | assets, nature of the relevant market for those assets and behaviours of those participating in these markets, assuming | |
| Surplus Assets | Fair value | 2 | the highest and best use for the asset. The valuations employ a market approach technique. | the valuation. |

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

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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 – Fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

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

| | Fair value | 31 Marcl | h 2023 | 31 March 2022 | |
|---|------------|------------------|--------------------|------------------|--------------------|
| | level | Balance Sheet | Fair value | Balance Sheet | Fair value |
| | | £000 | Fair value £000 | £000 | Fair Value £000 |
| Financial liabilities held at amortised cost: | | 2000 | 2000 | 2000 | £000 |
| | | (0.1.1.000) | (=00,000) | | (700.000) |
| Long term loans from PWLB | 2 | (914,689) | (720,088) | (709,570) | (763,323) |
| Other long-term loans | 2 | (6,179) | (3,969) | (6,511) | (5,684) |
| Private finance initiative liabilities | 2 | (76,444) | (97,383) | (74,090) | (150,809) |
| Subtotal | | (997,312) | (821,440) | (790,171) | (919,816) |
| Liabilities for which fair value is not disclosed | | (332,281) | | (505,585) | |
| Total financial liabilities | | (1,329,593) | | (1,295,756) | |
| Recorded on balance sheet as: | | | | | |
| Short-term creditors | | (242,262) | | (305,399) | |
| Short-term borrowing | | (103,138) | | (199,180) | |
| Short-term PFI liabilites | | (5,118) | | - | |
| Bank overdraft | | (6,225) | | (6,968) | |
| Long-term creditors | | (6,703) | | (7,648) | |
| Long-term borrowing | | (894,821) | | (702,471) | |
| Other long-term liabilities | | (71,326) | | (74,090) | |
| Total financial liabilities | | (1,329,593) | | (1,295,756) | |

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

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

| | Fair value | 31 Marc | h 2023 | 31 Marc | ch 2022 |
|--|------------|------------------|------------|------------------|------------|
| | level | Balance Sheet | Fair value | Balance Sheet | Fair value |
| | | | | | |
| | | £000 | £000 | £000 | £000 |
| Financial assets held at fair value: | | | | | |
| Money market funds | 1 | 80,878 | 80,878 | 54,420 | 54,420 |
| Corporate, covered and government bonds | 1 | 139,142 | 139,142 | 107,135 | 107,135 |
| Subtotal | | 220,020 | 220,020 | 161,555 | 161,555 |
| Assets for which fair value is not disclosed | | 182,409 | | 217,905 | |
| Total financial liabilities | | 402,429 | | 379,460 | |
| | | | | | |
| Recorded on balance sheet as: | | | | | |
| Short-term debtors | | 153,174 | | 193,009 | |
| Short-term investments | | 125,320 | | 87,141 | |
| Long-term debtors | | 29,235 | | 24,896 | |
| Long-term investments | | 13,822 | | 19,994 | |
| Cash and cash equivalents | | 80,878 | | 54,420 | |
| Total financial assets | | 402,429 | | 379,460 | |

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

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

SUPPLEMENTARY FINANCIAL STATEMENTS 2022/23

Housing Revenue Accounts

Collection Fund Account

Pension Fund Account

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SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

HOUSING REVENUE ACCOUNT 2022/23

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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.

| | | 2022/23 | 2021/22 |
|---|------|-----------|-----------|
| | Note | £000 | £000 |
| Income | | | |
| Dwelling Rents | | (207,652) | (199,038) |
| Non-dwelling rents | | (6,233) | (5,817) |
| Charges for services and facilities | | (68,981) | (56,702) |
| Contributions towards expenditure | | (2,512) | (2,963) |
| Total Income | | (285,378) | (264,520) |
| Expenditure | | | |
| Repairs and maintenance | | 62,429 | 56,452 |
| Supervision and management | | 135,352 | 123,269 |
| Rents, rates, taxes and other charges | | 9,375 | 10,743 |
| Depreciation, impairment and revaluation losses of non-current assets | 3 | 72,772 | 113,606 |
| Debt management costs | | 323 | 264 |
| Increase in provisions for bad debts | | 2,001 | 1,060 |
| Revenue expenditure funded from capital under statute | 4 | 423 | - |
| Total expenditure | | 282,675 | 305,394 |
| | | 202,075 | 505,554 |
| Net cost of HRA Services included in the Comprehensive Income and Expenditure Statement | | (2,703) | 40,874 |
| | | | |
| HRA share of Corporate and Democratic Core | | 1,106 | 1,106 |
| Net Cost of HRA Services | | (1,597) | 41,980 |
| Gains and losses on the sales of HRA non-current assets | | (21,493) | (23,265) |
| Interest payable and similar charges | | 27,538 | 23,303 |
| Interest and investment income | | (6,721) | (2,472) |
| Income, expenditure and changes in the fair value of investment properties | 14 | (5,064) | (10,064) |
| Pensions interest cost and expected return on pensions assets | | 1,647 | 2,432 |
| Capital grants and contributions receivable | | (118,151) | (43,030) |
| | | (, | (,) |
| Total (surplus)/deficit for the year | | (123,841) | (11,116) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 | 2022/23 | 2021/22 |
|--|------|-----------|----------|
| | | £000 | £000 |
| | | | |
| (Surplus)/deficit for the year on HRA services | | (123,841) | (11,116) |
| | | | |
| Adjustments between accounting basis and funding basis under regulations | 5 | 130,513 | 13,332 |
| | | | |
| (Increase)/decrease in the HRA Balance | | 6,672 | 2,216 |
| | | | |
| HRA Balance brought forward | | (26,130) | (28,346) |
| | | | |
| Balance carried forward | 6 | (19,458) | (26,130) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 "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.

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

| Type of Dwelling | | | Number of be | drooms | | Total | Total |
|----------------------|---------------|--------|--------------|--------|-------|------------------|------------------|
| | | 1 | 2 | 3+ | Other | 31 March 2023 | 31 March 2022 |
| | | | 2 | 51 | Other | 2020 | 2022 |
| Houses and bungalows | 31 March 2023 | 367 | 719 | 2,884 | | 3,970 | |
| | 31 March 2022 | 370 | 719 | 2,847 | - | | 3,936 |
| | | | | | | | |
| Low rise flats | 31 March 2023 | 2,753 | 618 | 374 | - | 3,745 | |
| | 31 March 2022 | 2,781 | 614 | 365 | - | | 3,760 |
| | | | | | | | |
| Medium rise flats | 31 March 2023 | 6,604 | 7,148 | 6,168 | - | 19,920 | |
| | 31 March 2022 | 6,559 | 7,125 | 6,142 | - | | 19,826 |
| | | | | | | | |
| High rise flats | 31 March 2023 | 2,715 | 4,709 | 1,727 | - | 9,151 | |
| | 31 March 2022 | 2,673 | 4,653 | 1,712 | - | | 9,038 |
| | | | | | | | |
| Non-permanent | 31 March 2023 | - | - | - | - | - | |
| | 31 March 2022 | - | - | - | - | | - |
| | | | | | | | |
| Multi-occupied | 31 March 2023 | - | - | - | 96 | 96 | |
| | 31 March 2022 | - | - | - | 96 | | 96 |
| | | | | | | | |
| TOTALS | 31 March 2023 | 12,439 | 13,194 | 11,153 | 96 | 36,882 | |
| TOTALS | 31 March 2022 | 12,383 | 13,111 | 11,066 | 96 | | 36,656 |

In addition to the numbers shown in the table above, as at 31 March 2023 there were also 881 void properties (803 at 31 March 2022). 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 2023 was £14.0bn (£14.0bn as at 31 March 2022). 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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

3. DEPRECIATION AND REVALUATION CHARGES

| | £000 | £000 |
|--|--------|---------|
| | | |
| Dwellings depreciation | 50,210 | 49,980 |
| Other property depreciation | 1,498 | 1,567 |
| Revaluation losses on non-current assets | 21,065 | 62,059 |
| | | |
| Total | 72,773 | 113,606 |

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 2022/23 £0.423 million was incurred in the HRA as REFCUS (£0.00 million in 2021/22).

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:

| | 2022/23 | 2021/22 |
|---|---------|----------|
| | £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 | 5,459 | 1,292 |
| Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | 347 | (10) |
| Gain or loss on the sale of HRA non current assets | 21,493 | 23,265 |
| HRA share of contributions to or from the Pensions Reserve | (8,673) | (11,107) |
| Capital expenditure funded by the HRA | 15,989 | 14,602 |
| Transfer to/from the Major Repairs Reserve | 51,708 | 51,546 |
| Transfer to/from the Capital Adjustment Account | 44,189 | (66,256) |
| Net additional amount required by statute to be charged to the HRA | 130,512 | 13,332 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

6. HRA BALANCE

HRA reserves as at 31 March 2023 of £19.458 million (£26.130 million as at 31 March 2022) are allocated as follows:

| | 31 March 2023 | 31 March 2022 |
|--|------------------|------------------|
| | £000 | £000 |
| | | |
| Modernisation, Service and Operational Improvement Reserve | (350) | (3,655) |
| Financial Risk Reserve | (19,108) | (22,475) |
| | | |
| Total | (19,458) | (26,130) |

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, £19.2 million, includes £7.5 million Contingency reserve, broadly representing 2.3% of gross HRA revenue spend and Housing Investment Programme spend. The Reserve also provides £1.3 million to self-insure against the risks of subsidence and significant fire damage to the council's housing stock, £1.0 million Heating Account Reserve, which represents the cumulative balance available to mitigate energy cost pressures and smooth heating charge volatility, £0.6 million for estate parking and £5.6 million relating to debt financing. There is also a residents participation reserve of £0.4 million. The repairs and maintenance transition is £2.2 million and the great estates reserve remains at £1.1 million. In 2020/21 new reserves were created relating to service charges which has remained at £1.9 million and a HRA operational reserve which has been reduced slightly to £0.1 million.

7. MAJOR REPAIRS RESERVE

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| | | |
| Balance 1 April | - | (3,500) |
| Transfers from the Capital Adjustment Account | (51,708) | (51,546) |
| Transfer to (from) the HRA | - | - |
| Financing of capital expenditure | 51,708 | 55,046 |
| | | |
| Balance 31 March | - | - |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

8. CAPITAL EXPENDITURE AND FINANCING

| | 2022/23 | 2021/22 |
|---|-----------|-----------|
| | £000 | £000 |
| Capital Investment | | |
| Non-current assets | 316,537 | 210,751 |
| REFCUS | 423 | - |
| | | |
| Total | 316,960 | 210,751 |
| | | |
| Funding Source: | | |
| Revenue contributions | (15,989) | (14,602) |
| Capital receipts from the sales of assets | (33,716) | (10,590) |
| Grants and other contributions | (118,151) | (43,030) |
| Major Repairs Reserve | (51,708) | (55,046) |
| Borrowing | (97,396) | (87,483) |
| | | |
| Total | (316,960) | (210,751) |

9. CAPITAL RECEIPTS FROM DISPOSAL OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE HOUSING REVENUE ACCOUNT

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| Council dwellings | | |
| Right to Buy | (23,834) | (25,027) |
| Non Right to Buy | (10,061) | (5,703) |
| | | |
| Other receipts | | |
| Land sales | (124) | (12,770) |
| Mortgages | (4) | (5) |
| | | |
| Sub total | (34,024) | (43,505) |
| | | |
| Less: Pooled (paid to central Government) | - | 4,266 |
| | | |
| Total | (34,024) | (39,239) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

10. HOUSING TENANTS ACCOUNTS

| | 2022/23 | 2021/22 |
|------------------------------|-----------|-----------|
| | £000 | £000 |
| | | |
| Gross arrears as at 1 April | 29,633 | 27,578 |
| Prior year payments | (14,322) | (14,038) |
| Arrears as at 1 April | 15,311 | 13,540 |
| | | |
| Charges due in the year | 240,148 | 229,935 |
| Rent rebates | (63,590) | (63,374) |
| Write-offs | (609) | (477) |
| Adjustments | (8,243) | (6,046) |
| Cash collected | (165,583) | (158,267) |
| | | |
| Net arrears as at 31 March | 17,434 | 15,311 |
| | | |
| Payments in advance | 13,845 | 14,322 |
| | | |
| Gross arrears as at 31 March | 31,279 | 29,633 |

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

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| | | |
| Rents | (15,799) | (14,096) |
| Income from hostels | (1,550) | (1,423) |
| Court costs | (882) | (879) |
| Commercial rents | (3,495) | (3,665) |
| Penalty Charge Notices and parking warrants | (4,532) | (4,219) |
| | | |
| Total | (26,258) | (24,282) |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 Pensions 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.

| | 2022/23 | 2021/22 |
|---|----------|----------|
| | £000 | £000 |
| | | |
| | | |
| Current service cost less contributions | 7,027 | 8,675 |
| Interest on pension scheme liabilities | 1,647 | 2,432 |
| Actuarial (gains)/losses | (77,140) | (63,660) |
| | | |
| Movement on the Pensions Reserve | (68,466) | (52,553) |
| | | |
| Add Pension contributions attributable to the HRA | 6,421 | 6,447 |
| | | |
| Total IAS 19 charges | (62,045) | (46,106) |

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 as at 31 March 2023 was £0.953m (31 March 2022 was £1.098m).

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.

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 2022/23 is £5.064m (net gain of £10.064m in 2021/22).

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

COLLECTION FUND ACCOUNT 2022/23

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 account. 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 | 000 3 Council Tax | BusinessRates | Business A Rates Supplement | 2022/23 £000 | 2021/22 £000 |
|--|--------|---------------------------------|--|-----------------------------------|---------------------|----------------------|
| Income | | | | | | |
| Income from Council Tax | 1 | (173,028) | | | (173,028) | (164,664) |
| Transfer from the General Fund | | (267) | | | (267) | (245) |
| Income from Business Rates | 2 | | (286,044) | | (286,044) | (249,280) |
| Transitional protection payments from DLUHC | | | - | | - | (214) |
| Income from Business Rate Supplement (BRS) Contribution from preceptors towards previous years Collection Fund deficit | 3 4 | - | (83,022) | (9,953) | (9,953) (83,022) | (7,040) (112,641) |
| Total Income | | (173,295) | (369,066) | (9,953) | (552,314) | (534,084) |
| Expenditure | | | | | | |
| Precepts and Demands | | | | | | |
| Greater London Authority (GLA) | | 42,434 | | | 42,434 | 38,431 |
| London Borough of Southwark | | 128,608 | | | 128,608 | 123,024 |
| Share of Business Rates | | | | | | |
| Greater London Authority (GLA) | | | 103,363 | | 103,363 | 119,163 |
| London Borough of Southwark | | | 83,807 | | 83,807 | 96,619 |
| Department of Levelling Up, Housing and Communities (DLUHC) | | | 92,188 | | 92,188 | 106,280 |
| Transitional protection payment to DLUHC | | | 1,299 | | 1,299 | - |
| Cost of Collection allowance (NNDR) | | | 752 | | 752 | 773 |
| Business Rate Supplement (BRS): | 3 | | | | | |
| Payment to GLA | | | | 9,938 | 9,938 | 7,025 |
| Administrative costs | | | | 15 | 15 | 15 |
| Council Tax impairment of debts: | | | | | | |
| Increase/(decrease) allowance for non-collection | | 3,330 | | | 3,330 | 2,079 |
| Write Offs | | (3,155) | | | (3,155) | 2,311 |
| NDR Impairment of debts & appeals: | | | | | | |
| Increase/(decrease) allowance for non-collection | | | 1,243 | | 1,243 | 999 |
| Write Offs | | | 3,061 | | 3,061 | 318 |
| Provision for appeals | 5 | | (3,157) | | (3,157) | (4,053) |
| Contribution to preceptors towards previous years Collection Fund surplus | 4 | 342 | | | 342 | - |
| Total Expenditure | | 171,559 | 282,556 | 9,953 | 464,068 | 492,984 |
| Net deficit/(surplus) for the year | | (1,736) | (86,510) | - | (88,246) | (41,100) |
| Deficit/(surplus) at 1 April | | 3,047 | 107,294 | | 110,341 | 151,440 |
| Deficit/(Surplus) at 31 March | | 1,311 | 20,784 | | | |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 2022/23 the estimated income required from all preceptors for the Collection Fund was £171.0m (2021/22 £161.5m). The amount of council tax for a band D property was £1,594.54 in 2022/23 inclusive of the GLA precept (2021/22 £1,527.80) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2022/23 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 107,267.

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 number of band properties | | |
|-------------------------------------|---|---------|-------|---|---|-------------|
| | 2022/23 | 2021/22 | | 2022/23 | | 2021/22 |
| | | | | | | |
| A | 7,736 | 7,469 | 6/9 | 5,157 | | 4,979 |
| В | 26,690 | 26,361 | 7/9 | 20,759 | | 20,503 |
| С | 27,230 | 27,223 | 8/9 | 24,204 | | 24,198 |
| D | 22,085 | 21,629 | 1 | 22,085 | | 21,629 |
| E | 16,558 | 16,032 | 11/9 | 20,237 | | 19,594 |
| F | 6,511 | 6,378 | 13/9 | 9,405 | | 9,212 |
| G | 4,177 | 4,225 | 15/9 | 6,962 | | 7,041 |
| Н | 774 | 783 | 18/9 | 1,548 | | 1,566 |
| | | | | | | |
| Total | 111,760 | 110,100 | | 110,357 | | 108,722 |
| | | | | | | |
| Less adjustment for collection rate | | | | (3,090) | | (3,044) |
| | | | | | | |
| Council Tax Base for year | | | | 107,267 | | 105,678 |
| | | | | | | |
| Estimated Income Required from Col | lection Fund | | | £ 171,041,523 | £ | 161,454,848 |
| | | | | | | |
| Band D Council Tax | | | | £ 1,594.54 | £ | 1,527.80 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 2022/23, 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 2022/23 were:

i) the standard multiplier was 51.2p (2021/22 51.2p)

ii) the small business multiplier was 49.9p (2021/22 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 2023 was £755.2m (at 31 March 2022 £757.2m).

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 2022/23, 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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 2022, the Council estimated a council tax surplus of £0.342m and NDR deficit of £83.022m for 2021/22, as follows:

| | Council Tax £000 | Business Rates £000 | Total £000 |
|---|---------------------|------------------------|---------------|
| | | | |
| (Surplus) / Deficit as at 31 March 2021 | 4,833 | 107,808 | 112,641 |
| Estimated in-year (surplus)/deficit for 2021/22 | (5,175) | (24,786) | (29,961) |
| | | | |
| Estimated (surplus) / deficit as at 31 March 2022 | (342) | 83,022 | 82,680 |

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 deficit for business rates was apportioned between the council, the GLA and DLUHC as follows:

| Authority | Coun | cil Tax | Busine | ss Rates | Total |
|-----------------------------------|------|---------|--------|----------|--------|
| | % | £000 | % | £000 | £000 |
| | | | | | |
| Southwark Council | 75 | (251) | 30 | 27,397 | 27,146 |
| Greater London Authority | 25 | (91) | 37 | 24,907 | 24,816 |
| Central Government | | | 33 | 30,718 | 30,718 |
| | | | | | |
| Estimated (surplus) / deficit for | | | | | |
| 2021/22 redistributed in 2022/23 | | (342) | | 83,022 | 82,680 |

5. PROVISION FOR BUSINESS RATE APPEALS

The introduction of the business rates retention scheme in 2013 allows the council to retain a share of any growth in nondomestic rates (NDR) income, but also transfers some of the risks of losses.

As at 31 March 2023, 1253 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 2023 is £33m (£36.2m as at 31 March 2022), a decrease of £3.1m 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 £9.9m.

| Share of provision | Southwark | | | |
|--------------------|-----------|------|-------|-------|
| • | Council | GLA | DLUHC | Total |
| | 30% | 37% | 33% | 100% |
| | £m | £m | £m | £m |
| | | | | |
| 2022/23 | 9.9 | 12.2 | 11 | 33.0 |
| 2021/22 | 10.9 | 13.4 | 11.9 | 36.2 |

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

PENSION FUND ACCOUNT 2022/23

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LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT

| | Note | 2022/23 | | 2021/22 | |
|---|------|----------|-------------|-----------|-------------|
| | | £000 | £000 | £000 | £000 |
| Dealings with members, employers and others directly involved in the fund | | | | | |
| Contributions | 7 | (61,745) | | (62,851) | |
| Transfers in from other pension funds | 8 | (3,257) | | (8,419) | |
| Subtotal | | | (65,002) | | (71,270) |
| Benefits | 9 | 69,588 | | 65,135 | |
| Payments to and on account of leavers | 10 | 4,322 | | 6,915 | |
| Subtotal | | | 73,910 | | 72,050 |
| Net reduction/(addition) from dealing with members of the fund | | | 8,908 | | 780 |
| Management expenses | 11 | | 12,859 | | 8,973 |
| Net additions including fund management expenses | | | 21,767 | | 9,753 |
| Returns on investments | | | | | |
| Investment income | 12 | (7,392) | | (7,425) | |
| Taxes on income | 12 | 1 | | 2,058 | |
| Profit and losses on disposal of investments and changes in market value of investments | 14a | 89,338 | | (181,118) | |
| Net return on investments | | | 81,947 | | (186,485) |
| Net (increase)/decrease in the net assets available for benefits during the year | | | 103,714 | | (176,732) |
| Opening net assets of the scheme | | | (2,125,356) | | (1,948,624) |
| Net assets of the scheme available to fund benefits as at 31 March | | | (2,021,642) | | (2,125,356) |

NET ASSETS STATEMENT

| | Note | 31 March 2023 | 31 March 2022 |
|--|------|------------------|------------------|
| | | £000 | £000 |
| Long Term Investments | | 150 | 150 |
| Investment assets | 14 | 2,012,803 | 2,102,141 |
| Total Net Investments | | 2,012,953 | 2,102,291 |
| | | | |
| Current assets | 13 | 12,199 | 28,223 |
| Current liabilities | 13 | (3,510) | (5,158) |
| | | | |
| Net assets of the scheme available to fund benefits as at 31 March | | 2,021,642 | 2,125,356 |

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. DESCRIPTION OF THE FUND

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, 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.

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.

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.

Membership details for the fund are set out below:

| | 31 March | 31 March |
|--|----------|----------|
| | 2023 | 2022 |
| Number of contributors to the fund | 7,647 | 6,995 |
| Number of contributors and dependants receiving allowances | 8,512 | 8,167 |
| Number of contributors who have deferred their pensions | 9,032 | 10,067 |
| Total contributors | 25,191 | 25,229 |

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 2023. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2022-23 financial year primary employer contribution rates ranged from 15.5% to 20.7%% 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.

A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website.

| | 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 |
| Lump sum | Automatic lump sum of 3 x pension. | No automatic 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 up. | cash payment. A lump sum of £12 is paid for each £1 of pension s | |

In August 2022, the pension fund made a self-declaration to the Pensions Regulator with regard to the late processing and issuance of member Annual Benefit Statements, due to issues with data migration to the new Pensions Administration system. The Pensions Regulator was informed of the plans to rectify and agreed no further action past these plans were required. These statements were then issued in tranches, with the final statements going out in December 2022.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2022-23 financial year and its position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, is due to be adopted by the Code for accounting periods commencing on or after 1 April 2024. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the pension fund because it does not hold any assets as a lessee.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in **Note 20**.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.

- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

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. Amounts not due until future years are classed as long-term financial assets.

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 employee contributions**. Bulk group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) 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) 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.

| Administrative Expenses | 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. |
|--------------------------------------|---|
| Oversight and Governance | 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. |
| Investment Management Expenses | 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. |

f) 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.

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) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) 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.

k) 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.

I) Loans and Receivables

Financial assets classed as amortised cost are carried in the net asset statement at the value of outstanding principal receivable at the year-end date plus accrued interest.

m) 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.

n) 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).

o) 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).

p) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by future events. A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the Balance Sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

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 2022-23.

Directly Held Property

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between six months and five years. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a premium paid at the inception of the lease).

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 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as indicated in the table below.

| ltem | Uncertainties | Effect if actual results differ from assumptions |
|---|--|--|
| Actuarial present value of retirement benefits | judgements relating to the discount rate used, the rate at which salaries are projected to increase, | assumptions on the present value of retirement benefits are: |
| Freehold and leasehold property and pooled property | carrying amount of pooled property funds and directly | |

6. EVENTS AFTER THE REPORTING DATE

There have been no material adjusting events after the reporting date.

7. CONTRIBUTIONS RECEIVABLE

| Bу | category |
|----|----------|
|----|----------|

| | 2022-23 £000 | 2021-22 £000 |
|------------------------------------|-----------------|-----------------|
| | | |
| Employee's Contributions | (15,394) | (15,030) |
| | | |
| Employer's Contributions | | |
| Normal | (39,841) | (33,732) |
| Deficit funding | (5,964) | (10,667) |
| Early retirement strain | (547) | (3,422) |
| | | |
| Total contributions from employers | (46,351) | (47,821) |
| | | |
| Total | (61,745) | (62,851) |

By type of employer

| | 2022-23 | 2021-22 |
|-------------------|----------|----------|
| | £000 | £000 |
| | | |
| Southwark council | (55,025) | (56,857) |
| Admitted bodies | (1,050) | (979) |
| Scheduled bodies | (5,670) | (5,015) |
| | | |
| Total | (61,745) | (62,851) |
| | | |

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

| | 2022-23 | 2021-22 |
|----------------------|---------|---------|
| | £000 | £000 |
| | | |
| Individual transfers | (3,257) | (8,419) |
| | | |
| Total | (3,257) | (8,419) |

9. BENEFITS PAYABLE

The table below shows the types of benefit payable by category:

| | 2022-23 | 2021-22 |
|--|---------|---------|
| | £000 | £000 |
| | | |
| Pensions | 55,415 | 53,130 |
| Commutation of pensions and lump sum retirement benefits | 12,127 | 9,588 |
| Lump sums - death benefits | 2,046 | 2,417 |
| | | |
| Total | 69,588 | 65,135 |

The table below shows the total benefits payable grouped by entities:

| | 2022-23 | 2021-22 |
|-------------------|---------|---------|
| | £000 | £000 |
| | | |
| Southwark Council | 65,489 | 61,941 |
| Admitted bodies | 2,686 | 2,316 |
| Scheduled bodies | 1,413 | 878 |
| | | |
| Total | 69,588 | 65,135 |

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| | 2022-23 | 2021-22 |
|---|---------|---------|
| | £000 | £000 |
| | | |
| Refund of contributions | 132 | 263 |
| Individual transfers out to other schemes | 4,190 | 6,652 |
| | | |
| Total | 4,322 | 6,915 |

11. MANAGEMENT EXPENSES

| | 2022-23 £000 | 2021-22 £000 |
|------------------------------------|-----------------|-----------------|
| | 2000 | 2000 |
| Administrative costs | 3,479 | 1,891 |
| Investment and management expenses | 8,915 | 6,531 |
| Oversight and governance costs | 465 | 551 |
| | | |
| Total | 12,859 | 8,973 |

The 2022-23 fee for external audit services for the pension fund is £21K (£21k in 2021-22). The increase in administration costs are due to 21-22 failing to include the recharge related to council services as it was stated elsewhere in the accounts and additional costs in 22-23 for Civica/UPM software implementation.

The Pension Fund incurred expenses of £0.9m in relation to services provided by the council during 2022-23 (£0.9m during 2021-22).

The table below provides an analysis of investment and management expenses by asset class.

| | | 2022-23 | | | 2021-22 | |
|----------------|------|----------------------|-------|-------|----------------------|-------|
| | Fees | Transaction costs | Total | Fees | Transaction costs | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | | | | |
| Fixed Income | | | - | 303 | - | 303 |
| Equity | | | - | 2,228 | 16 | 2,244 |
| Private Equity | | | - | 1,701 | 534 | 2,235 |
| Property | | | - | 1,114 | - | 1,114 |
| Infrastructure | | | - | 152 | - | 152 |
| Other | | | - | 125 | 258 | 383 |
| Sub-Total | - | - | - | 5,623 | 808 | 6,431 |
| | | | | | | |
| Custody costs | | | | | | 100 |
| | | | | | | |
| Total | | | - | | | 6,531 |

Performance fees in 2021-22 were nil (nil in 2020-21).

12. INVESTMENT INCOME

| | 2022-23 | 2021-22 |
|---------------------------------------|---------|---------|
| | £000 | £000 |
| | | |
| Dividends from equities | 1,196 | (4,171) |
| Pooled funds | (6) | (849) |
| Pooled property funds | (1) | (650) |
| Net rent from properties | (8,582) | (6,072) |
| Interest on cash deposits | - | - |
| Clearance of historic debtor balances | - | 4,317 |
| Total before taxes | (7,393) | (7,425) |
| | | |
| Taxes on income | 1 | 2,058 |
| | | |
| Total after taxes | (7,392) | (5,367) |

12a. PROPERTY INCOME

| | 2022-23 £000 | 2021-22 £000 |
|---------------------------|-----------------|-----------------|
| | | |
| Rental Income | (10,144) | (7,950) |
| Direct operating expenses | 1,562 | 1,878 |
| Net rent from properties | (8,582) | (6,072) |

13a. EXTERNAL AUDIT COSTS

| INA. EXTERNAL AUDIT COULD | | |
|--------------------------------------|---------|----------|
| | | Restated |
| | 2022-23 | 2021-22 |
| | £000 | £000 |
| | | |
| Payable in respect of external audit | 25 | 39 |
| | | |

14. INVESTMENT ASSETS

| | 31 March 2023 £000 | 31 March 2022 £000 |
|---------------------------|--------------------------|--------------------------|
| . | | |
| Long Term Investments | | |
| Equities | 150 | 150 |
| Total | 150 | 150 |
| Investment Assets | | |
| Equities | 268,150 | 256,900 |
| Pooled Funds | | |
| Fixed Income | 133,397 | 132,310 |
| Equities | 489,195 | 480,221 |
| Diversified Growth | 141,523 | 191,389 |
| Property | 93,636 | 92,879 |
| Infrastructure | 150,605 | 96,403 |
| Private Equity | 48,179 | 28,123 |
| Other | 67,147 | 73,407 |
| Unitised Insurance Policy | | |
| Fixed Income | - | 180,108 |
| Equities | 425,119 | 335,240 |
| Property | 194,310 | 230,600 |
| Other investment balances | 1,541 | 4,561 |
| Total Investment Assets | 2,012,803 | 2,102,141 |
| Net Investments | 2,012,953 | 2,102,291 |

14a. 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:

| | Opening balance | Purchases | Sales | Change in market value | 31 March 2023 |
|---------------------------|--------------------|-----------|-----------|------------------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Equities | 256,900 | 32,886 | (26,233) | 11,250 | 268,150 |
| Pooled funds | 1,001,853 | 295,032 | (124,486) | 28,193 | 1,030,046 |
| Pooled property funds | 92,879 | 1,897 | (205) | 757 | 93,636 |
| Unitised insurance policy | 515,348 | 359,520 | (524,849) | (90,229) | 425,119 |
| Property | 230,600 | 7,511 | (9,605) | (36,290) | 194,310 |
| | 2,097,580 | 696,846 | (685,378) | (86,318) | 2,011,262 |
| Other investment balances | 4,561 | | | (3,020) | 1,541 |
| Total | 2,102,141 | | | (89,338) | 2,012,803 |

| | Opening balance | Purchase | 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 |

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 2023. All properties have been valued at market value.

The investment strategy statement can be accessed on the council's website.

14b. 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 2023 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).

| | 31 March 2023 | | 31 March 2022 | |
|---------------------------------------|---------------|------|---------------|------|
| | £000 | % | £000 | % |
| BlackRock | 747,381 | 38% | 843,247 | 40% |
| Legal and General Investment Managers | 395,764 | 20% | 427,128 | 20% |
| Newton Investment Management | 268,133 | 13% | 256,898 | 12% |
| Nuveen | 198,009 | 10% | 234,299 | 11% |
| Comgest | 93,431 | 5% | 97,913 | 5% |
| Temporis | 86,627 | 4% | 50,054 | 2% |
| M&G | 43,231 | 2% | 42,927 | 2% |
| Invesco | 33,068 | 2% | 31,432 | 1% |
| BTG Pactual | 35,743 | 2% | 30,380 | 1% |
| Blackstone | 48,179 | 2% | 28,123 | 1% |
| Darwin | 21,620 | 1% | 20,428 | 1% |
| Glennmont | 26,437 | 1% | 19,930 | 1% |
| Frogmore | 6,799 | 0% | 8,011 | 0% |
| Brockton Capital | 6,839 | 0% | 6,810 | 0% |
| Total | 2,011,262 | 100% | 2,097,580 | 100% |

The following investments represent more than 5% of investment assets at 31 March 2023.

| Name of investment | Fund manager | 31 March 2023 £000 | investment assets | 31 March 2022 £000 | % of investment assets % |
|---------------------------|-------------------|--------------------------|----------------------|--------------------------|-----------------------------------|
| | | | | | |
| Low Carbon Target | BlackRock | 336,298 | 17% | 382,308 | 18% |
| Global Equities | Newton | 268,133 | 13% | 256,898 | 12% |
| Direct Property | Nuveen | 201,762 | 10% | 234,299 | 11% |
| Low Carbon Transition | Legal and General | 166,572 | 8% | - | 0% |
| Low Carbon Target | Legal and General | 165,357 | 8% | 335,240 | 16% |
| Diversified Growth Fund | BlackRock | 141,523 | 7% | 191,389 | 9% |
| Absolute Return Bond Fund | BlackRock | 133,397 | 7% | 132,310 | 6% |
| | | | | | |

14c. PROPERTY HOLDINGS

| | 31 March 2023 | 31 March 2022 |
|------------------------------|------------------|------------------|
| | £000 | £000 |
| Opening balance | 230,600 | 187,470 |
| | | |
| Additions: | | |
| Purchases | 7,734 | 7,130 |
| Subsequent expenditure | 2,661 | 2,096 |
| | | |
| Disposals | (19,513) | - |
| | | |
| Net increase in market value | (27,172) | 33,904 |
| | | |
| Closing Balance | 194,310 | 230,600 |
| | | |

15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives

16. 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.

| 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 | Unitised insurance I I Diffeed are published I | | Net assets value (NAV) based pricing set on a | Not required |
| Policies | | Closing single price where single price published | 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 2023 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|-----------------|--------------------|--------------------------------|----------------------|
| Financial assets at fair value through profit and loss | | | | |
| Equities | 268,149 | 150 | - | 268,299 |
| Pooled Funds | | | | |
| Fixed Income | - | 133,397 | - | 133,397 |
| Equities | - | 596,109 | - | 596,109 |
| Diversified Growth | - | 141,523 | - | 141,523 |
| Property | - | - | 93,636 | 93,636 |
| Infrastructure | - | 21,620 | 128,986 | 150,600 |
| Private Equity | - | - | 48,179 | 48,179 |
| Other | - | 31,404 | 35,743 | 67,147 |
| Unitised Insurance Policy | | | | |
| Fixed Income | - | 152,894 | - | 152,894 |
| Equities | - | 165,311 | - | 165,311 |
| Total Financial Assets | 268,149 | 1,242,408 | 306,544 | 1,817,101 |
| Non-financial assets at fair value through profit and loss | | | | |
| Property | - | - | 194,310 | 194,310 |
| Grand Total | 268,149 | 1,242,408 | 500,854 | 2,011,411 |
| Value as at 31 March 2022 | Level 1 £000 | Level 2 £000 | Level 3 £000 | Tota £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 | - | 480,22 [,] |
| 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 | | | | |
| | | 180,108 | | 180,108 |
| Fixed Income | | 180,108 335,240 | - | |
| Fixed Income Equities | | | - - 227,357 | 335,240 |
| Unitised Insurance Policy Fixed Income Equities Total Financial Assets Non-financial assets at fair value through profit and loss | - | 335,240 | | 335,24(1,867,13(|
| Fixed Income Equities Total Financial Assets | - | 335,240 | - 227,357 230,600 | 335,240 |

The following table shows the reconciliation of fair value measurements within level 3.

| | Opening balance £000 | Purchase £000 | Sales £000 | Realised gain/(loss) £000 | Unrealised gain/(loss) £000 | 31 March 2023 £000 | |
|---|--|------------------|---------------|---------------------------------|-----------------------------------|--------------------------|--|
| Financial assets at fair value through profit | Financial assets at fair value through profit and loss | | | | | | |
| Pooled Funds | | | | | | | |
| Property | 92,879 | 1,897 | (205) | (194) | (741) | 93,636 | |
| Infrastructure | 75,975 | 42,648 | (1,995) | 455 | 11,903 | 128,986 | |
| Private Equity | 28,123 | 23,884 | (6,431) | 87 | 2,516 | 48,179 | |
| Other | 30,380 | - | (689) | 65 | 5,987 | 35,743 | |
| | | | | | | | |
| Non-financial assets at fair value through p | profit and loss | 5 | | | | | |
| Property | 234,299 | 7,511 | (9,605) | (11,910) | (25,985) | 194,310 | |
| | | | | | | | |
| Total | 461,656 | 75,940 | (18,925) | (11,497) | (6,320) | 500,854 | |

| | Opening balance £000 | Purchase £000 | Sales £000 | Realised gain/(loss) £000 | Unrealised gain/(loss) £000 | 31 March 2022 £000 |
|---|----------------------------|------------------|---------------|---------------------------------|-----------------------------------|--------------------------|
| Financial assets at fair value through 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 through p | 6 | | | | | |
| Property | 187,470 | 9,226 | - | - | 33,904 | 230,600 |
| | | | | | | |
| Total | 296,502 | 131,997 | (13,638) | 263 | 42,833 | 457,957 |

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 Value as at 31 March 2023 Value on Value on Value on

| | valuation range | as at 31 March 2023 | increase | decrease |
|----------------|--------------------|------------------------|----------|----------|
| | | £000 | £000 | £000 |
| Pooled Funds | | | | |
| Property | 5.9% | 93,636 | 99,179 | 88,093 |
| Infrastructure | 4.6% | 128,986 | 134,952 | 123,020 |
| Private Equity | 4.6% | 48,179 | 50,407 | 45,951 |
| Other | 4.6% | 35,743 | 37,396 | 34,090 |
| | | | | |
| Property | 5.9% | 194,310 | 205,813 | 182,807 |
| | | | | |
| Total | | 500,854 | 527,747 | 473,961 |

17. FINANCIAL INSTRUMENTS

The following table shows the classification of the Pension Fund's financial instruments:

| | 31 March 2023 | 31 March 2022 |
|------------------------------------|------------------|------------------|
| | £000 | £000 |
| Financial assets | | |
| Fair value through profit and loss | | |
| Equities | 268,300 | 257,050 |
| Pooled Investments | 1,030,046 | 1,001,853 |
| Pooled Property Investments | 93,636 | 92,879 |
| Unitised Insurance Policy | 425,119 | 515,348 |
| Amortised cost | | |
| Cash | 6,872 | 24,255 |
| Other Investment Balances | 1,541 | 4,561 |
| Debtors | 5,327 | 300 |
| Total | 1,830,842 | 1,896,246 |
| | | |
| Financial liabilities | | |
| Amortised cost | | |
| Creditors | (3,510) | (4,522) |
| Net Total | 1,827,332 | 1,891,724 |

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 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:

| 2022-23 - asset type | 31 March 2023 £000 | Change % | Value on increase £000 | Value on decrease £000 |
|----------------------|--------------------------|-------------|------------------------------|------------------------------|
| Fixed Income | 133,397 | 5.1% | 140,202 | 126,591 |
| Equities | 1,182,615 | 12.9% | 1,335,372 | 1,029,857 |
| Diversified Growth | 141,523 | 6.1% | 150,140 | 132,906 |
| Property | 287,946 | 5.9% | 304,993 | 270,900 |
| Infrastructure | 150,605 | 4.6% | 157,571 | 143,639 |
| Private Equity | 48,179 | 4.6% | 50,407 | 45,951 |
| Other | 67,147 | 4.6% | 70,253 | 64,042 |
| Total | | 4.0 % | | |
| Total | 2,011,412 | | 2,208,938 | 1,813,885 |
| 2021-22 - asset type | 31 March 2022 £000 | Change % | Value on increase £000 | Value on decrease £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 |

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 | | | Value on 1% rate decrease |
|---------------------------------------|---------|---------|---------------------------|
| | £000 | £000 | £000 |
| As at 31 March 2023 | 133,397 | 134,731 | 132,063 |
| As at 31 March 2022 | 312,418 | 315,542 | 309,294 |

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 6.3% strengthening or weakening of the pound against foreign currencies.

| Assets exposed to currency risk | Value | | | foreign exchange rate decrease |
|---------------------------------|---------|------|---------|--------------------------------------|
| | £000 | % | £000 | £000 |
| As at 31 March 2023 | 363,500 | 6.3% | 386,401 | 340,600 |
| As at 31 March 2022 | 638,721 | 7.3% | 685,348 | 592,094 |

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. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2023

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

- 1. The valuation as at 31 March 2022 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 2022 (of £2,125.4M) covering 109% of the liabilities.
- 2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (including ill-health early retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

| Year from 1 April | % of pensionable pay | Plus total contribution amount (£m) |
|-------------------|----------------------|-------------------------------------|
| 2023 | 21.1 | - |
| 2024 | 21.2 | - |
| 2025 | 21.2 | - |

- 3 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, stepping of contribution changes and individual employers' recovery periods 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%).
- 4 The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

| Discount Rate | 4.05% p.a. |
|--|------------|
| Rate of pay increases | 3.8% p.a. |
| Rate of increase to pension accounts* | 2.3% p.a. |
| Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)* | 2.3% p.a. |

* In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

5 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) S3 '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 future improvements based on the 2021 Continuous Mortality Investigation Projections Model, 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 | 21.5 | 24.1 |
| Future pensioners aged 45 at the valuation date | 22.8 | 25.6 |

- 6 The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. 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.
- 7 The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. 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 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
- 8 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 their actuarial valuation which was carried out as at 31 March 2022. 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 fully the context and limitations 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.

9 The report on the actuarial valuation as at 31 March 2022 is available on request from the London Borough of Southwark, the Administering Authority of the Fund.

Aon Hewitt Limited May 2023

20. 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

| | 31 March 2022 | 31 March 2019 |
|---|------------------|------------------|
| | £m | £m |
| Fair value of net assets | 2,125 | 1,642 |
| Actuarial present value of promised retirement benefits | (2,597) | (2,192) |
| Surplus/(deficit) in the fund as measured for IAS 26 | (471) | (550) |

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

| | 31 March | 31 March |
|-------------------------------|--------------|--------------|
| | 2023 £000 | 2022 £000 |
| Contributions due - employees | 191 | - |
| Contributions due - employers | 1,517 | 3,642 |
| Sundry debtors | 2,072 | 300 |
| Prepayments | 6 | - |
| Тах | - | 26 |
| Cash balances | 6,872 | 24,255 |
| Other investment balances | 1,541 | |
| Total | 12,199 | 28,223 |

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

| | 31 March | 31 March |
|-------------------|--------------|--------------|
| | 2022 £000 | 2022 £000 |
| Benefits | (216) | (6) |
| Professional fees | (73) | (131) |
| Investment fees | (1,996) | (4,391) |
| Taxes | (311) | (558) |
| Other | (914) | (72) |
| Total | (3,510) | (5,158) |
| | | |

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

| Fund Manager | Contributions Paid 2022-23 | Market Value 31 March 2023 | Contributions Paid 2021-22 | Market Value 31 March 2022 |
|--------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| - | £000 | £000 | £000 | £000 |
| Aegon UK | 249 | 3,644 | 249 | 3,605 |
| Total | 249 | 3,644 | 249 | 3,605 |

24. AGENCY SERVICES

The council has not acted as an agent for any employers of the fund in 2022-23.

25. RELATED PARTY TRANSACTIONS

Through its administration of the fund, the fund has a related party interest with the council. The council charged the fund £0.9m in 2022-23 (£0.9m in 2021-22). 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 2022-23 and 2021-22.

No officers' remuneration is paid directly by the fund; costs are instead recovered as part of the costs disclosed in note 11.

The Pension Advisory Panel (PAP) offers advice to the Strategic Director of Finance and Governance. Five members of the PAP are currently active members of the pension fund whilst one member is in recept of pension benefits. Members of the PAP are required to make a declaration each meeting which is recorded in the minutes and are available on the council website. In 2022-23 there was one declaration for some elected members and officers of the council regarding the decisions around the acturial valuation of the pension fund and the annual budget setting process of the council.

The council is also the single largest employer of members of the Pension Fund and contributed £41.4m to the fund in 2022-23 (£43.4m in 2021-22).

25A. KEY MANAGEMENT PERSONNEL

The valuation of Key Personnel post employment remuneration is not available at the time of publishing and will need to be obtained from the pension fund's actuary. This information will be added when the final accounts are published.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2023 totalled £105.8m (31 March 2022: £101.6m).

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.

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.

ASSET

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.

CIPFA

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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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 VALUE

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, and

• 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

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.

SOUTHWARK COUNCIL STATEMENT OF ACCOUNTS 2022/23

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.

PRECEPT

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.

| Item No. 12. | Classification Open | Date: 17 July 2023 | Meeting Name: Audit, Governance and Standards Committee |
|-----------------------------|------------------------|-------------------------------------|---|
| Report titl | e: | Annual Governance Statement 2022-23 | |
| Ward(s) or groups affected: | | d: All | |
| From: | | Strategic Director of Finance | |

RECOMMENDATION

1. That the audit, governance and standards committee approve the Annual Governance Statement (AGS) 2022-23 as attached at Appendix 1.

BACKGROUND INFORMATION

- 2. 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 2022-23 was reviewed by audit, governance and standards committee in June 2023. 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.
- 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.

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- 7. The draft AGS was circulated to strategic directors, and reviewed by the Corporate Management Team (CMT) in May 2023. It was reviewed by the audit, governance and standards committee in June 2023. It was agreed by the committee that the final annual governance statement should include reference to the review of the council's scrutiny function by the Centre for Governance and Scrutiny. This has been included at paragraph 3.9. There are two further changes to the draft AGS. The final version has been revised at paragraph 6.2.5 to clarify that the draft asset management plan will be considered alongside the funding of the capital programme in 2023-24 and an additional paragraph at 7.10 on the ongoing financial risk of the rising demand for temporary accommodation.
- 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 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

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 |
|-------------------|---------|---------|
| None | | |

APPENDICES

| No. | Title | |
|------------|-------------------------------------|--|
| Appendix 1 | Annual Governance Statement 2022-23 | |

AUDIT TRAIL

| Lead Officer | Clive Palfreyman, | Clive Palfreyman, Strategic Director of Finance | | |
|---|--|---|-----|--|
| Report Author | Geraldine Chadwick, Interim Technical Accountant | | | |
| Version | Final | | | |
| Dated | 28 June 2023 | 28 June 2023 | | |
| Key Decision? | No | | | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / | | | | |
| | CABINET | MEMBER | | |
| Officer Title Comments Sought Comments included | | | | |
| Assistant chief ex | ecutive | No | N/A | |
| (governance and assurance) | | | | |
| Strategic Director of | | N/A | N/A | |
| Finance and Governance | | | | |
| Cabinet Member | Cabinet MemberN/AN/A | | | |
| Date final report sent to Constitutional Team29 June 2023 | | | | |

Appendix 1 Annual Governance Statement 2022-23

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 it has 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

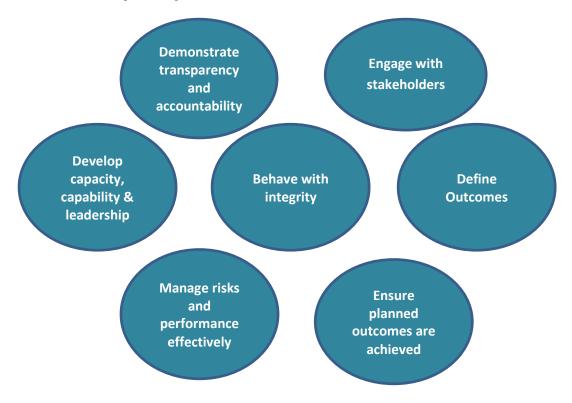


Table 1 – Core principles of the CIPFA/SoLACE framework

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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. The Code is to be updated following changes to the senior management structure. Compliance with the revised Code will be reported to the audit governance and standards committee in 2023-24.

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. The council has established a yearly review of compliance against the FM Code which is reported to the audit, governance and standards committee.

3.6 The governance framework incorporated into this Annual Governance Statement has been in place at Southwark Council for the year ended 31 March 2023 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 council delivery plan priorities, developed in consultation with residents and stakeholders | 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 |
|--|---|
|--|---|

| Decision | making |
|----------|--------|
|----------|--------|

- All decisions made in compliance with law and council constitution
- Meetings are held in public
- Decisions are recorded on the council website

Risk Management

- Risk management strategy ensures proper management of risks
- Risk registers identify both strategic and operational risks

Corporate Management Team

- Head of Paid Service is the Chief Executive and is responsible for all council staff and leading an effective corporate management team (CMT)
- During the latter part of 2022-23 there has been a transition to a new corporate structure, with changed responsibilities. These are described in more detail in the main report at paragraph 6.3.7 and 6.3.8

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 (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 Assistant Chief Executive, Governance and Assurance, 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. The Centre for Governance and Scrutiny were commissioned by the council in August 2022 to provide a health check of the council's scrutiny function. The findings of the review were reported in April 2023, with comments that *'scrutiny had a good foundation in Southwark'*, and suggested a number of recommendations to enhance the scrutiny function. The recommendations were reviewed by the overview and scrutiny committee in April 2023 and decisions on actions from this review will be considered in 2023-24.

3.10 A council delivery plan 2022-26 was presented to and agreed by Cabinet in September 2022. This is published on the council's website. In addition, the council is working with residents and partners to develop a borough wide strategy for the long term to 2030... The Council Delivery Plan 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.

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The Council Delivery 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 <u>Council Delivery Plan</u> which sets out the priorities and commitments to the people of Southwark. It is developed alongside the budget through consultation with residents and other stakeholders in the borough, and which sets out how the delivery plan will be achieved. The plan is centred on seven separate themes:

- Transforming our borough
- A thriving and inclusive economy
- A healthy environment
- Quality, affordable homes
- Keeping you safe
- Investing in communities
- Supporting families.

3.13 These themes describe how the council responds to local priorities – tackling the rising cost of living, building more council homes, reducing carbon emissions, creating new jobs and opportunities and protecting the borough's mental and physical health. The plan also makes clear how the council will deliver on priorities – supporting our young people to succeed at school, ensuring our older people are cared for, keeping our streets clean and ensuring our homes and neighbourhoods are safe and well looked after.

3.14 Performance against the council delivery plan is monitored throughout the year. Progress is reviewed quarterly by the leader 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.

3.15 A new <u>Council Delivery Plan</u> was agreed in September 2022 which alongside the <u>Fairer Future medium term financial strategy 2022-23 to 2026-27</u> 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.

3.16 From the Council Delivery 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

3.17 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.

3.18 The council also has a <u>whistleblowing policy</u>, 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.

3.19 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 <u>codes of conduct</u>, protocols and other documents.

3.20 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 who has statutory responsibility for the proper management of the council's finances and is a key member of the corporate management 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 also provides detailed finance protocols, financial regulations, procedures, guidance and finance training for managers and staff.

3.21 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.

3.22 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 framework, the council's risk management and governance process. The opinion based on the interim draft annual audit report 2022-23 overall provides moderate assurance. This denotes that that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently, the same opinion as in 2020-21 and 2021-22.
- 4.3.4 Internal audits have strengthened local and corporate wide arrangements. The council's improvement plan has been further embedded to enhance the risk management arrangements.

- 4.3.5 The work of the corporate governance panel (CGP) ensures that the council continues to have appropriate and fit for purpose governance arrangements that are recognised and applied across the council.
- 4.3.6 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.
- 4.3.7 The annual report on the corporate risk register and risk management arrangements which were presented to the 6 February 2023, 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 main purposes of the council's corporate risk management process are:

- To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.
- Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating
- To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).
- To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
- To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community
- 4.3.8 The top risks are those that have been assessed as 'amber' or 'red' and appear in more than one department and often require the most proactive management actions to control and mitigate these risks. The high level risks highlighted in February 2023 were:
 - Acute socio- economic factors;
 - Cost of living;
 - Medium term financial planning;
 - Schools and Education;
 - Cyber security, IT, Data Information management;
 - Capital Programme and Major Projects;
 - Legal and regulatory- Government policy;
 - Unforeseen Major event;

- Asset management and Building Safety;
- Failure of key provider;
- Climate emergency;
- Fraud;
- Health and Safety;
- Health and Social Care Act;
- Recruitment, retention, resources and capacity.
- 4.3.9 The AGS committee formal review of their performance. The committee assesses itself using a checklist produced by CIPFA. The February 2023 meeting concluded that the work programme in place had enabled the committee to carry out its functions effectively. In particular, that the committee had received regular internal and external audit reports. The committee approved the establishment of two standards sub-committee (civic awards and conduct) in July 2023.
- 4.3.10 The committee continued its approach to the consideration of governance by having additional structured reports on high risk areas and committee members continued to ask challenging questions and raise issues on matters before it. 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 an increased focus on the implementation of action plans. In particular, through the 2022-23 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.

- 4.3.11 Departmental governance conversations. In 2022-23, the AGS committee continued to invite Strategic Directors and the Chief Executive to discuss their departments' governance arrangements. These 'governance discussions' provided in depth details of departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed Members to discuss and challenge particular governance issues.
- 4.3.12 Review of governance issues in other councils. In November 2022, the audit, governance and standards committee received an updated report on local authority 'Public Interest Reports' (PIRs). These cases were first brought to the attention of the committee in June 2021, summarising the findings from the Public Interest reports at Nottingham City Council, the London Borough of

Croydon, and Northampton Borough Council. The updated 2022 report brought the committee up to date with the follow on report from Grant Thornton which highlighted a further ten councils who had public interest reports, statutory recommendations and other interventions such as Section 114 notices. This report concluded that some of the messages were similar to that set out previously, i.e. poor culture and governance and lack of oversight and recommended that audit committees should strive for continual improvement and regular review of potential risks.

- 4.3.13 The report also highlighted that many council finance departments have suffered from under-investment, as back office services were impacted during austerity, with councils attempting to protect front line services. This has impacted on skills and capacity in many cases. There are now significant weaknesses in some councils' succession planning, in understanding the financial accounting implications of new and innovative schemes, and in the production of financial statements, the requirements for which have grown significantly more complex in recent years
- 4.3.14 The review of compliance with the CIPFA FM Code 2022-23. 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. A key part of the FM Code is a review of the council's financial sustainability against the CIPFA financial resilience index which are benchmarked across other local authorities.

Assurance statement

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

Governance issues

Governance issues highlighted in 2021-2

6.1 The 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 The follow up of the governance issues highlighted in 2021-22, are discussed in paragraphs 6.2.1- 6.2.12. These were:-
 - Cyber security
 - The Covid-19 pandemic
 - The council's ambitious housing programme

- Funding of local government
- The commitment to ensure Southwark is carbon neutral by 2030

Cyber security

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. Cyber security was an issue that was monitored in 2021-2 but remains a significant governance issue for the council. The widely publicised Capita IT cyber-attack in March 2023 highlighted the risk of major IT outages and data breaches for local councils (and others). The council has a structured approach to review changing threat levels and processes to mitigate these threats including:

- A regular oversight by the shared service provider and council client to ensure that all controllable risk is managed and council services protected
- Robust system back-up, firewall, anti-virus and cyber security arrangements are in place through the council's IT team and the managed IT shared service
- Migration of software solutions to hosted managed services in the cloud
- Appropriate contractual assurance for both cloud based and hosted services
- Ensure all hardware and software is supported for security updates
- Regular maintenance and update of disaster recovery and business continuity plans
- IT capital improvement programme to continue to bring infrastructure up to an efficient and current standard
- Further development of the structure and management of IT shared services arrangements with Brent and Lewisham
- Effective policies, guidance, training and controls to ensure staff compliance, provided and updated regularly by the IT shared service
- Robust information governance arrangements including well defined Data Protection Officer and Senior Information Risk Owner responsibilities

6.2.2. The audit, governance and standards committee were updated throughout 2022-23 on the progress of the IT disaster recovery plan in response to a cyber security event or a disaster. All recommendations identified were to be resolved by March 2023.

Covid -19 Pandemic

6.2.3 The impact of the Covid-19 pandemic remained a significant risk factor in 2021-22 but key governance processes and functions were found to have been robust. The residual impact of the pandemic, however, remains in some service areas. For example, the imposition of lockdowns had a fundamental impact on the operation and financial performance of the council's leisure services. This risk is ongoing and described in more detail in paragraph 6.3.16.

6.2.4 The agility of council services was tested over the pandemic and this has, in some ways, allowed the council to respond quickly and effectively to the emerging cost of living crisis. Council services and financial resources that were tailored to support the vulnerable during the pandemic have been targeted to support the vulnerable again through the cost of living crisis (paragraphs 6.3.3 – 6.3.6).

The council's housing programme

6.2.5. The management of the council's housing delivery programmes continues to be an area of financial risk. The council is the largest council landlord in London and one of the biggest in the country. The council have drafted a new 'Asset Management Strategy', which will be considered alongside a capital programme refresh in 2023-24.

6.2.6. The council's budget overspent in 2021-22 on temporary accommodation (TA) and through the budget challenge process a 'budget recovery board' was established to discuss, challenge and look for a way forward. Currently, there are too many households living in temporary accommodation and the council plans to build new council homes to give families somewhere secure and affordable to live. In order to keep building new council homes, the council is exploring new sources of funding, in addition to borrowing from government. The housing department is reviewing the new homes programme in light of changes with building costs, and funding availability. The Housing Delivery Board will continue to oversee the programme to ensure it remains viable and deliverable, identifying new risks and opportunities as they arise.

Local government funding

6.2.7 A highlighted risk, was the continued uncertainty around local government funding and the difficulties with planning assumptions where local government settlements were for one year only. When the council budget for 2022-23 was set in February 2022, it was based on robust and realistic assumptions that had been subjected to intense budget challenge from council members. However, it was noted that there were still significant risks, such as demand pressures on council services and the uncertainty of the wider economic environment.

6.2.8 Cabinet were regularly updated on the council's financial position in 2022-23, receiving reports on the council's financial position in July 2022, October 2022, December 2022, January 2023 and February 2023. These reports drew attention to the wider economic climate and set out possible financial scenarios for future years, culminating in the budget setting for 2023-24. Each report clearly stated the current economic climate, the risks to the council and the potential funding issues for future years and drew on the work undertaken by council members and officers through the budget challenge process. It allowed for both transparency and challenge and enabled a collaborative approach to budget setting ensuring that the council's priorities were met whilst ensuring the financial sustainability of the council.

6.2.9 The July 2022 cabinet report highlighted the deepening cost of living crisis, rising interest rates impacting on the cost of financing the council's capital programme and the absence of any certainty of funding streams to support climate emergency plans. In September 2022, the economic outlook significantly worsened. The tax and policy changes announced in the 23 September mini-budget and subsequent U turns on corporation tax and the 45% higher rate of tax, created a rapid deterioration in the UK economy. Inflationary increases followed from the price rises in energy and the Bank of England (BoE) have responded by raising interest levels – currently at 4.5%. The October cabinet report highlighted these issues, and warned of further significant rises in interest rates to come. It was reported that additional resources would have to be factored into the budget in recognition of increased debt charges together with a review of the existing capital programme.

6.2.10 The macroeconomic climate materially deteriorated and the government had to reverse many of the policies set out in the mini budget to stabilise the economy. The Chancellor, Jeremy Hunt pledged to increase taxes to raise £35bn and reduce government spending by £24bn over 5 years. The budget was planned to encourage economic stability and consequently, a delay to many of the local government planned reforms.

6.2.11 Council budgets were squeezed by higher than expected cost pressures which reduced spending power. ONS data put inflation at 10.1% in the 12 months to March 2023. To help support council budgets additional resources for the unfunded cost inflation experienced by service departments has been factored into the 2023-24 budget together with additional contributions to risk reserves.

Southwark commitment to be carbon neutral by 2030

6.2.12 The council is delivering on 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. This continues to be a major commitment for the council.

Key governance areas in 2022-23

6.3 In 2022-23 the following governance areas have been highlighted in paragraphs 6.3.1- 6.3.19. These were:-

- Southwark Stands Together (SST)
- Cost of living crisis
- Re-organisation of the council's senior management structure
- The climate emergency
- Council services
- Southwark 2030

Southwark Stands Together (SST)

6.3.1. Southwark Stands Together (SST) affirms our commitment and pledge as a council to tackle racism, inequality and injustice, both within our communities and within the council. During 2022-2023, we established a new SST Programme Board, chaired by the Chief Executive and attended by members of the Corporate Management Team, to ensure that progress in delivering SST continues to be overseen by the most senior leaders of the council's workforce. Recordings of these meetings are made available on the council's intranet where they can be viewed by any employee.

6.3.2 In addition, we have strengthened the council's capacity to support the delivery of SST through the establishment of a new Equality and Diversity team, as well as new roles within our Human Resources (HR) and Organisational Development service, which are specifically focused on the workforce component of SST. In March 2023, we held a week of events – attended by residents and employees – to share and reflect on the progress we have made since SST was launched and reaffirm our commitment to tackling racial inequality and promoting anti-racist practice.

Cost of Living Crisis

6.3.3 Inflation and tax increases in 2022-23 contributed to an escalating 'cost of living crisis' as real income fell as a combination of high inflation outstripping wage increases and post April 2022 tax increases have squeezed incomes for many households. The Office for Budget Responsibility (OBR) anticipated that real household disposable incomes will be no higher in 2027 than they were in 2019.

6.3.4 The council prioritised support for the most vulnerable residents during the Covid-19 pandemic. In 2022-23, this support has continued with a renewed focus on supporting vulnerable residents through the cost of living crisis. The council

recognised that the cost of living crisis was not short lived and that the risks to residents were so grave that a longer term response was required.

6.3.5 A Southwark Council Cost of Living Fund (SCCOLF) was created by bringing together funding from the Household Support Grant (HSG), the discretionary council tax rebate and contributions from the council. With this Fund, the council has created a support network for the most vulnerable. The council pledged support for free holiday meals for those children receiving free school meals during term time. Around 15,000 eligible children attending Southwark schools received holiday meals. Residents on low incomes could apply directly for support or be referred though the 'Community Referral Pathway'. In addition, a targeted support campaign for those mostly older residents that receive at home care packages was launched. These schemes have ensured that those most vulnerable residents have been identified and supported by the council. The 'community referral pathway' has had referrals from over 100 community organisations, including over 40 schools.

6.3.6 In addition, the council launched a new Southwark Energy Savers Service, so people on low incomes can access the best advice to keep bills down. Households facing an emergency and unable to meet the cost of fuel energy or other essentials could also apply to the Council's local welfare assistance scheme, the Southwark Emergency Support Scheme.

Re-organisation of the council's senior management structure

6.3.7 In December 2022, the Chief Executive, Althea Loderick, proposed a reorganisation of the council's senior management structure to ensure the council's officer leadership team was clearly aligned with the priorities and commitments set out in the renewed Council Delivery Plan. The proposals enabled the required leadership to continue transforming how the council works and delivered financial savings. Membership of the Corporate Management Team (CMT) has been changed to reflect this new structure.

6.3.8 The changes include:

- Establishing a dedicated Housing directorate;
- Rebuilding and consolidation of the 'corporate centre' to establish capacity to continue transforming how the council works. Enabled by creating two new Assistant Chief Executive posts;
- A dedicated Finance directorate. The Strategic Director, Finance and Governance, Duncan Whitfield, left the council and a new Strategic Director of Finance, Clive Palfreyman appointed;

- A new strategic leadership post shared with local health partners jointly funded by the council and the Integrated Care Board to enable the integration of local health and social care services;
- Renaming the Environment and Leisure directorate to 'Environment, Neighbourhoods and Growth' and transferring in the Director, Planning and Growth;

The proposals are a first phase of reorganisation. Further changes, post March 2023, are to be developed.

The climate emergency

6.3.9 The climate emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of climate change. The council has published a Climate Emergency Strategy and Action Plan setting out how the council will become carbon neutral by 2030 and work to ensure the borough is also carbon neutral by 2030. The council has committed resources to a dedicated climate change team and the team continues to draw on a £2m reserve to deliver its work. The Action Plan is very ambitious and recognises that the resources are not in place to deliver it. The cost of the borough being carbon neutral is estimated at £3.9bn and the council will need central government to increase funding available to meet this challenge.

6.3.10 The council now considers climate impact as part of all of its decisions and plans to review how it procures to consider climate impact in procurement. The council recognises that there are challenges and often conflicting priorities. For example, meeting our commitment on building new homes, while at the same time reducing emissions. Good governance in the council is essential to identify and manage these issues.

Council Services

6.3.11 The Health and Care Act 2022 established Integrated Care Systems (ICS) which replaced the Clinical Commissioning Groups. The core ambition is to promote more joined up services and a focus on improving health. The council is part of the new South East London Integrated Care System which aims to bring together providers and commissioners of NHS services to meet the health and care requirements of their population. The implementation of the ICS has necessitated a number of changes to the council's governance arrangements. Whilst these changes are challenging, the council is well placed to support NHS colleagues, the community and voluntary sector and provider partners to ensure health provision reaches individual residents and families wherever and how they need it.

6.3.12 The council was rated 'good' by the Ofsted inspection of the council's children's services in 2022. The inspection concluded that children in Southwark who need help, protection and care continue to receive good services and as a result, children's lives are improved. It was recognised that children and their families had benefited from a strong political and corporate commitment across all areas of the council enabling significant investment in frontline staff.

6.3.13 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 means-test for local authority support. In the Autumn statement, these reforms have been delayed for another 2 years to October 2025 (now 10 years after the Dilnot reforms to social care and scheduled for post election). As the funding for these reforms has been recycled in the funding for existing social care demands in 2023-24, there is now a lack of earmarked funding to support these proposed reforms.

6.3.14 The council entered into a formal Safety Valve Agreement with the Department for Education (DfE) at the end of the 2022-23 financial year, which is a major programme put in place by the Department for Education (DfE) in recognition of the insufficient funding available for children and young people who have Special Educational Needs and/or Disabilities (SEND). The Programme focuses on improving SEND services in line with Southwark's SEND Strategy 2022-2025 and committed to reach an in-year balance on the DSG by 2024-25 and eliminating that deficit by 2026-27 with the support of £23m Safety Valve funding as set out in the DSG Management Plan. Upon entering into the Agreement, the Council received an initial grant of £9.2m in 2022-23 reducing the cumulative deficit at year end to £14.5m.

6.3.15 Alongside the emerging service improvement programme associated with delivering the SEND Strategy, the council has established a Safety Valve Delivery Programme to support and monitor the progression and delivery of the actions required to achieve the financial targets contained in the agreed DSG Management Plan. The Safety Valve Delivery Programme Board reports to the Budget Recovery Board, chaired by Strategic Directors.

6.3.16 The pandemic and the resultant imposition of lockdowns and currently the cost of living crisis have all come together in an perfect storm and have had a fundamental impact on the operation and financial performance of the council's leisure facilities. 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 on 21 June 2023. Work continues to enable this including the TUPE transfer of 350 staff, health and safety compliance requirements across the sites, asset management, new ICT infrastructure and new finance systems. Robust governance arrangements have been put in place during 2022-23, to support this

major insourcing, which will then also support the ongoing management and operation of the centres thereafter. An update on the progress of the progress of in-sourcing was reported to the audit, governance and standard committee in February 2023.

6.3.17 The review of the compliance with the FM code in Southwark included reviewing financial sustainability against the CIPFA Financial Resilience Index over the previous three years. The council scored as 'low risk' on the reserve sustainability measure which looks at changes in reserves over a three year period. However, the council remains in the bottom third of London authorities for reserve levels. The council remains cautious around the use of reserves as reductions in overall levels would create a significant risk for the authority.

6.3.18 The corporate risk register was updated in 2022-23 together with a refreshed risk management policy and strategy. This indicated both an increase in the number of corporate risks and some change to the type of risks faced by the council. The increase in risk is symptomatic of an extremely uncertain economic position, which impacts directly on the management, operations and financing of a local authority.

6.3.19 But despite these challenges in 2022-23, the council has continued to maintain consistent essential services for residents together with ensuring the delivery of key council commitments. The council's strong collaborative approach has continued to be effective at achieving a unified response together with key partners in the NHS and voluntary and community sectors. The continued ability of the council to adapt and change during the pandemic has led to more agile service provision during the cost of living crisis. This adds a layer of 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 2023-24 and the medium-term. Significant issues identified include:

- Impact of cost of living crisis on council services 2023-24
- Housing
- Southwark 2030
- Macroeconomic outlook
- Local government funding
- Recruitment and retention of staff
- Change of external auditor

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Impact of Cost of Living Crisis on council services 2023-24

7.2 In the Spring Statement 2023, the Institute for Fiscal Studies (IFS) commented that the overall outlook for public finances still looked difficult. Inflation has fallen to 8.7% in the year to April 2023 but there continues to be very high food price inflation of nearly 17%, which is of particular concern for low income families who spend a greater share of their income on food than higher income households. Growth in average total pay was 5.9% amounting to the largest falls in growth since records began in 2001. Taxes have continued to rise to their highest ever level, and tight spending is pencilled in from 2024. Households will continue to feel pain in the longer term, as even if inflation comes down, prices will remain high. Earnings lag behind inflation and the freezing of tax and national insurance thresholds will add further pain. This will create further hardship for those most vulnerable.

7.3 The government announced at the autumn statement that measures to support energy costs were to be scaled down with costs capped at £3,000 per annum (from £2,500) in 2023-24. But targeted support, through the Household Support Fund, for low income households, pensioners and those on disability benefits would be extended for a further year to March 2024.

7.4 The council has pledged to continue to tackle the cost of living crisis for residents though a number of programmes in 2023-24, using both government grants and council resources. These initiatives include:

- Further resources added to the SCCOLF for 2023-24;
- Support for fuel costs in response to the government scaling down universal support;
- Continuing access to the Southwark Energy Savers Service;
- Free school meals during the holidays for those primary age children receiving free school meals;
- Re-launch of the community pathway programme to ensure resources are targeted to those most in need;
- Expansion of the support given through the council's emergency schemes to include those on low incomes who are not entitled to benefits as well as those that are eligible;
- Continue the council's free healthy school meals provision ;
- Continuing to invest in the local voluntary sector.

Housing

7.5 Southwark is one of the largest social landlords in the country, consisting of 55,000 rented, leaseholder and freeholder homes across the borough. The cost of living and inflationary pressures over the past 6 months have had huge ramifications on the Housing Revenue Account (HRA). The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock,

offset by tenants' rents and service charges, homeowner service charges and other income.

7.6 The government have imposed restrictions on the rent rise for social housing at 7%. This has meant that rent rises have not risen in line with inflation, which will result in a cut to the overall HRA programme, given other costs have significantly increased. However the rent increase will still affect many residents where rent rises are not covered by benefits. In addition, there have been sharp increases in fuel costs which have affected both residents paying their bills directly to energy providers, but also to our tenants on communal heating systems. This is likely to lead to a significant increase in rent arrears and will need close monitoring, especially if fuel costs do not begin to fall back down quickly.

7.7 The council needs to consider the key housing priorities going forward within a climate of limited financial resources. And at the same time, ensuring the affordability of the housing capital programme alongside a viable revenue account. This is aided by the HRA business plan which considers both revenue and capital financial projections over the short, medium and longer-term. These projections can help determine policy direction, prioritise spend programmes and mitigate against risk. The importance of the plan has significantly increased recently due to emerging funding challenges such as increased interest rates, soaring inflation, the 7% rent cap, and extensive legal obligations arising from the Building Safety Act.

7.8 The Building Safety Act 2022 requires full implementation of the Building Safety Act by October 2023. Southwark is one of the largest landlords with over 170 high-rise blocks. Notwithstanding the critical importance of these new duties to augment residents' safety, they create a substantial additional financial pressure on already constrained resources, particularly capital, both for the initial surveying programme and the cost of remediation works arising from the surveys, which is currently an unknown, but potentially significant. For 2023-24, further resources of £6.3m are earmarked within the Asset Management budget to meet a range of cost pressures and new service commitments. The increasing responsibilities and obligations around building safety will also result in the need for more training of staff, and an increased pressure on already severely stretched resources. We know we need to invest in keeping residents safe, renewing heat networks, preventing damp and mould problems, reducing greenhouse gas emissions and helping the council to be carbon neutral by 2030.

7.9 The council is currently undertaking a wholesale review of its asset management strategy, to subsume new requirements into its business planning, which will be at the expense of other less-essential programmes. Capital resources are under extreme pressure and borrowing to support the new homes programmes continues to rise with a consequent revenue financing impact on the HRA. In addition, interest rates, which have been at historic lows for a prolonged period, continue to rise, which

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impacts the cost at which the council can borrow. Rates are expected to rise even further in an attempt to control continuing high levels of inflation.

7.10 Southwark is a leading authority on homeless prevention recognised nationally. However, the cost of temporary accommodation remains unremitting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and government restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private rented accommodation. London Council's¹ research found that only 6% of properties were affordable on LHA in South East London. These factors along with the unprecedented fallout of the pandemic has had a very significant impact on the council's temporary accommodation budget. These budgetary pressures will continue to be closely monitored in 2023-24.

7.11 The council has identified closing the gap in inequalities, thriving neighbourhoods and people powered as key transforming priorities and these guide approach to the landlord and tenant relationship. The tenant forum meetings and homeowner forum meetings have been revived since the pandemic with in-person attendance allowing effective joint working with residents. The council has set up a new housing forum with attendance from the Chief Executives of housing associations with significant stock in the borough. Actions plans have been put in place to continue to improve the housing repairs service and to align the response time to complaints to the Housing Ombudsman codes.

7.12 The council is preparing for a new regulatory regime from the social housing regulator in 2024 onwards. The council has been working with Housing Quality Network to ensure we can address any identified gaps and issues to ensure the council is complying with the required standards as set by the regulator.

Southwark 2030

7.13 The council continues to commit to a shared long term vision of the future, despite an uncertain economic climate. The council has created a £3m Southwark 2030 Fund to invest in projects that will help realise the ambition of Southwark 2030. These projects will be inspired by the shared needs and desires identified through engagement with residents, community organisations and businesses throughout the borough.

¹ London PRS affordability briefing

Macroeconomic outlook

7.14 In the spring 2023 budget, the Chancellor, Jeremy Hunt, set out his plan for stabilising the UK economy and reducing inflation. The Chancellor's plan was essentially two separate budget planning periods. The first for the next 2 years, 2023-2025 before the general election, which retains the targets set out in the 2021 Spending Review. And the second planning period, 3 years from 2025-2028, where average government spending is planned to rise by 1% p.a. For local government, this suggests a potential cash reduction over the 3 year period 2025-28 as other government departments have already secured rises above the announced 1% (NHS/Defence). In addition, by May 2023, the Bank of England had raised interest rates for the 12th time in a row to 4.5% after UK inflation failed to drop as predicted. So it's likely that any government budget plans will be changed. A possible general election in autumn 2024 creates further uncertainty around long term economic planning so any prediction post 2025 is highly speculative.

Local government funding

7.15 The local government settlement for 2023-24 announced an average 9% increase in core spending power, to help deal with inflationary and other cost pressures together with extra funding for social care. This social care funding had been earmarked for the adult social care reforms but these were delayed until October 2025 and resources recycled to support current care pressures. There was no indication of how the delayed adult social care reforms can now be financed, so there is uncertainty as to whether the plans will go ahead.

7.16 The policy statement had suggested that this would be a two year settlement allowing for more stability and longer term planning. However, at the provisional settlement in December 2022, the proposed funding allocations were for 2023-24 only and a set of principles for funding in 2024-25. Without individual authority level allocations, a detailed 2-year budget cannot be produced with any degree of certainty.

7.17 Allocations for the Dedicated Schools Grant (DSG) were published alongside the provisional settlement but the planned policy reforms aimed at reducing the pressure on high needs budgets have not been published to date. This will be needed to ensure that high needs deficits are eliminated before the end of March 2026, when the statutory override arrangements are due to end.

Recruitment and retention of staff

7.18 The Spring 2023 statement made no announcements on public sector pay and the IFS commented that if public sector pay continues to fall in real and relative terms to the private sector there will be a consequence in terms of recruitment, retention and service delivery. Shortages of workers due to people retiring earlier and the continuing

impact of Brexit, will create further competition with private sector companies who have already adapted to this challenge by higher wages and enhanced benefits. The council will have to ensure that retention and recruitment of professional and experienced staff are prioritised. This will be essential to support the ambitious council capital programme and to drive through the commitments in the Council Delivery Plan.

Change of external auditor

7.19 The council is part of the Public Sector Audit Appointments (PSAA) national scheme which appoints the council's external auditors. KPMG has appointed to act as the external auditors for five years from 2023-24. They replace the current auditors, Grant Thornton. Currently, there is significant uncertainty, accounting technicalities and capacity issues in the external audit market, with delays nationally to signing off local authority accounts. A change to the external auditor may add to these delays and disruption in the first year of the audit in 2023-24.

Conclusion

8.1 The council has been hugely impacted by instability in the economy and the consequent ongoing cost of living crisis in 2022-23. Governance arrangements have again been tested but have found to be robust and resilient.

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 Date:

Leader of the Council Date:

| Item No. 13. | Classification: Open | Date: 17 July 2023 | Meeting Name: Audit, governance and standards committee |
|------------------------|------------------------------|----------------------------------|---|
| Report title | 9: | Review of Communication Protocol | |
| Ward(s) or | d(s) or groups affected: All | | |
| From: | | Assistant Chief Assurance) | Executive (Governance and |

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RECOMMENDATIONS

1. That the committee notes this report and considers changes to the communication protocol.

BACKGROUND INFORMATION

- 2. The council has a communication protocol that is included in part 6 of the constitution. The protocol is reviewed periodically by the committee with a view to any amendments needing to be signed off by council assembly. The protocol was last amended in 2019 with a few minor changes.
- 3. The communication protocol provides guidance to members and officers about the ways in which publicity will be issued or produced by the council, and on how council resources can be used by members. It makes reference to the statutory requirement regarding publicity, and to the Government Code of Recommended Practice on Local Authority publicity. There is no statutory requirement for a communication protocol but it is considered to be good practice and helpful to clarify expectations of members and officers.
- 4. The Assistant Chief Executive (Governance and Assurance) as Monitoring Officer has reviewed the current code, in consultation with the Head of Communications and Corporate Consultation, and is proposing a number of changes to the protocol as shown in the tracked changed version attached as Appendix 1.

KEY ISSUES FOR CONSIDERATION

- 5. Changes proposed by the Assistant Chief Executive (Governance and Assurance) involve the following:
 - 1. A reordering at the beginning of the protocol to make clear a summary of the principles on which it is based and to add the legal provisions as an appendix.
 - 2. Further clarification of the section on visits by government and shadow ministers and other politicians to the council, and to council events. This makes it clear that politicians cannot be invited to speak at council events where their views are likely to affect support for a political party. It also clarifies that council resources cannot be used to facilitate visits by a delegation from a political party from another country.

- 3. Further clarification of the guidance relating to postage.
- 4. Updating and clarifying some of the references and the wording.
- 6. The Head of Communications is currently considering changes to update the section on social media with a view to this being incorporated in a final version.
- 7. The committee is asked for any comments or observations on the protocol so that these can be taken into account in any further proposals. These will then be put to the Constitutional Steering Panel prior to submission to the Council assembly for sign off.
- 8. A comparison with a sample of constitutions of some other London local authorities has been undertaken. Although not headed as "communication protocols" these include similar protocols relating to publicity, and guidance relating to the members' use of council resources. Nothing particularly different has been identified from these that is recommended for inclusion in the Southwark protocol.

Policy framework implications

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

Community and equalities (including socio-economic) impacts

10. When issuing publicity in any particular situation, council officers will be mindful of the public sector equality duty, giving due to have due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others.

Health Impacts

11. There are no specific identified health impacts resulting from the matters addressed in this report, so a health impact statement is not considered necessary.

Climate change implications

12. There are no specific climate change issues arising from the matters dealt with in this report.

Legal implications

13. The specific legal context is referred to in the protocol itself. Section 2 of the Local Government Act 1986 states that a local authority shall not publish, arrange for the publication of or assist others to publish any material, which in whole or in part appears to be designed to affect public support for a political party. A code of recommended practice for local authority publicity was issued by the Government in 2011.

Financial implications

14. The resources needed for dealing with communications in accordance with

the protocol will be contained within departmental budgets, unless special provision is needed in any particular case.

Consultation

15. There has not been any consultation in relation to this report.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|-------------------|---------|---------|
| None | | |

APPENDICES

| No. | Title |
|-----|--|
| 1 | Tracked changed Communication Protocol |

AUDIT TRAIL

| Lead Officer | Doreen Forrester-Brown Assistant Chief Executive (Governance and Assurance) | | | |
|---|---|---|--------------|--|
| Report Author | Allan Wells, Specia | Allan Wells, Specialist Governance Lawyer | | |
| Version | Final | Final | | |
| Dated | 27 June 2023 | | | |
| Key Decision? | No | | | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | | | |
| Officer Title Comments Sought Comments included | | | | |
| Assistant Chief Exe (Governance and A | | Yes | Incorporated | |
| Strategic Director of | of Finance No No | | | |
| Cabinet Member N/a | | N/a | | |
| Date final report sent to Constitutional Team28 June 2023 | | | 28 June 2023 | |



COMMUNICATION PROTOCOL

Introduction

This protocol provides guidance to members and officers about the ways in which publicity will be issued or produced by the council, and on how council resources can be used by members.

In summary:

The council can not produce publicity that appears to be designed to affect public support for a political party or a particular member's political views

Council resources can not be used to provide support for a political party or the political activity of any member.

Members and officers need to take particular care in periods immediately prior to an election or referendum; the monitoring officer will issue specific guidance during such times.

The protocol also applies to any material issued by organisations that are either wholly or partly separate from the council but which use council's grants or other funding from the council to produce the publicity

It is important to bear in mind that publicity is widely defined as "any communication in whatever form, addressed to the public at large or to a section of the public".

The statutory framework and Code of Publicity

When publishing any material at any time, a local authority must comply with the provisions of the Local Government Act 1986 (the Act) and the Code of Recommended Practice on Local Authority Publicity 2011 (the Code) which was revised on 31 March 2011. Details are included in the Appendix.

- 1. The key points to note from the Act and the Code are that publicity by local authorities should:
 - (1) be lawful
 - (2) be cost-effective
 - Consideration needs to be given to achieving value for money and to what is the most appropriate publicity in each case.
 - The code requires that where central government publicity has been issued on a matter, local authorities should not incur expenditure on publicity on the same matter unless they consider additional value is added, i.e. by giving a local context to national issues.

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

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

Publicity of individual councillors

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

Ward member of the council

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

Official visits by government, shadow ministers and other politicians

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

appropriate. Politicians will not be permitted to speak at or otherwise participate in a council event when presenting views which are likely to affect support for a political party.

10. Council resources can not be used to facilitate visits by a delegation from a political party from another country. This should be distinguished from an official visit from a foreign government or foreign local authority where the council is hosting appropriate representatives, dignitaries and/or officials from the relevant body.

Visits by local and other Members of Parliament (MPs)

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

Promotional publicity

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

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

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

Scrutiny

15. Publicity about scrutiny will concentrate on factual information about which scrutiny exercises the council is conducting, who is involved, the process they will follow and the decisions they take. Where scrutiny suggests a course of action that differs to or challenges one agreed by the cabinet or any other

council decision making body, this would be made clear in publicity together with the process for resolving the difference.

Contact with press

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

Press releases

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

Social media

- 18. It is acceptable for the council to host social media, such as a blog, which itself contains links to external sites where the content would not itself comply with the code. However care needs to be exercised in that such links do not:
 - contain content that may result in actions for libel, defamation or other claims for damages
 - be used to process personal data other than for the purpose stated at the time of capture
 - be used in an abusive, hateful or disrespectful manner.
- 19. However particular care must be taken during the period before elections and referendums to ensure that no breach of any legal restriction takes place. It may be necessary to suspend the hosting of material produced by third parties or public forums during such periods.
- 20. In addition, where members are present as voting members at any meeting where they are determining any application for any approval, consent, licence, permit or permission, they should not access the internet (except as it relates to the official business of the meeting), send or receive emails, text, messages or tweets concerning the business of that committee. Further advice is given by the monitoring officer's guidance 'A few top tips for members using social media' issued in September 2016. http://thesource/tools-and-resources/communications/

Publicity during periods of heightened sensitivity

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

The role of the communications unit

- 24. The communications unit works on behalf of the council and not for any political party. The purpose of its work is to provide high quality information about the council, its policies and its services and to maintain public confidence and where appropriate to protect and to promote the council's reputation. It aims to encourage better relationships with the local community. It is important to remember that all publicity and press releases are directed through the communications unit so these goals can be achieved.
- 25. The head of communications can advise members on how to deal with press enquiries, and how to arrange publicity for events, which can be properly publicised. Members have a remit to discover and make public inefficiency and poor public service; however, they should be careful where a matter they wish to make public relates to identifiable officers.
- 26. Publicity and information will cover areas such as why the council makes the decisions it does, and why other proposals are rejected. The communications unit will feature the decisions of the council, i.e. those decisions made by the council assembly, cabinet, scrutiny, planning or licensing committees, or those actions which have been taken within the broad policy framework already set by the council, subject to any call-in arrangements.

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

27. Council staff and resources must not be used to arrange proactive events, such as photocalls, if they would provide politicians with a platform to communicate with the public that would not otherwise be available to them.

When considering whether a communication or publicity is appropriate to be issued, officers should ask themselves whether the communication or publicity is objective, balanced, informative and accurate.

- 28. Where officers are uncertain as to whether a communication or publicity is appropriate they should seek advice from the communications unit and the monitoring officer.
- 29. If officers are concerned about the suitability of proposed publicity, they should seek to explain why and offer an alternative form of words. Again the communications unit or the monitoring officer can offer guidance on what would be appropriate.

The role of the Mayor

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

Key spokespeople

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

Correspondence

- 33. Generally correspondence from one member to an officer should not be copied to, or discussed with, another member without the member's consent subject to any rights of access arising from the Freedom of Information Act 2000, the UK GDPR and the Data Protection Act 2018. If a member has sought advice from an officer and included a circulation list, it can be assumed that the officer's response can be circulated to those people on the circulation list for the original letter, even if that list includes other members.
- 34. This does not prevent officers copying letters to each other about casework across ward or interest boundaries in order to respond to a member inquiry. Points of general interest to all members may be converted into general advice, and circulated (within the limitations set down in the Data Protection Act). A chief officer is also able to advise a relevant cabinet member in general terms of an issue raised with the chief officer in correspondence, or otherwise, by another member.
- 35. Official letters from the council should normally be sent out in the name of the appropriate officer rather than a member. It may be appropriate for members to write in certain circumstances (e.g. representations to a government minister); however, this would be the exception rather than the norm. Letters which create obligations or give instructions should not be sent out in the name of a member.

Postage

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

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

- 38. Members are entitled to use council resources to respond to requests that their constituents have raised with them for action and explain what action has been taken, but not generally to publicise their work in the ward. Requests to send out large numbers of letters will have to show what demand is being responded to, and that the letter is a proportionate response to that demand. In any event, member services do not have the resources to send out more than one batch of such letters a month for any member. Members are reminded that this is a finite resource, and member services may need to limit the use of this if excessive costs are incurred. Further advice is given by the monitoring officer's guidance 'Correspondence and Mailshots' issued 8 May 2019: (http://moderngov.southwark.gov.uk/documents/s82430/Correspondence%20a nd%20Mailshots%20MO%20Guidance%202019.pdf).
- 39. Where members are uncertain as to whether a communication or publicity is appropriate they should seek advice from the head of communications and the monitoring officer in those cases.

Emails

- 40. Email and internet access facilities are provided to members to support work on council related activities. The standards set out for officers in the use of emails apply equally to members. The key standards are that:
 - any behaviour or comment that is not permitted in the spoken or paper environment is also not permitted in an email message
 - email messages should be inoffensive and should not be construed to harass
 - emails must not incite racial hatred or be pornographic in nature either in the body of the text or as an attachment
 - chain emails should not be forwarded on.
- 41. As a general rule, emails cannot be used for party political purposes but:
 - emails organising the political group in relation to council business are allowed
 - the use of the email address in a party political leaflet to advertise a ward surgery or as a means of allowing residents to contact their ward members on non-party political matters is allowed
 - emails to newspapers as a means of commenting on council business from the political group's perspective are allowed.
- 42. Members should note the requirements for social media are given in a previous section.
- 43. Members should remember that emails may be subject to disclosure if a request is made under the Freedom of Information Act 2000.
- 44. Any use of IT resources, including email and the internet, that contravenes any legislation (such as the UK GDPR, the Data Protection Act 2018; the Computer Misuse Act 1990; and the Copyright, Designs and Patents Act 1988 (as

amended)); or breaches the general obligations of the code of conduct for members; or breaches council policies on information security is considered to be unacceptable. Members are responsible for the content of any email sent from their username and in certain circumstances the council may also be found liable for the content of such email.

- 45. Emails and other personal information should be retained only for the minimum period necessary, in accordance with the UK GDPR and the Data Protection Act 2018. Further details on the UK GDPR and Data Protection Act in term of members' business use can be obtained from legal services.
- 46. It is important that members manage the information that they store to ensure its availability, confidentiality and integrity. Therefore members should regularly review all council information (including files and email messages) they hold and delete all redundant or irrelevant data.
- 47. Where a telephone number and/or email address has been issued to a member or group of members it is expected that these will be publicised except on political publicity material.

APPENDIX

Section 2 of the Local Government Act 1986 states::

- (1) A local authority shall not publish, arrange for the publication of or assist others to publish any material, which in whole or in part appears to be designed to affect public support for a political party
- (2) In determining whether material falls within the prohibition regard shall be had to the content and style of the material, the time and other circumstances of the publication and the likely effect on those to whom it is directed and in particular the following matters:
 - whether the material refers to a political party or to persons identified with a political party or promotes or opposes a point of view on a question of political controversy which is identifiable as the views of one political party and not of another
 - b) where the material is part of a campaign, the effect that the campaign appears to be designed to achieve.

Section 6 of the Act defines publicity and related expressions as "any communication in whatever form, addressed to the public at large or to a section of the public".

The Act also makes provision for the Secretary of State to direct a local authority to comply with the Code.

Here is a link to the <u>code of recommended practice for local authority publicity.</u>

| Item No. 14. | Classification: Open | Date: 17 July 2023 | Audit, g | g Name: Jovernance and ds committee | l |
|-----------------------------|-------------------------|--|-----------|--|-----|
| Report title: | | Review of the Members' Code of Conduct | | | |
| Ward(s) or groups affected: | | All | | | |
| From: | | Assistant Chief Assurance) | Executive | (Governance | and |

RECOMMENDATIONS

1. That the committee notes this report.

BACKGROUND INFORMATION

- 2. The Localism Act 2011 provided for local authorities to establish their own local arrangements for approving a members' code of conduct, and for dealing with any complaints about the code.
- 3. Following the implementation of the Act in 2012, Southwark Council approved its own code of conduct, formed a standards committee and appointed independent persons.
- 4. The responsibility for standards activity including the monitoring of the operation of the members' code of conduct passed to this committee in April 2016.
- 5. In 2021, the Local Government Association (LGA) issued a new model code of conduct. Whilst it remains the council's decision to adopt its own code of conduct, the monitoring officer has previously advised the committee that it would be timely to review the council's current code in the light of the LGA model code, and consider whether it should be changed. Options would be to keep the current code, to adopt the LGA code in its entirety or to amend the current code which may include some elements of the LGA code.
- 6. The current Members' code of conduct is in Part 5 of the council's constitution. The LGA model code is attached as Appendix 1.
- 7. This paper sets out the monitoring officer's proposals for that review and seeks the committee's views.

KEY ISSUES FOR CONSIDERATION

8. The monitoring officer considers that it would be important to give the opportunity for all members to contribute to this review. She proposes that this might best be assisted by workshops, which would be facilitated by an external consultant who is a specialist in local authority governance and in particular members' codes of conduct. The monitoring officer considers that it would be helpful for at least one of these to be in person.

- 9. Prior to this, a paper will be produced setting out the options, and providing an analysis of the differences between the current code and the LGA model code, and some benchmarking of what other local authorities have done in the light of the model code being produced.
- 10. Any changes to the code of conduct will need agreeing by Council Assembly. Prior to that, and after the workshops, the monitoring officer would want to bring some proposals back to the committee for consideration and for onward recommendation to the Constitutional Steering Panel and Council Assembly. It may be helpful for a small working group of members to be established to assist the monitoring officer in drawing together those proposals.
- 11. An indicative timeline is as follows:

| Initial report to Audit Governance and Standards Committee | July 2023 |
|--|-------------------------|
| Briefing paper from Monitoring Officer sent to | September 2023 |
| all member via whips | |
| Workshops for members | November- December 2023 |
| Formulation of proposals- by monitoring officer | January-May 2024 |
| with member working group | |
| Report to Audit, Governance and Standards | July 2024 |
| Committee | |
| Report to Constitutional Steering Panel and | November 2024 |
| Council Assembly | |
| Any changes and new code to be | May 2025 |
| implemented at start of municipal year | |

Policy framework implications

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

Community and equalities (including socio-economic) impacts

- 13. The council has an open and transparent process for anyone to make a complaint against a member when they consider that the code of conduct has not been maintained. Information about the process is accessible on the council's website and there are arrangements in place for members of the public to make complaints in writing, or orally if necessary due to any disability or language difficulties.
- 14. In carrying out this review, members and officers will need to be mindful of the public sector equality duty, giving due regard to the need to eliminate discrimination, advance equality of opportunity, and to foster good relations between people with protected characteristics and others.

Health Impacts

15. There are no specific identified health impacts resulting from the matters addressed in this report, so a health impact statement is not considered necessary.

Climate change implications

16. There are no specific climate change issues arising from the matters dealt with in this report.

Legal implications

- The requirement for the council to have a code of conduct for members is contained in sections 27 and 28 of the Localism Act 2011. The code must, when viewed as a whole, be consistent with the following principles—(a) selflessness; (b) integrity; (c) objectivity; (d) accountability; (e) openness; (f) honesty; (g) leadership.
- 18. The code of conduct must also include the provision the authority considers appropriate in respect of the registration in its register, and disclosure, of—(a) pecuniary interests, and (b) interests other than pecuniary interests.

Financial implications

19. The resources needed for dealing with the complaints process are contained within current budgets

Consultation

20. All members and relevant senior officers will be consulted as part of this process. Views of the Independent Persons appointed by the council will also be sought and it is proposed to consult relevant local external organisations.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|--------------------------|------------------------------------|----------------------|
| Members' code of conduct | https://www.southwark.gov.uk/coun | Constitutional team; |
| and complaints procedure | cil-and-democracy/councillors-and- | constitutional.team |
| | mps/your-councillors?chapter=2 | @southwark.gov.uk |
| | 160 Tooley Street | _ |
| | PO Box 64529, | |
| | London, SE1P 5LX | |

APPENDICES

| No. | Title |
|-----|--|
| 1 | Local Government Association Model Code of Conduct |

AUDIT TRAIL

| Lead Officer | Doreen Forrester-Brown Assistant Chief Executive (Governance and Assurance) | | | | |
|--|---|--------------|--------------|--|--|
| Report Author | Allan Wells, Specialist Governance Lawyer | | | | |
| Version | Final | Final | | | |
| Dated | 28 June 2023 | 28 June 2023 | | | |
| Key Decision? | No | | | | |
| CONSULTATION W | CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | | | |
| Officer Title Comments Sought Comments included | | | | | |
| Assistant Chief Exe | ecutive (Governance | Yes | Incorporated | | |
| and Assurance) | | | | | |
| Strategic Director of | Finance | No | No | | |
| Cabinet Member | | N/a | N/a | | |
| Date final report sent to Constitutional Team5 July 2023 | | | | | |



Local Government Association Model Member Code of Conduct

Consultation

Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Councillor Izzi Seccombe OBE Leader, LGA Conservative Group

Hourd S

Councillor Howard Sykes MBE Leader, LGA Liberal Democrats Group

Nice forher

Councillor Nick Forbes CBE Leader, LGA Labour Group

Councillor Marianne Overton MBE Leader, LGA independent Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

In accordance with the public trust placed in me, on all occasions I will:

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

- impartially exercise my responsibilities in the interests of the local community
- not improperly seek to confer an advantage, or disadvantage, on any person
- · avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently and in the public interest

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media. As a councillor I commit to:

Civility

- 1. Treating other councillors and members of the public with civility.
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.

Civility means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a civil manner. You should not subject individuals, groups of people or organisations to unreasonable or excessive personal attack.

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

3. Not bullying or harassing any person.

Bullying may be characterised as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. The bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others. The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.

Officers work for the council as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

Confidentiality and access to information

5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.

6. Not preventing anyone getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and

printed materials are open to the public except in certain circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held by the council are treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

Disrepute

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

- 11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.
- 12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you. Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

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Example LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

- 1. an informal discussion with the monitoring officer or appropriate senior officer
- 2. an informal opportunity to speak with the affected party/ies
- 3. a written apology
- 4. mediation
- 5. peer support
- 6. requirement to attend relevant training
- where of a serious nature, a bar on chairing advisory or special committees for up to two months
- 8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

- CSPL recommend that "Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority".
- CSPL recommend that "councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches."
- 3. Subject to footnotes 1 and 2 above
- 4. See CSPL website for further details www.gov.uk/government/news/theprinciples-of-public-life-25-years
- 5. ACAS's definition of bullying

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Appendices

Code Appendix A

The principles are :

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Code Appendix B

Registering interests

- Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
- You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

- 3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
- 4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

- 5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
- 6. Where a matter arises at a meeting which affects –

a. your own financial interest or well-being;

b. a financial interest or well-being of a friend, relative, close associate; or

c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

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Table 1: Disclosable Pecuniary Interests

| Subject | Description |
|---|--|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession or vocation carried on for profit or gain. |
| vocation | [Any unpaid directorship.] |
| Sponsorship | Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. |
| | This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 . |
| Contracts | Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — |
| | (a) under which goods or services are to be provided or works are to be executed; and |
| | (b) which has not been fully discharged. |
| Land and Property | Any beneficial interest in land which is within the area of the council. |
| | 'Land' excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income. |
| Licences | Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer. |
| Corporate tenancies | Any tenancy where (to the councillor's knowledge)- |
| | (a) the landlord is the council; and |
| | (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of. |
| Securities | Any beneficial interest in securities* of a body where |
| | (a) that body (to the councillor's knowledge) has a place of business or land in the area of the council; and |
| | (b) either— |
| | (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or |
| | (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class. |

*'director' includes a member of the committee of management of an industrial and provident society.

*'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registerable Interests

| Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council; | | |
|--|---|--|
| Any Body— | (a) exercising functions of a public nature; | |
| | (b) directed to charitable purposes; or | |
| | (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) | |
| of which you are a mem | ber or in a position of general control or management. | |





Local Government Association

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For a copy in Braille, larger print or audio, please contact us on 020 7664 3000. We consider requests on an individual basis.

| Item No. 15. | Classification: Open | Date: 17 July 2023 | Meeting Name: Audit, Governance and Standards Committee | |
|-----------------------------|-------------------------|--|---|--|
| Report title: | | Formation of audit, governance and standards sub- committees for 2023-24: conduct sub-committee | | |
| Ward(s) or groups affected: | | All | | |
| From: | | Assistant Chief I Assurance | Executive – Governance and | |

RECOMMENDATION

- 1. That the committee appoint three members to form the audit, governance and standards (conduct) sub-committee.
- 2. That the committee appoint a chair of the sub-committee.

BACKGROUND INFORMATION

- 3. Southwark Council's constitution sets out as part of the role and responsibilities of the audit, governance and standards committee to establish the following sub-committees:
 - conduct sub-committee; to consider complaints of misconduct against elected councillors and co-opted members
 - civic awards sub-committee; to consider civic awards.
- 4. At its meeting on 6 June 2023, the committee established the membership of the civic awards sub-committee. It reserved the decision for the membership of the conduct sub-committee to its 17 July 2023 meeting.
- 5. The responsibilities of the conduct sub-committee is excerpted from the constitution below:

PART 3K: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Matters reserved for decision by the conduct sub-committee 40. To consider complaints of misconduct against elected councillors and co-opted members.

KEY ISSUES FOR CONSIDERATION

6. The membership for this sub-committee is drawn from the main committee.

- 7. The conduct sub-committee meets when it is required on an ad hoc basis; it has been required once in the past five years.
- 8. Sub-committees are not 'ordinary' committees and are each considered individually for the purposes of proportionality. So far as it is reasonably practicable to do so, the allocation of seats a sub-committee should bear the same proportion to the number of the seats held by that group on the council. The audit, governance and standards committee can agree an allocation that is disproportionate, provided no member votes against this.
- 9. The most proportionate allocation will depend on the number of members of the sub-committee. The following sub-committee size would provide the following allocation of places:

| Sub-committee | Total | Lab | Lib Dem |
|---------------------------------|-------|-----|---------|
| Audit, governance and standards | 3 | 2 | 1 |
| (conduct) sub-committee | | | |

Resource implications

10. There are none.

Community impact statement

- 11. Clear arrangements concerning the accountability of members are very important for promoting high standards of conduct. In addition it is important in aiding the decision-making process and helping to boost public confidence in the council. These arrangements ensure that members of the public are aware of the process in place to ensure that high standards of conduct are maintained within the council.
- 12. The council is committed to promoting civic engagement and good relations in our communities. The awards attract media interest and recognise the voluntary work of a number of people and organisations within Southwark, thus strengthening community cohesion.

APPENDICES

| No. | Title |
|-----|-------|
| | None |

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|-----------------------------------|---------------------------------------|--------------------------------------|
| Southwark Council Constitution | , , , , , , , , , , , , , , , , , , , | Virginia Wynn-Jones 020 7525 7055 |

AUDIT TRAIL

| Lead Officer | Doreen Forreste | er-Brown, Assistant | Chief Executive - | | |
|--|--------------------------|---|----------------------|--|--|
| | Governance and Assurance | | | | |
| Report Author | Virginia Wynn-Jo | Virginia Wynn-Jones, Principal Constitutional Officer | | | |
| Version | Final | | | | |
| Dated | 6 July 2023 | 6 July 2023 | | | |
| Key Decision? | No | No | | | |
| CONSULTATION | I WITH OTHER | OFFICERS / DIRE | CTORATES / | | |
| CABINET MEMB | ER | | | | |
| Officer Title | | Comments sought | Comments included | | |
| Assistant Chief Executive - | | N/A | N/A | | |
| Governance and Assurance | | | | | |
| Strategic Dire | ector of | No | No | | |
| Finance | | | | | |
| Cabinet Member | , | No | No | | |
| Date final report sent to Constitutional Team6 July 2023 | | | | | |

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MUNICIPAL YEAR 2023-24

COMMITTEE:AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)NOTE: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

| COPIES | | | |
|------------------------------------|---------------|---|----------|
| | | | |
| | 4 | FINANCE | Du amail |
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| Councillor John Batteson | By email | Tim Jones | By email |
| Councillor Gavin Edwards | By email | Geraldine Chadwick | By email |
| Councillor Sarah King | By email | | |
| Councillor Hamish McCallum | By email | | |
| Councillor Graham Neale | By email | | |
| Councillor Andy Simmons | 1 | BDO (Internal Auditor: Aaron Winters) By email | |
| RESERVES | | | |
| Councillor Cassandra Brown | By email | GRANT THORNTON | |
| Councillor Sam Foster | By email | | |
| Councillor Kimberly McIntosh | By email | Ciaran McLaughlin | By email |
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| Ms Amrit Mangra | By email | | |
| Mr Gary Roberts | By email | | |
| | 2, onian | | |
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| | | | |
| | | List Updated: May 2023 | |
| | | | |